CIVIL CODE OF THE REPUBLIC OF LITHUANIA

BOOK ONE
GENERAL PROVISIONS

PART I
CIVIL LAWS AND THEIR APPLICATION

CHAPTER I
CIVIL LAWS AND THE RELATIONSHIPS THEY REGULATE

Article 1.1. Relationships regulated by the Civil Code of the Republic of Lithuania

1. The Civil Code of the Republic of Lithuania shall govern property relationships and personal non-property relationships related with the aforesaid relations, as well as family relationships. In the cases provided for by laws, other personal non-property relationships shall likewise be regulated by this Code.

2. The provisions established by this Code shall apply to property relationships based on the legal subordination of persons to state institutions and directly resultant from their exercise of functions of state power (realization of subordination), or from the performance of persons' obligations established by laws towards the state, or from the infliction of administrative or criminal sanctions established by laws, including relationships in the field of taxation and other obligatory payments or dues to the state or to its institutions, also in the field of the state budget, as well as to any other relationships governed by the provisions of public law to the extent that these relationships are not regulated by the relevant laws, also in the cases when it is expressly prescribed by this Code.

3. Labour relationships shall be regulated by special laws. The provisions of this Code shall apply to labour relations to the extent that they are not regulated by special laws.

Article 1.2. Principles of legal regulation of civil relationships

1. Civil relationships shall be regulated in accordance with the principles of equality of their subjects' rights, inviolability of property, freedom of contract, non-interference in private relations, legal certainty, proportionality, and legitimate expectations, prohibition to abuse a right, as well as the principles of comprehensive judicial protection of civil rights.

2. No civil rights may be limited, except in the cases established by laws, or on the basis of a court judgment made in accordance with laws, where such limitation is necessary to protect public order, the principles of good morals, likewise the health and life of people, property of persons, their rights and lawful interests.

Article 1.3. Sources of civil law

1. The sources of the Civil law shall be the Constitution of the Republic of Lithuania, the present Code, other laws and international treaties of the Republic of Lithuania.

2. In the eventuality of contradictions between the present Code and other laws, the provisions of this Code shall apply, except in cases where this Code gives priority to the provisions of other laws.

3. Civil relationships may be regulated by the decisions of the Government and legal acts of other state institutions only in the cases and to the extent expressly indicated by laws. Where legal acts of the Government or those of the other state institutions contradict the provisions of the present Code or the norms of other laws, the provisions of the Civil Code, or those of the other laws shall prevail.

4. A court has the right to declare a legal act or a part thereof void if it contradicts the Civil Code or another law in those cases where the supervision of the conformity of this act to the Constitution or to other laws is not within the competence of the Constitutional Court. The court, having recognized such a legal act to be void, shall within 3 days send a copy of its judgement to the institution or the official that has passed the legal act concerned. The *res judicata* court judgement shall be published in "*Valstybės žini*os" ("The Official Gazette").

Article 1.4. Customs

1. In the cases established by laws or agreed on in contracts, civil relationships shall be regulated by customs.

2. Customs may not be applied if they are contrary to the mandatory legal norms or to the principles of good faith, reasonableness and justice.

Article 1.5. Application of the criteria of justice, reasonableness and good faith

1. In exercise of their rights and performance of their duties, the subjects of civil relationships shall act according to the principles of justice, reasonableness and good faith.

2. In the cases when laws do not prevent subjects of civil legal relationships from determining their mutual rights and duties upon agreement between themselves, these subjects shall act in accordance with the principles of justice, reasonableness and good faith.

3. If laws or an agreement between the parties provide for certain issues to be decided by a court according to its discretion, the court shall act in accordance with the principles of justice, reasonableness and good faith.

4. In interpreting and applying laws, the court shall be guided by the principles of justice, reasonableness and good faith.

Article 1.6. Ignorance of laws or improper understanding thereof

Ignorance of laws or improper understanding thereof shall not exempt from the application of the sanctions established therein, and shall not justify the failure to comply with the requirements of laws, likewise improper compliance therewith.

Article 1.7. The effect of civil laws

1. Civil laws and the other legal acts regulating civil relationships shall enter into force only upon their publication within the procedure established by the laws.

2. Civil laws and other legal acts regulating civil relationships shall have no retroactive effect.

Article 1.8. Analogy of a statute and law

1. Civil relationships not regulated by the norms of the Civil law shall be governed by civil laws that regulate similar relationships (analogy of statute).

2. In absence of relevant civil laws regulating similar relationships, general principles of law shall be applied (analogy of law).

3. Special norms, i.e. those establishing exceptions to general rules, may not be applied by analogy.

Article 1.9. Principles of interpretation of the Civil Code provisions

1. In order to ensure the integrity of the present Code and the conformity of its separate structural parts, the provisions of this Code in the process of their application shall be interpreted by taking into account the structure and system of this Code.

2. The words and word combinations used in this Code shall be interpreted according to their general meaning, except in those cases where it is clear from the context that a word or word combination is used in a special – legal, technical or any other – meaning. In the cases of non-conformity between the general and the special meaning of a word, priority shall be given to the special meaning.

3. In determining the right meaning of an applicable norm, the purposes and tasks of the Civil Code and the norm concerned shall be taken into consideration.

CHAPTER II
PRIVATE INTERNATIONAL LAW

SECTION ONE
GENERAL PROVISIONS

Article 1.10. Application of foreign law

1. Foreign law shall apply to civil relationships where it is so provided for by the international treaties of the Republic of Lithuania, agreements between the parties or the laws of the Republic of Lithuania.

2. A reference to foreign law shall include all the provisions applicable to the facts of a case under that law. The application of a provision of foreign law may not be precluded solely because of the provision being attributed to public law.

3. A reference to an applicable foreign law means a reference to the national material law of the state concerned, but not a reference to the private international law of that state, except in cases provided for by this Code.

4. Where the legal system of the state to which the renvoi is made by the provisions of this Code comprises different legal systems based on the criteria of division into several territorial units, a reference to an applicable foreign law shall mean a reference to the legal system of the relevant territory determined in accordance with the criteria established in the law of that foreign state.

5. Where the legal system of the state to which renvoi is made by the provisions of this Code comprises several legal systems applied to different categories of persons, the applicable legal systems shall be determined in accordance with the criteria established in the law of that foreign state.

6. Where the criteria foreseen in paragraphs 4 and 5 of this Article may not be identified within the scope of the applicable foreign law, the law of the legal system to which the relevant case is most closely connected shall apply.

Article 1.11. Limitation of the application of foreign law

1. The provisions of foreign law shall not be applied where the application thereof might be inconsistent with the public order established by the Constitution of the Republic of Lithuania and other laws. In such instances, the civil laws of the Republic of Lithuania shall apply.

2. Mandatory provisions of laws of the Republic of Lithuania or those of any other state most closely related with a dispute shall be applicable regardless of the fact that another foreign law has been agreed upon by the parties. In deciding on these issues, the court shall take into consideration the nature of these provisions, their purpose and the consequences of application or non-application thereof.

3. In accordance with this Code, the applicable foreign law may not be given effect where, in the light of all attendant circumstances of the case, it becomes evident that the foreign law concerned is clearly not pertinent to the case or its part, with the case in question being more closely connected with the law of another state. This provision shall not apply where the applicable law is determined by the agreement of the parties.

Article 1.12. Determination of the content of foreign law

1. In the cases established by the international treaties of the Republic of Lithuania or by the laws of the Republic of Lithuania, the application, interpretation and determination of the content of foreign law shall be performed by the court *ex officio* (on its own initiative).

2. In the instances where the application of foreign law is established upon agreement between the parties, the burden of proof in relation to the content of the applicable foreign law in accordance with its official interpretation, practice of application and the law doctrine in the relevant foreign state, shall be imposed on the disputing party that refers to the foreign law. Upon request of the disputing party, the court may provide assistance in collecting information on the applicable foreign law.

3. If the court or the disputing party that refers to foreign law fails to perform the obligation indicated in paragraphs 1 and 2 of this Article, the law of the Republic of Lithuania shall apply.

4. In the exceptional cases where it is necessary to take immediate interim measures to protect the rights or the property of a person, the court may decide on the urgent questions by applying the law

of the Republic of Lithuania pending the determination of the law applicable to the dispute and the content thereof.

Article 1.13. International treaties

1. Where the provisions established in the international treaties of the Republic of Lithuania are different from those determined by the present Code and other laws of the Republic of Lithuania, the provisions of the international treaties of the Republic of Lithuania shall apply.

2. The international treaties of the Republic of Lithuania shall apply to civil relationships directly, except in cases where an international treaty establishes that a special national legal act is necessary for its application.

3. The provisions of international treaties shall be applied and interpreted in accordance with their international character and the necessity to guarantee a unified interpretation and application thereof.

Article 1.14. Referring back and referring to the law of a third state (renvoi)

1. If the applicable foreign law refers back to the Lithuanian law, that reference shall be observed only in the instances provided for by this Code or the foreign law.2. If the applicable foreign law refers to the law of a third state, that reference shall be observed only in the instances provided for by this Code or the law of the third state.

3. If in the matters of determining the civil legal status of a person, the applicable foreign law refers back to the law of the Republic of Lithuania, such reference shall be observed.

4. Paragraphs 1, 2 and 3 of this Article shall not apply in the instances where the applicable law has been chosen by the parties to a transaction, likewise in determining the applicable law to the form of a transaction and to non-contractual obligations.

5. Where the provisions of this Chapter provide for the application of an international treaty (convention), the matters of renvoi, i.e. referring back and referring to the law of a third state, shall be decided in accordance with the provisions of the applicable international treaty (convention).

SECTION TWO
LAW APPLICABLE TO THE CIVIL LEGAL STATUS OF NATURAL PERSONS

Article 1.15. Civil capacity of foreign citizens and stateless persons

1. Foreign citizens in the Republic of Lithuania shall possess the same civil capacity as the citizens of the Republic of Lithuania. Exceptions to this rule may be established by the laws of the Republic of Lithuania.

2. The time of birth and death of foreign citizens shall be determined in accordance with the law of the state where was the domicile of the foreign citizens (Article 2.12 of this Code) at the moment of their birth or death.

3. Stateless persons shall possess the same civil capacity as the citizens of the Republic of Lithuania. Special exceptions to this rule may be established by the laws of the Republic of Lithuania.

4. The time of birth and death of stateless persons shall be determined in accordance with the law of the state where was the domicile of the stateless persons at the moment of their birth or death.

Article 1.16.Civil active capacity of foreign citizens and stateless persons

1. Civil active capacity of foreign citizens or stateless persons shall be governed by the laws of their state of domicile.

2. If such persons have no domicile or it cannot be determined with certainty, their legal active capacity shall be determined in accordance with the laws of the state within the territory of which these persons formed a relevant transaction.

3. If a person has residence in more than one state, the law of the state with which he is the most closely connected shall apply.

4. The ascertainment of incapacity or limited capacity of foreign citizens and stateless persons with permanent residence in the Republic of Lithuania shall be governed by the laws of the Republic of Lithuania.

5. A change of domicile shall not affect civil active capacity if that capacity was acquired prior to the change of domicile.

Article 1.17. Prohibition to invoke incapacity

1. A party to a transaction, who is incapable under the law of the state of his domicile may not invoke his incapacity if he was capable under the law of the state in which the transaction was formed, unless the other party was or should have been aware of the first party's incapacity under the law of the state of the latter's domicile.

2. Provisions of paragraph 1 of this Article shall not apply to family law and the law of succession, as well as to real rights.

Article 1.18. Declaration of foreign citizens and stateless persons to be missing or dead

Foreign citizens and stateless persons shall be acknowledged missing or declared dead in accordance with the law of the state of their last known domicile.

SECTION THREE
LAW APPLICABLE TO LEGAL PERSONS OR ANY OTHER ORGANISATIONS

Article 1.19. Civil capacity of foreign legal persons or any other organisations

1. Civil capacity of foreign legal persons or any other organisations shall be governed by the laws of the state where these persons or organizations are founded.

2. If the procedure of founding a foreign legal person or any other organisation has been violated, its civil capacity shall be determined by the law of the state of its actual functioning.

3. Irrespective of the state of foundation of a legal person or any other organisation, the civil capacity of its subdivisions shall be determined in accordance with the law of the Republic of Lithuania if the head office, principal place of business or other activity of the subdivision is located in the Republic of Lithuania.

4. Merger, association or transfer of the head office of legal persons or any other organizations, one of which is located in the Republic of Lithuania and the other in a foreign state, shall have effect on their civil capacity in the Republic of Lithuania only if implemented in conformity with the laws of both states concerned.

Article 1.20. Issues regulated in accordance with the applicable law

1.The following shall be regulated in accordance with the applicable law determined in Article 1.19 of this Code:

1) the legal nature (legal form and status) of a legal person or any other organization;

2) foundation, reorganization and liquidation of a legal person or any other organization;

3) the name of a legal person or any other organization;

4) the system and competence of the bodies of a legal person or any other organization;

5) civil liability of a legal person or any other organization;

6) the power to represent a legal person or any other organization;

7) legal effects of the violation of laws or founding documents;

2. Protection against infringement of the business name of a legal person or any other organization registered in the Republic of Lithuania shall be governed by the law of the Republic of Lithuania.

Article 1.21. Law applicable to the representative offices and branches of foreign legal persons or any other organizations

1. Representative offices and branches of foreign legal persons or any other organizations registered in the Republic of Lithuania shall be governed by the law of the Republic of Lithuania.

2. At least one of the persons acting on behalf of a representative office or a branch shall be bound to reside in the Republic of Lithuania.

3. The rights and obligations (competence) of the persons acting on behalf of a representative office or a branch registered in the Republic of Lithuania shall be determined by the law of the Republic of Lithuania.

Article 1.22. Law applicable to representatives of foreign legal persons or any other organizations and to their civil liability

1. If the business of a legal person or any other organization founded under foreign law is conducted in the Republic of Lithuania, the civil liability of the persons acting on behalf and in the interests of those legal persons or any other organizations shall be governed by the law of the Republic of Lithuania.

2. A legal person or any other organization may not claim for annulment or invalidity of a transaction formed by its body or any other representatives in excess of their competence (powers) if the law of the state where the domicile or the head office of the other party to the transaction is located does not provide for any restrictions on their representative powers, unless the other party knew or, taking into account its position and the relationship with the other party, should have known of such restrictions.

Article 1.23. Law applicable to the state and state institutions as well as to local governments and local government institutions as subjects to civil legal relationships

Civil capacity of the state and state institutions as well as those of local governments and local government institutions shall be governed by the law of the state concerned.

SECTION FOUR
LAW APPLICABLE TO FAMILY LEGAL RELATIONSHIPS

Article 1.24. Law applicable to a promise to marriage

1. A promise to marry and its legal effects shall be governed by the law of the state of domicile of the parties to the promise.

2. Where the parties to the promise of marriage are domiciled in different states, the promise of marriage and its legal effects shall be governed by the law of the place where the promise was made, or by the law of the state of domicile of one of the parties, or by the law of the state of citizenship of one of the parties, whichever law is most closely related with the dispute.

Article 1.25. Law applicable to the conditions to contract marriage

1. Matrimonial capacity and other conditions to contract marriage shall be governed by the law of the Republic of Lithuania.

2. Civil Registration Bureaus of the Republic of Lithuania shall have jurisdiction to perform the registration of marriage if either of the persons intending to marry is domiciled in the Republic of Lithuania or is a Lithuanian citizen at the time of solemnization of the marriage.

3. Matrimonial capacity and other conditions to contract marriage in respect of foreign citizens and stateless persons without Lithuanian domicile may be determined by the law of the state of domicile of both persons intending to marry if such marriage is recognized in the state of domicile of either of them.

4. A marriage validly performed abroad shall be recognized in the Republic of Lithuania, except in cases when both spouses domiciled in the Republic of Lithuania performed the marriage abroad with the purpose of evading grounds for nullity of their marriage under Lithuanian law.

Article 1.26. Law applicable to the procedure of contracting marriage

The procedure of contracting marriage shall be determined in accordance with the law of the state where the marriage is solemnized. Marriage shall also be recognized valid if the procedure of its contracting is in compliance with the requirements of the law of the state of domicile of either of the spouses or the law of the state of citizenship of either of them at the moment of solemnization of the marriage.

Article 1.27. Law applicable to personal relations between spouses

1. Personal relations between spouses shall be governed by the law of the state of their domicile.

2. Personal relations between the spouses domiciled in different states shall be governed by the law of the state of their last common domicile. Where the spouses have never had a common domicile, the law applicable to their personal relations shall be the law of the state to which the personal relations between the spouses are the most closely related. Where it is not possible to determine to the law of which state the personal relations between the spouses are the most closely related, the law of the state where the marriage was solemnized shall apply.

Article 1.28. Law applicable to matrimonial property relations between spouses

1. The matrimonial property legal regime shall be governed by the law of the state of domicile of the spouses. Where the spouses are domiciled in different states, the law of their common state of citizenship shall apply. Where the spouses have never had a common domicile and are citizens of different states, the law of the state where the marriage was solemnized shall apply.

2. The law applicable to contractual legal regime of matrimonial property shall be determined by the law of the state chosen by the spouses upon agreement. In this event, the spouses may choose the law of the state in which they are both domiciled or will be domiciled in future, or the law of the state in which the marriage was solemnized, or the law of the state a citizen of which is one of the spouses. The agreement of the spouses upon the applicable law shall be valid if it is in compliance with the requirements of the law of the chosen state or the law of the state in which the agreement is made.

3. The applicable law chosen upon agreement of the spouses may be invoked against third persons only if they knew or should have known of that fact, i.e. if the third party knew or should have known the chosen law that governed the matrimonial property regime when the legal relationship commenced.

4. The applicable law chosen upon agreement of the spouses may be used in resolving a dispute related to real rights in immovable property only in the event if the requirements of public registration of this property and of the real rights therein, as determined by the law of the state where the property is located, were complied with.

5. Any agreed change of matrimonial property legal regime shall be governed by the law of the state of domicile of the spouses at the time of the change. If the spouses were domiciled in different states at the time of change of the matrimonial property legal regime, the applicable law shall be the law of their last common domicile, or failing that, the law governing matrimonial property relationships between the spouses.

Article 1.29. Law applicable to separation and dissolution of marriage

1. Separation and dissolution of marriage shall be governed by the law of the spouses' state of domicile.

2. If the spouses do not have their common domicile, the law of the state of their last common domicile shall apply, or failing that, the law of the state where the case is tried.

3. If the law of the state of common citizenship of the spouses does not permit a dissolution of marriage or imposes special conditions for dissolution, the dissolution of marriage may be performed

in accordance with the law of the Republic of Lithuania if one of the spouses is also a Lithuanian citizen or is domiciled in the Republic of Lithuania.

Article 1.30. Jurisdiction in the cases of annulment, dissolution of marriage and separation

The courts of the Republic of Lithuania shall have jurisdiction over actions of annulment, dissolution of marriage or separation in the cases provided for by the Code of Civil Procedure of the Republic of Lithuania.

Article 1.31. Law applicable to the ascertainment of the origin of a child (legitimation)

1. The origin of a child (ascertainment or contest of paternity or maternity) shall be established either in accordance with the law of the state the citizenship of which the child acquired at his birth, or with the law of the state which is recognized as the domicile of the child at the time of his birth, or with the law of the state in which one of the child's parents is domiciled, or with the law of the state the citizen of which one of the parents was at the time of the child's birth, whichever is more beneficial to the child.

2. The consequences of legitimation shall be governed by the law of the state of domicile of the child.

3. If a child or one of his parents is domiciled in the Republic of Lithuania, the questions of legitimation shall be decided by the courts or other state institutions of the Republic of Lithuania.

4. The parents' (the father's or the mother's) legal active capacity in acknowledging paternity (maternity) shall be governed by the law of the state of his or her domicile at the time of the acknowledgement. The form of the acknowledgement of paternity (maternity) shall be governed by the law of the state in which it is made or by the law of the state of the child's domicile.

5. The provisions of this Article shall also apply to the legitimation of a child born out of wedlock.

Article 1.32. Law applicable to relations between the parents and the child

1. Personal and property relationships between the parents and the child shall be governed by the law of the state of the child's domicile.

2. If neither parent is domiciled in the state of the child's domicile, while the child and the parents are citizens of the same state, the law of the state of their common citizenship shall apply.

Article 1.33. Law applicable to adoption relationship

1. Relationships of adoption shall be governed by the law of the state of the child's domicile.

2. Where it becomes evident that the adoption performed according to the law of the state of the child's (the adoptee's) domicile will not be recognized in the state of domicile or citizenship of the adoptive parents (adoptive parent), the adoption may be performed pursuant to the law of the state of domicile or citizenship of the adopter (the adopters) if this will not prejudice the best interests of the child. If the recognition of adoption remains uncertain, the adoption shall not be allowed.

3. Relations between the adopted person (the adoptee) on the one side, and the adopting persons (the adopters) and the relatives of the latter on the other side shall be governed by the law of the state of the adopters' (the adopter's) domicile.

4. Cases related with adoption shall belong to the jurisdiction of the courts of the Republic of Lithuania if the child (the adoptee) or the adopting persons (adopting person) are domiciled in the Republic of Lithuania.

Article 1.34. Law applicable to protective measures in relation to minors, their guardianship and curatorship

Law applicable to protection of minors, their guardianship and curatorship shall be determined pursuant to the Hague Convention of 5 October 1961 concerning the Powers of Authorities and the Law Applicable in Respect of the Protection of Minors.

Article 1.35. Law applicable to guardianship and curatorship of family members who have reached majority

1. Guardianship and curatorship of family members who have reached majority shall be governed by the law of the state of such incapable persons' domicile.

2. Cases related with guardianship or curatorship of persons who have reached majority shall belong to the jurisdiction of the courts of the Republic of Lithuania if the incapable person's domicile or his property is located in the Republic of Lithuania.

Article 1.36. Law applicable to maintenance obligations (alimony relationships) within the family

Maintenance obligations (alimony) within the family shall be governed by the Hague Convention of 2 October 1973 on the Law Applicable to Maintenance Obligations.

SECTION FIVE
LAW APPLICABLE TO CONTRACTUAL OBLIGATIONS

Article 1.37. Law applicable to contractual obligations

1 Contractual obligations shall be governed by the law agreed by the parties. Such agreement of the parties may be expressed in the form of separate terms of the concluded contract or it may be determined in accordance with the factual circumstances of the case. The law of the state designated by the agreement of the contracting parties may be applied to the whole contract or only to a part or parts thereof.

2. The initially chosen law applicable to contractual obligations may be changed by the agreement of the parties at any time. A change of law shall be retroactive to the time the contract was concluded though such change may not adversely effect the rights of third persons and shall not prejudice the formal validity of the contract.

3. The choice of the law applicable to a contract as made by the agreement of the parties may not be the grounds for refusing to apply the mandatory legal norms of the Republic of Lithuania or those of any other state that cannot be changed or declined by the agreement of the parties.

4. If no law applicable to a contractual obligation is designated by the agreement of the contracting parties, the law of the state with which the contractual obligation is most closely connected shall apply. The contractual obligation shall be presumed to be the most closely connected with the state in the territory of which:

1) the party bound to perform the obligation most characteristic to the contract is domiciled or has its central administration. If the obligation is most closely connected with the law of the state where the business of the party to the obligation is located, the law of that state shall apply;

2) immovable property is located, if the subject matter of the contract is the right in the immovable property or the right to its use;

3) was the place of the principal business of a carrier at the time when the contract for carriage was made, if the state of the principal business of the carrier is also the same state where the cargo was loaded, or the head office of the sender is located, or the place the cargo was dispatched from.

5. Paragraph 4 of this Article shall not apply where it is impossible to determine the place of performance of the obligation most characteristic to the contract and the presumptions established in this paragraph may not be relied upon as it is evident from the circumstances of the case that the contract is most closely connected with another state.

6. A contract of insurance shall be governed by the law of the state where the domicile or the place of business of the insurer is located; a contract of insurance in respect to an immovable thing shall be governed by the law of the state in the territory of which the thing is located.

7. An arbitration agreement shall be governed by the law applicable to the principal contract, and in the case of invalidity of the principal contract, by the law of the place where the arbitration agreement was concluded, where it is impossible to identify the place of conclusion, the law of the state in which arbitration is situated shall apply.

8. Contracts concluded in a stock exchange or auction shall be governed by the law of the state in which the stock exchange or auction is located.

Article 1.38. Law applicable to the form of transaction

1. The form of transaction shall be governed by the provisions established in paragraph 1 of Article 1.37 of this Code.

2. If no applicable law is designated by the agreement of the parties, the form of transaction shall be governed by the laws of the place where the parties entered into that transaction. A contract made by the parties residing in different states shall also be considered valid if its form corresponds to the legal requirements in respect of the form of the relevant transaction established in the national law of at least one of those states.

3. The form of transactions regarding an immovable thing or the rights therein shall be governed by the law of the state in which the immovable thing is located.

4. The form of consumer contracts concluded in cases provided for in paragraph 1 of Article 1.39 of this Code shall be governed by the law of the place of the consumer's domicile.

Article 1.39. Particularities of application of foreign law to consumer contracts

1. A consumer contract for the purposes of this Article as well as other Articles of this Code shall be a contract on the acquisition of goods or services concluded between a natural person (consumer) and a person who sells such goods or services (supplier) for the purposes not related with the consumer's commercial or professional activities, i.e. for the satisfaction of the consumer's personal, family or household needs.

2. The right of the contracting parties established in paragraph 1 of Article 1.37 of this Code to make a choice of the law applicable to a contractual obligation shall not result in depriving or restricting the consumer of the right to protect his interests by the remedies determined by the provisions of the law of the state of his domicile if:

1) the formation of the contract in the state of his domicile was preceded by a special offer or by advertising in that country;

2) the consumer was induced by the other contracting party to travel to a foreign state for the purpose of forming the contract;

3) the order was received by the other party or his agent from the consumer in the state of the latter's domicile.

3. If the parties to a consumer contract have not made a choice of the applicable law, the law of the state in which the consumer is domiciled shall apply.

4. The provisions of this Article shall not apply to contracts for carriage, contracts for the supply of services where the services are to be supplied to the consumer exclusively in a country other than the Republic of Lithuania.

Article 1.40. Laws applicable to the form, time-limit of validity and content of a power of attorney

The form of a power of attorney shall be governed by the law of the state in the territory of which it is issued. The time-limit of validity of a power of attorney, where it is not indicated in the document itself, the powers (rights and obligations) of the agent, the bilateral liability of the principal and the agent, and their liability in respect of third persons shall be governed by the law of the state in which the agent acts.

Article 1.41. Law applicable to gift

1. Gifts shall be governed by the law of the state of the donor's domicile or his business activities with the exception of contracts upon gifting of an immovable thing, as such contracts shall be governed by the law of the state where that immovable thing is located.

2. A gift cannot be declared invalid as to its form if the form corresponds to the requirements of the law of the state in which the act of gift was performed, or of the law of the state of the donor's domicile or his place of business activities.

Article 1.42 Law applicable to the assignment of a claim and the assumption of debt

1. Relations connected with the assignability of a claim and the assumption of a debt shall be governed by the law chosen by the parties upon agreement.

2. The choice of law made by the parties in the assignment of a claim may not be applied against the debtor without his consent to the application of the chosen law.

3. In the event of the parties not having made a choice of the applicable law, relations connected with the assignability of a claim and the assumption of a debt shall be regulated by the law governing the principal obligation, the claim arising from which (the debt) is to be assigned (assumed).

4. The form of the assignment of a claim or the assumption of a debt shall be governed by the law applicable to the contract of assignment or assumption.

SECTION SIX
LAW APPLICABLE TO DELICTUAL OBLIGATIONS

Article 1.43. Law applicable to delictual obligations

1. Rights and obligations of the parties resulting from tort shall be governed, at the choice of the aggrieved party, either by the law of the state where the tortious act was committed or any other tortious circumstances occurred, or by the law of the state in which the damage occurred.

2. Where it is impossible to determine the place where the act was committed or other circumstances occurred, or the state in which the damage appeared, the law of the state most closely connected with the case upon reparation for damage shall apply.

3. After the incurrence of damage, the parties may agree that the law applicable to the reparation for damage shall be the law of the state where the case concerned is being heard.

4. If both parties are domiciled in the same state, the law of that state shall be applicable to the reparation for damage.

5. An obligation to make reparation for damage caused by defective products shall be governed by the law of the state where the damage was incurred if the aggrieved person is domiciled in the same state, or it is the place of business of the person liable for the damage, or the products of inferior quality were acquired there by the aggrieved person. If the state of domicile of the aggrieved person coincides with the state of the place of business of the person liable for the damage caused, or with the state in which the defective product was acquired, the law of the state of the aggrieved person's domicile shall apply. Where it is impossible to determine the applicable law in accordance with the criteria indicated in this paragraph, the law of the state where the business of the person liable for the damage is located shall apply, except in cases when the claim of the plaintiff is based on the law of the state in which the damage was made.

6. Terms of civil liability, its extent, the person liable and the terms of release from civil liability shall be governed by the law applicable to the obligations resulting from the delictual obligations.

Article 1.44. Law applicable to claims resulting from a traffic accident

Claims resulting from a traffic accident shall be governed by the Hague Convention of 4 May 1971 on the Law Applicable to Traffic Accidents.

Article 1.45. Law applicable to claims resulting from infringement of personal non-property rights

1. Claims for reparation of damage resulting from infringement of personal non-property rights committed by the mass media shall be governed, depending on the choice of the aggrieved person, by the law of the state where the aggrieved person is domiciled, or has his place of business, or where the infringement occurred, or by the law of the state where the person who caused the damage is domiciled or has his place of business.

2. Response to the media (denial) shall be governed by the law of the state in which the publication appeared, or the radio or television program was broadcast.

Article 1.46. Law applicable to claims for reparation of damage resulting from an act of unfair competition

Claims for reparation of damage resulting from an act of unfair competition shall be governed by the law of the state in whose market the negative effects of unfair competition occurred. If the act of unfair competition has affected exclusively the interests of an individual person, the applicable law shall be that of the state where the place of business of the aggrieved person is located.

Article 1.47. Plurality of debtors

If damage is caused by several persons, the applicable law shall be determined for each of them in accordance with the provisions of Article 1.43 of this Code.

SECTION SEVEN
LAW APPLICABLE TO REAL RIGHTS

Article 1.48. Law applicable to ownership legal relations

1. The ownership right and other real rights in an immovable and movable thing shall be governed by the law of the state where the thing was situated at the moment of change of its legal status. Acknowledgement of a thing to be movable or immovable shall be governed by the law of the state in which the relevant thing is located.

2. Official registration of the ownership right and other real rights shall be governed by the law of the state where the thing is located at the time of its registration.

3. The ownership right and other real rights in a thing in transit (cargo) shall be governed by the law of the state of destination of this thing.

4. The ownership right to an immovable thing resulting from acquisitive prescription shall be governed by the law of the state where the thing is located.

Article 1.49. The right of the parties to choose the law applicable to a movable thing

1. The parties may choose upon their agreement the law of the state of dispatch or the state of destination of the thing, or the law regulating the underlying legal transaction as the law applicable to the arisal and termination of the rights to the movable property.

2. The choice of the applicable law may not affect the rights of third persons.

Article 1.50. Law applicable to encumbrance of the right in a movable thing

1.Where a movable thing over which encumbrance of right was validly established abroad is imported into the Republic of Lithuania, that encumbrance shall be acknowledged to be likewise valid in the Republic of Lithuania.

2. Retention of title over a movable thing validly established abroad shall remain valid after that thing has been transported into the Republic of Lithuania, though such retention may not affect the rights of third persons in good faith.

3. Retention of title over a movable thing in transit shall be governed by the law of the state of its place of destination.

Article 1.51. Law applicable to pledge

1. The pledge of rights, securities and claims shall be governed by the law chosen by the parties, though the choice of law may not affect the rights of third persons.

2. In the absence of the parties' choice of law, the pledge of claims and securities shall be governed by the law of the state where the place of domicile or business of the secured creditor is located; the pledge of other rights shall be governed by the law applicable to such rights.

SECTION EIGHT
LAW APPLICABLE TO INTELLECTUAL PROPERTY RIGHTS

Article 1.52. Law applicable to contracts related to intellectual property rights

1. In the absence of the parties' choice of applicable law (Article 1.37 of this Code), contracts related to intellectual property rights shall be governed by the law of the state where the party transferring the intellectual property rights or granting the use thereof has his domicile or the place of business.

2. Contracts between an employer and an employee regarding the rights to intellectual property created by the employee in the course of his employment shall be governed by the law applicable to employment contracts.

Article 1.53. Intellectual property rights and the law applicable to their protection

1. Intellectual property rights and their protection shall be governed by the law of the state where the protection of the intellectual property rights is sought.

2. In the event of infringement of intellectual property rights, the parties may agree after the occurrence of the damage that the applicable law shall be the law of the state where the court hearing the case concerned is located.

SECTION NINE
LAW APPLICABLE TO OTHER OBLIGATIONS

Article 1.54. Law applicable to obligations arising from the reception of a thing not due, or unjust enrichment

1. Claims resulting from an obligation performed without any legal grounds for such performance shall be governed by the law of the state pursuant to the laws of which the legal sources for the obligation are determinable.

2. Claims related with unjust enrichment resulting from unlawful actions shall be governed by the law of the state where such unlawful actions were performed.

3. Where reception of a thing not due or unjust enrichment occurs from the existing legal relationship between the parties, the law determining that legal relationship shall apply.

Article 1.55. Law applicable to unilateral transactions

Unilateral transactions shall be governed by the law of the state where they were formed.

Article 1.56. Law applicable to securities

1. Cheques and bills of exchange shall be governed by the provisions set forth in the Geneva Convention of March 19, 1931 on Conflicts of Law in Matters of Bank Cheques and the Geneva Convention of June 7, 1930 on Conflicts of Law in Matters Involving Bills of Exchange and Promissory Notes.

2. Other securities shall be governed by the law of the state where they are issued (drawn).

Article 1.57. Law applicable to the currency in which payments are to be made

1. Currency in which payments are to be made shall be determined by the law of the state where the payment must be made, unless the parties have chosen upon their agreement the currency in which the payments are to be made.

2. In all other cases, currency shall be regulated by the law of the state which issued the currency.

Article 1.58. Law applicable to obligations deriving from other grounds

Obligations deriving from management of affairs of another, likewise obligations deriving from other grounds not specified in this Chapter shall be governed by the law of the state where the grounds for the obligation occurred.

Article 1.59. Law applicable to prescription

Prescription shall be governed by the law applicable in determining the rights and obligations of the participants in the relevant civil legal relationship.

SECTION TEN
LAW APPLICABLE TO LEGAL RELATIONS OF SUCCESSION

Article 1.60. Capacity to make a will

The capacity of making, amending or revoking a will shall be governed by the law of the state of the testator's domicile. Where a person has no domicile or it is impossible to be determined, the capacity of such person to make a will shall be governed by the law of the state were the will is made.

Article 1.61. Form of a will

1. The form of a will, its amendment or revocation shall be governed by the law of the state where these acts are performed.

2. A will as well as its amendment or revocation shall also be valid in regard of the form if the form of the indicated acts is in compliance with the requirements of the law of the state of the testator's domicile, or those of the laws of the state whose citizen the testator was at the time when the relevant acts were performed, or the law of the state of the testator's residence at the time when those acts were performed or at the time of his death. A will in respect of an immovable thing, as well as any amendment or revocation thereof shall be valid if the form of the acts concerned is in compliance with the requirements of the law of the state where the immovable thing is located.

Article 1.62. Law applicable to other legal relations of succession

1. Other legal relationships of succession, with the exception of those related with inheritance of immovable things, shall be governed by the law of the state of domicile of the testator at the time of his death. Relations of succession in respect of an immovable thing shall be governed by the law of the state where the immovable thing is located.

2. Where succession opens by the death of a citizen of the Republic of Lithuania, irrespective of the law applicable, his heirs residing in the Republic of Lithuania and in possession of the right to the mandatory share of succession shall inherit this part in accordance with the law of the Republic of Lithuania, except the immovable things.

3. Where in accordance with the law applicable to relations of succession a property cannot devolve to a foreign state, and where no other heir thereto is known and the property is located in Lithuania, that property shall be devolved to the ownership of the Republic of Lithuania.

PART II
TRANSACTIONS

CHAPTER III
CONCEPT AND FORM OF TRANSACTIONS

Article 1.63. Concept and types of transactions

1. Transactions are the actions of persons intended to create, modify or extinguish civil rights and duties.

2. Transactions may be unilateral, bilateral or multilateral.

3. A transaction shall be considered to be unilateral where the expression of the will of one party is a necessary and sufficient condition for its formation.

4. A unilateral transaction shall impose obligations exclusively on the person who forms it. Obligations on any other persons shall be imposed by a unilateral transaction only in the cases established by laws or by an agreement between the persons concerned.

5. Legal norms which regulate obligations and contracts shall apply to unilateral transactions to the extent that this does not prejudice laws and the essence of the unilateral transaction.

6. A transaction shall be considered to be bilateral where the concerted will of two parties is a necessary condition for its formation.

7. A transaction shall be considered to be multilateral where the concerted will of three or more parties is a necessary condition for its formation.

Article 1.64. Form of the expression of will

1. The free will of a person who enters into a transaction may be expressed verbally, in writing, by action or in any other manner of expressing will.

2. The will of a person may be implied subject to the special circumstances under which the transaction is formed.

3. Silence may be deemed to be an expression of will exclusively in the cases established by laws or agreed upon by the parties to the transaction.

Article 1.65. Expression of will by means of public notice

1. In the cases established by laws or a contract, a person – the declarant – may express his will by means of a public notice (public authorization, public annulment of authorization, etc.) in accordance with the procedure established by this Article.

2. A public notice shall be published in a newspaper that is issued in the last known place of residence or business either of the other party to the transaction or that of the declarant of will, also in the major dailies of the Republic of Lithuania in accordance with the procedure established by the Code of Civil Procedure in respect of the service of public notice of court summons. The court may, if necessary, establish any other procedure for the expression of a person's will by means of public notice.

3. A declaration of will by public notice shall be presumed to have become known to the other party upon the lapse of 14 days counting from the date of the last public declaration. However, this presumption shall not apply if the person who declared his will by public notice failed to perform every possible action available to him for the ascertainment of the place of residence or business of the other party to the transaction.

4. A public declaration of will shall be published at the expense of the declarant of the will.

Article 1.66. Conditional transaction

1. A transaction may render the appearance, modification or extinguishment of rights and duties dependent upon the fulfillment or non-fulfillment of certain conditions.

2. A transaction shall be deemed to be concluded with a suspensive condition if the arising of rights and duties therefrom is conditioned by the parties upon an uncertain event.

3. A transaction shall be deemed to be concluded with a resolutory condition if the extinguishment of rights and duties arising therefrom is conditioned by the parties upon an uncertain event.

4. A transaction shall be null and void if the arising, modification or extinguishment of rights and duties is conditioned by the parties upon the fulfillment of an unlawful condition or a condition incompatible with the public order or good morals, or upon the performance of unlawful actions.

Article 1.67. Consequences of an unfair hindering or assistance in the appearance of a condition

1. Where the appearance of a condition is unfairly hindered by a party to whom the condition is disadvantageous, this condition shall be considered as having existed.

2. Where the appearance of a condition is unfairly facilitated by a party to whom the condition is advantageous, this condition shall be considered as not having existed.

Article 1.68. Other consequences of a conditional transaction

1. If a condition had already been fulfilled at the time when the transaction was formed, such transaction shall be unconditional in the case of a suspensive condition, and null and void in the case of a resolutory condition.

2. If non-fulfillment of the conditions was already certain at the time when the transaction was formed, such transaction shall be unconditional in the case of a suspensive condition, and null and void in the case of a resolutory condition.

3. A transaction subject to a suspensive condition which is impossible objectively shall be null and void; a transaction subject to a resolutory condition which is objectively impossible shall be unconditional.

4. A transaction subject to a suspensive condition shall be null and void if the condition is dependent solely upon the will of the debtor.

Article 1.69. Place of transaction forming

1. A unilateral transaction shall be deemed to have been formed in the place where the will of a party to the transaction is expressed (the place where an authorization is given or a will (a testament) is made, etc.)

2. A bilateral or multilateral transaction shall be deemed to have been formed in the place of residence or business of the offeror, unless laws or agreement of the parties provide for otherwise.

3. Where the receipt of the notice of acceptance by the offeror is not a necessary condition for the formation of a transaction, such transaction shall be deemed to have been formed in the place of residence or business of the acceptor, or the place in which the factual actions of the acceptor were performed.

Article 1.70. Procedure of forming transactions

1. Natural persons may form transactions themselves or through their agents. It shall not be allowed to enter into transaction through an agent if, dependent on the nature of the transaction, it may be formed only by the natural person himself; the same stands for any other transactions determined by laws.

2. Transactions on behalf of legal persons shall be formed by the bodies or agents indicated in their founding documents.

Article 1.71. Form of transactions

1. Transactions shall be made in writing (in the ordinary or notarial form) or their formation may be implied from the actions.

2. A transaction, in respect of which there is no specific form established by laws, shall be deemed to have been formed if the person demonstrates by his behaviour the will to form a transaction (a contract formed by actions).

Article 1.72. Verbal form of transactions

1. Where the written form is not required by laws or by an agreement of the parties as a necessary condition for the forming of a transaction, the transaction may be formed verbally.

2. Transactions resulting from the performance of a written contract may be formed verbally if this does not contradict laws or the contract.

Article 1.73. Written form of transactions

1.The following shall be made in the ordinary written form:

1. transactions made by natural persons in the event where at the moment of their formation the value of the property upon which the transaction is made exceeds five thousand litas, except such transactions which are performed at the time of their formation;
2. transactions on the foundation of legal persons;
3. contracts of purchase and sale of goods by instalments;
4. insurance contracts;
5. arbitration agreements;
6. contracts of lease of a movable thing for a term of over one year;
7. preliminary contracts;
8. contracts of life annuity (contracts of rent);
9. compromise agreements;
10. other transactions whose mandatory ordinary written form is provided for by this Code or other laws.

2. Written transactions shall be made either by drawing up one document signed by all the parties or by the parties exchanging separate documents. Documents signed by the parties and transmitted by means of telegraph, facsimile communication or over any other means of communication terminal equipment shall be conferred the same power as having been made in the written form, providing the protection of the text is guaranteed and the signature can be identified.

3. The parties may agree to adopt additional requirements for the written form of the transaction (signatures of certain persons, affixation of a stamp on the document, assignment of a special form for the document, etc.) and establish the legal effects for non-compliance with such requirements. In the event of the parties failing to comply with the established requirements, the transaction shall not be considered formed, unless the parties agree otherwise.

Article 1.74. Notarised transactions

1.The following transactions shall be drawn up in the notarial form:

1) transactions on the transfer of the real rights in an immovable thing and transactions on the encumbrance of the real rights and of the immovable thing;

2) contracts of marriage (pre-nuptial and post-nuptial);

3) other transactions which are to be notarised in accordance with the mandatory provisions of this Code.

Article 1.75. Legal registration of transactions

1. The law may establish mandatory legal registration of certain transactions. A transaction shall produce its effects between the parties even if it is not registered in the mandatory order. In such instances, the rights and duties of the parties produce their effects between them not from the moment of registration of the transaction but from the moment established by the law or agreement of the parties, except in cases where it is expressly determined by this Code that the rights and duties of the parties shall arise only from the moment of registration of the transaction concerned.

2. The parties to an unregistered transaction may not invoke the fact of transaction against third persons and argue their rights against third persons by relying on other means of proof.

3. If the same real rights or the same thing is acquired by several acquirers but only one of them registers that transaction, it shall be considered that the acquirer who has registered the transaction is vested with that thing or with the real rights in that thing. If none of the acquirers registers the transaction, it shall be considered that the acquirer who is the first to form that transaction is vested with the rights indicated above.

4. If several persons register their property rights or real rights in the same thing, the person who is the first to register that transaction shall be vested with these rights.

5. Damage caused to persons by unlawful acts of the officials of state institutions or other organisations effectuating mandatory legal registration of transactions shall be compensated by the state.

Article 1.76. Signing of transactions formed in writing

1. Transactions drawn up in writing must be signed by the contracting parties. Where a natural person, due to physical defect, illness or any other reason, cannot sign it himself, he may authorize another person to sign on his behalf. The signature of the latter must be witnessed by a notary; or the head or a deputy head of the enterprise, institution or organisation where the person concerned is employed or studies; or by the head physician or a deputy head physician of the in-patient medical institution where the person concerned undergoes treatment; or by the commander of the military unit or a deputy commander thereof if the transaction is made by a soldier; or by the master of a ship during the period of a long voyage; in addition, the reason for which the person entering into the transaction is unable to sign it himself must be indicated.

2. Where the transaction is made by employing telecommunication terminal equipment, in all cases there must be sufficient data for the ascertainment of the parties to the transaction. In the event of absence of such data, the parties, if a dispute arises, may not rely upon witnesses to prove the fact of transaction forming.

Article 1.77. Formation of transactions in the form other than established by the law

1. Transactions which are permitted by laws to be formed verbally, may also be made in the written or notarial form.

2. Transactions, the ordinary written form for which is mandatory, may also be formed in the notarial form.

CHAPTER IV
VOIDABILITY OF TRANSACTIONS

Article 1.78. Null and voidable transactions

1. If the nature of nullity is clearly indicated in the law, a transaction shall be presumed to be null, irrespective of the fact of existence of a court judgement upon its nullity. The parties may not ratify a transaction which is null and void.

2. Any transaction for the declaration of voidability of which a court judgement is necessary, shall be a voidable one.

3. A transaction may be deemed to be null and void only on the grounds established by laws.

4. An action for the voidability of a voidable transaction may be invoked only by the persons indicated in the laws.

5. A claim to apply the legal effects arising from a transaction that is null and void may be invoked by any interested person. Legal effects of a null and void transaction, also the fact of its nullity shall be stated by the court *ex officio* (on its own motion).

Article 1.79. Ratification of a voidable transaction

1. A party possessing the right to invoke voidability of a transaction may ratify it within the time-limit established by the other party or the laws. After ratifying the transaction, the party forfeits his right to claim for voidability of that transaction.

2. It shall be presumed that a transaction is ratified by the party if, after it became possible to be ratified or disputed by that party, any of the following events have taken place:

1) the transaction has been performed partly or in whole;

2) a demand has been made against the other party for the performance of the transaction;

3) a security for the performance of the obligation subject to ratification has been granted to the other party;

4) the rights acquired according to that transaction have been transferred to another person partly or in whole.

Article 1.80. Nullity of a transaction that does not correspond to the requirements of mandatory statutory provisions

1. Any transaction that fails to meet the requirements of mandatory statutory provisions shall be null and void.

2. When a transaction is null and void, each party shall be bound to restore to the other party everything he has received according to that transaction (restitution), and where it is impossible to restore in kind the received, the parties are bound to compensate the received to each other in money, unless the laws provide for other consequences of voidness of the transaction.

3. The rules of restitution are established by Book Six of this Code.

4. The property – object of the transaction that is annulled – may not be claimed from the third person in good faith, except in cases provided for in paragraphs 1, 2 and 3 of Article 4.96 of this Code.

Article 1.81. Nullity of a transaction contradicting public order and good morals

1. A transaction that is contrary to public order or norms of good morals shall be null and void.

2. If a transaction is annulled on the grounds established in paragraph 1 of this Article, the rules provided for in paragraph 2 of Article 1.80 of this Code shall not apply if both parties knew or should have known the transaction to be contrary to public order or good morals.

3. Unilateral or bilateral restitution may take place where its application is not contrary to the mandatory statutory provisions or good morals, i.e. where the purpose of the transaction contradicting public order or norms of good morals was not achieved, and the provisions of public law do not establish any property sanctions in regard to the parties to such transaction.

Article 1.82.Voidability of a transaction contradicting the legal passive capacity of a legal person by whom the transaction was formed

1.Transactions made by the governing bodies of a private legal person in breach of the competence conferred on them by their founding documents or contradicting the goals of that legal person may be declared void only in the cases where it is proved that the other party acted in bad faith, i.e. he knew or should have known that the transaction was contrary to the goals of the legal person concerned. In such cases, the fact of announcement of the founding documents of the legal person concerned shall not be a sufficient proof of the other party's bad faith, therefore the legal person shall be bound to prove that the other party deliberately acted in bad faith (Article 2.74 and Articles from 2.83 to 2.85 of this Code).

2. Transactions formed by public legal persons that are contrary to the goals of their activities may be declared void.

3. An action for the declaration of voidness on the grounds established by this Article may be brought by the legal person, the founder (founders) or a participant (participants) thereof. The laws may also specify other persons entitled to bring such an action, or special requirements which have to be met by the persons bringing such an action (e.g., holding of a certain number of shares (deciding votes))

4. Transactions indicated above shall be governed by the rules prescribed in paragraph 2 of Article 1.80 of this Code.

Article 1.83. Legal effects of a transaction formed on behalf of a legal person that is not registered within the procedure established by laws or has no licence to be engaged in the activities that are prohibited without a licence

1. Where a transaction is made on behalf of a legal person that is not registered within the procedure established by laws, the natural person by whom such a transaction is made acquires the rights and assumes the duties arising from that transaction, providing there are no other grounds for declaring such transaction void.

2. Where transactions are made on behalf of a legal person prior to its registration, the persons by whom these transactions are made shall be solidary liable, unless the legal person, after it is registered, assumes the obligations resulting from those transactions (Article 2.61 of this Code).

Article 1.84. Voidability of a transaction formed by a natural incapable person

1. A transaction shall be voidable if formed by a minor under fourteen years of age, except in cases where the minor, within the limits imposed by his age and in accordance with this Code and other laws of the Republic of Lithuania, may enter into transactions alone to satisfy his ordinary and usual needs.

2. A transaction is likewise voidable if it is made by a natural person who within the procedure established by laws is recognised as legally incapable by reason of mental disease or imbecility.

3. In the cases established in paragraphs 1 and 2 of this Article, besides the consequences provided for in paragraph 2 of Article 1.80 of this Code, the legally capable party shall be obliged to compensate the expenses suffered by the other party, also any damage to the latter's property or loss thereof if the capable party knew or should have known about the incapacity of that other party.

4. The voidness of such transaction may be invoked by statutory representatives of the incapable person, also a public prosecutor. A transaction, if it is beneficial to the incapable person, may be ratified by the statutory representative of the latter in accordance with the procedure established by laws.

Article 1.85. Voidability of a transaction made by a natural person who overindulges in strong drinks or narcotic substances

1. A transaction upon the transfer of property or a real right that is formed by a natural person whose legal active capacity is limited by reason of overindulgence in strong drinks or narcotic substances and without the consent of a curator, except small transactions to meet his ordinary and usual needs, can be declared voidable within the judicial procedure on the action of the curator or a prosecutor.

2. If a transaction indicated in the preceding paragraph of this Article is declared voidable, the provisions of paragraph 3 of Article 1.84 of this Code shall apply.

3. After a transaction has been formed, a curator may ratify the transaction formed by the protected person alone during the period of his limited capacity for which he required to be represented if such transaction is beneficial to the person with limited capacity.

Article 1.86. Nullity of a fictitious transaction

1. A transaction made for the sake of appearance without intention to create legal effects shall not produce its effects between the parties and shall be null and void.

2. The provisions established in paragraph 2 of Article 1.80 of this Code shall apply to the transactions specified above.

Article 1.87. Nullity of a simulated transaction

1. If a transaction is formed to cover up another transaction, i.e. if the parties' intent to make a transaction is different from the simulated transaction, the rules applicable to the intended transaction shall apply.

2. If the rights or lawful interests of third persons are violated by a simulated transaction, the third persons in defence of their rights shall be able to plead simulation against the parties of the simulated transaction.

3. A simulated transaction cannot be used as a defence by the contracting parties against third persons who in good faith have acquired rights from the simulated transaction.

Article 1.88. Declaring voidable a transaction made by a minor from fourteen to eighteen years of age

1. A transaction made by a minor from fourteen to eighteen years of age, where the law does not allow him to act without the consent of his parents or curators, may be declared void within the judicial procedure on the action of such minor's parents or curators, with the exception of transactions into which the minor may, within the limits imposed by his age, enter alone in accordance with this Code and other laws of the Republic of Lithuania.

2. If a transaction specified in paragraph 1 of this Article is declared void, the rules prescribed in paragraph 3 of Article 1.84 of this Code shall apply.

3. Statutory representatives of a minor can ratify a voidable transaction made without a proper consent, by giving their consent after the transaction has been formed, if such transaction is beneficial to the minor concerned.

Article 1.89. Declaring voidable a transaction formed by a natural person who was unable to understand the meaning of his own actions

1. A transaction formed by a capable natural person may be annulled within the judicial procedure on the action of the natural person concerned if, by reason of his state at the moment of the transaction forming, he was unable to comprehend the meaning of his acts or to control them.

2. Where the transaction specified in paragraph 1 of this Article is declared void, besides the consequences established in paragraph 2 of Article 1.80 of this Code, the following additional consequences arise: the other party shall be bound to compensate to the party who at the moment of the transaction forming was unable to comprehend his own actions or to control them the expenses suffered, also any damage to his property or loss thereof, if this another party was aware or should have been aware of the state of the first contracting party.

Article 1.90. Declaring voidable a transaction formed under the influence of a mistake

1. A transaction resulting from the consent given by an essential mistake may be declared void within the judicial procedure on the person's whose consent is vitiated action for its voidness.

2. A mistake is an erroneous assumption of the essential facts of the transaction that existed at the moment of the transaction forming.

3. In the event of annulment of a transaction formed under the influence of an essential mistake, the provisions established in paragraph 2 of Article 1.80 of this Code shall apply. The party upon whose action the transaction is declared void may, in addition to the annulment, also claim from the other party compensation for the expenses incurred or the damage to his property or loss thereof if this party proves that the mistake was caused by the fault of the other party. Where it is not proved, the party on whose action the transaction is declared void shall be bound to compensate to the other party the expenses incurred as well as the damage to his property or loss thereof.

4. A mistake is essential where the error relates to the nature, object or any other essential conditions of the contract itself, or the civil legal status of the other contracting party or any other circumstances, and where a person of normal diligence and attentiveness would not have made the transaction in a similar situation or would have made it on essentially different terms if he had known the real state of events. A mistake is likewise essential if both contracting parties are mistaken, or an error of one party induced the other party to err without the former's intention to deceive, or if one party was aware or should have been aware of the mistake committed by the other party and the requirement addressed to the mistaken party to perform the transaction would contradict to the principles of good faith, justice and reasonableness.

5. A mistake may not be considered essential if caused by gross negligence of the mistaken party, or induced by circumstances the risk of which was taken by the party upon himself or if, taking into account the concrete circumstances, the risk of mistake falls on that party in particular.

6. A mistake resulting from the expression or transmission of a party's will shall be deemed to be a mistake committed by that party himself.

7. The mistaken party cannot claim for the annulment of a contract where his rights and interests may be adequately protected by invoking other remedies.

Article 1.91. Voidability of a transaction made by a party whose consent was obtained by fraud, extorted by duress, economic pressure or induced by real threatening, likewise of a transaction made by the malicious agreement of a agent of one party with the other party, or a transaction entered into because of abusive circumstances

1. A transaction may be declared voidable by a court on the action of the aggrieved party if it was entered into due to fraud, duress, economic pressure or real threatening, or if it was formed by a malicious agreement of the agent of one party with the other party, likewise if, by entering into the transaction by reason of abusive circumstances, one party assumes obligations under unfair conditions.

2. Where the voidability of a transaction is based on any of the grounds specified in paragraph 1 of this Article, the other party shall be bound to restore to the aggrieved party everything he has received according to that transaction, and where it is impossible to restore (in kind), it must be compensated in money. In addition, the guilty party shall be bound to compensate to the aggrieved person all the expenses incurred.

3. Where a transaction is declared voidable by reason of fraud, violence, economic pressure, real threatening or malicious agreement made between the agent of one party and the other party, the aggrieved party may, in addition to remedies provided for in the preceding paragraph of this Article, claim non-pecuniary damage caused by the actions indicated.

4. For the purposes of this Article, the notion "real threatening" means unjustifiable or unlawful actions of the other party or a third person directed towards the person, property or reputation of the other contracting party, or that of his parents, children, spouse, grandparents, grandchildren or any other close relatives; the threatening actions must be of such nature as to impress a reasonable person and to cause him fear that the person, property or reputation of the persons concerned may be exposed to damage and there is no other reasonable alternative except to enter into the transaction. Threatening shall also be deemed to be real where one party or a third person threatens to enforce measures of economic pressure against the other contracting party that is economically weaker or is in essence economically dependent in order to compel him to form a transaction under exceptionally economically disadvantageous conditions. In determining the occurrence of real threatening, the court shall take into account the age, economic and financial position, and the gender of the party towards whom the threat was directed, the nature of the threat, and any other conditions significant for the case.

5. In addition to the forms specified in the preceding paragraph of this Article, fraud may result from the silence of a party, i.e. from concealment of such circumstances being aware of which the other contracting party would not have formed the transaction and which, within the principles of reasonableness, justice and good faith, had to be disclosed to the other party; fraud may also result from active actions by which it is desired to mislead the other contracting party concerning the effect of the transaction, essential terms thereof, civil legal capacity of the person who enters into the transaction, and any other essential circumstances.

6. If a third person, but not the other party to the transaction is guilty of fraud, duress or threatening, the transaction shall be declared voidable only in the cases where that other party was aware or should have been aware of those facts.

7. The fact of declaring voidable a transaction formed under the influence of fraud may not be invoked against third persons in good faith, except in cases established by this Code.

Article 1.92. Voidability of a transaction formed by an agent outside the authority conferred on him

A transaction made by a agent outside the limitations of the authority conferred on him by laws or a contract, may be declared voidable upon the action of the principal, unless such transaction is ratified by the principal (Article 2.133 of this Code).

Article 1.93. Voidability of a transaction resulting from the lack of requisites of its form established by laws

1. A transaction not made in the form required by laws for this particular case shall be void only in the case when such consequence is expressly indicated in the laws.

2. Where any dispute arises upon the fact of forming or performance of a transaction which fails to meet the necessary requirements for its ordinary written form, the parties lose the right to use testimony of witnesses as evidence to prove the facts indicated above; in the cases expressly prescribed by the law, non-observance of the ordinary written form obligatory to a concrete kind of transactions shall cause the nullity of such transaction.

3. Non-observance of the notarial form required by the law as a necessary condition of a transaction shall result in the nullity of the transaction in any case.

4. Where one party in the whole or partly performs his obligations arising from a transaction that must be notarized while the other party avoids the notarization thereof, the court may, on the action of the party who has performed his obligations, declare such transaction valid. In such event, a subsequent notarization of the transaction is not required.

5. Where nullity of a transaction results from the lack of necessary requisites of its form as established by laws, the consequences provided for in paragraph 2 of Article 1.80 of this Code shall arise.

6. The provisions established in paragraph 2 of this Article may not be applied by a court if they contradict the principles of good faith, justice and reasonableness, in particular where:

1) there exists other written evidence, even though indirect, that proves the forming of the transaction;

2) written evidence to prove the fact of transaction forming has been lost not through the fault of the party;

3) taking into consideration the circumstances in which the transaction was formed, it was objectively impossible to form that transaction in writing;

4) taking into consideration the interrelations between the parties, the nature of the transaction, and other circumstances of importance to the proceedings, prohibition to invoke testimonies of witnesses would contradict to the principles of good faith, justice and reasonableness.

Article 1.94. Legal effects of non-observance of the requirement to perform legal registration of a transaction

Non-observance of the requirement established by laws to perform legal registration of a transaction shall not result in nullity of the unregistered transaction, except in the cases prescribed by this Code.

Article 1.95. Time from which the effect of annulment arises

1. A transaction which has been annulled shall be deemed to be null and void *ab initio* (from the moment of its forming).

2. Where from the content of a transaction follows that it is impossible to declare such transaction void *ab initio*, it may be declared void only for the future, i.e. from the time when the judgement acquires the authority of the final judgement (*res judicata).*

Article 1.96. Consequences of partial nullity of a transaction

Partial nullity of a transaction shall not import the nullity of the entire transaction where it can be supposed that the contracting parties would have entered into that transaction even without the part affected by nullity having been included.

PART III
OBJECTS OF CIVIL RIGHTS

CHAPTER V
CONCEPT AND KINDS OF OBJECTS OF CIVIL RIGHTS

Article 1.97. Kinds of objects of civil rights

1. Objects of civil rights shall be things, money and securities, other property and property rights, results of intellectual activities, information, actions and results thereof, as well as any other material and non-material values.

2. Things and property the turnover of which is restricted may be considered to be objects of civil rights only in the cases established by laws. Things which are withdrawn from civil use or the turnover of which is restricted must be imperatively indicated in the laws. Otherwise, the civil turnover of things or property shall not be considered restricted.

Article 1.98. Things as object of civil rights

1. Things as object of civil rights shall be divided into movables and immovables.

2. Land and other things which are connected with land and which cannot be moved from one place to another without change of their purpose and essential reduction of their value are immovables (buildings, equipment, perennial plants and other things which, according to their purpose and nature, are deemed to be immovable).

3. Ships and aircraft, the mandatory legal registration for which is established by laws, are also considered to be immovables. Any other property may also be attributed to immovables by the laws.

4. Things which can be moved from one place to another without a change of their purpose and considerable reduction of their value are considered to be movables, unless otherwise provided for by laws.

Article 1.99. Kinds of things as objects of civil rights

1. Things as objects of civil rights shall be divided into things determined by their individual features and things determined by their specific properties.

2. Things also are divided into divisible and undivisible, consumptable and unconsumptable, principals and accessories.

Article 1.100. Money

1. Money, as an object of civil rights, shall be bank-notes issued by the Bank of the Republic of Lithuania, coins and means in accounts, also bank-notes issued by other foreign states, Treasury notes, as well as coins and means in accounts, serving as lawful means of settlement.

Article 1.101. Securities

1. A security, as an object of civil rights, is a document certifying the obligation of its issuer to the holder of this document. A security can confirm the right of the person in possession of the document (holder) to receive from the issuer interest, dividends, part of an enterprise upon its liquidation, or the funds lent to the issuer (shares, bonds, etc.); the right or duty to acquire or alienate for payment or gratuitously other securities (the right to sign, future transactions, options, convertible bonds, etc.); the right to some income or payment duty subsequent to a change of prices on the security market (index, etc.). A security is also a document by which a direct order is issued to a bank to pay a certain sum of money (cheques) or which certifies a duty to pay a certain sum of money to the

person whose name is indicated in the document (bill of exchange); or which proves the right of ownership to merchandise (mercantile securities): likewise a document which certifies the right or duty to acquire or alienate mercantile securities (derivative mercantile securities). Uncertified securities are issued in the cases established by laws and indicated (consolidated) in a special security register.

2. The laws may also provide for other types of securities. For the purposes of protecting the rights of investors, as well as for supervising and regulating the capital market, the laws may provide for a different definition of securities (investment) to be employed in the laws which regulate these relationships. Unless provided for otherwise, the provisions of this Code and the definition of securities shall apply to investment (investment securities) if the documents certifying the investment possess the features specified in paragraphs 1 and 3 of this Article.

3. The right certified by a security may be alienated to another person only in that event if the security itself is alienated, unless otherwise provided for by the laws. Securities may be alienated in accordance with the laws, the ordinary practice or by custom freely and unrestrictedly. Securities shall be alienated by transfer, though it ought to be certified by means of making an inscription of transfer of the security – an endorsement.

4. Securities may be underlying or derivative. Underlying securities confirm their holders' rights and duties specified in paragraph 1 of this Article, with the exception of the right or duty to acquire or alienate for payment or gratuitously other securities, as well as the right to receive certain income or an duty to pay a certain sum of money subsequent to a change of prices on the security market. The securities which certify these exclusive rights or duties are called derivative securities.

5. Securities are divided into registered, bearer or order securities. They also divided into monetary, investment and mercantile securities.

6. A monetary security grants the right to receive a certain sum of money indicated therein (cheque, bill of exchange, bond).

7. An investment security concedes the right to participate in the management of the enterprise, certifies possession of the enterprise capital and entitles to receive a part of its profits (shares and certificates of shares, etc.), except in cases provided for by laws.

8. A mercantile security grants the right of ownership of merchandise, also the right to receive merchandise (bill of lading, way-bill, etc.).

9. Securities must contain the requisites provided for by laws. The absence of obligatory requisites of a security shall render it null, except in cases established by laws.

10. Upon the issue of uncertified securities, where the laws do not provide for otherwise, it shall be presumed pursuant to this Code that the holder of the securities has entrusted the accountant with their keep upon the contract of deposit. The rights, obligations and liability of the keeper shall be determined in accordance with the provisions of Book Six of this Code applicable to the contract of deposit. Where accountancy is managed by several persons on different levels, it shall be presumed that the person who handles the accounts of the security owner has transferred the keep of the securities concerned to another person under the contract of deposit. Such securities shall be alienated by the relevant entries in the security register.

Article 1.102. A share

1. A share is a security certifying the right of its holder (shareholder) to participate in the management of a stock company and, where the laws do not provide for otherwise, to receive a part of the stock company profits in the form of dividend and a part of the remaining property of the stock company in case of its liquidation, as well as certifying other rights established by laws.

2. Shares may be of the following classes: registered or bearer, ordinary or preference, certificates or uncertificated.

Article 1.103. A bond

A bond is a security certifying its holder's right to receive from the person who issues the bond the nominal value of the bond, annual interest or any other equivalent, or other property rights within the time-limits prescribed in it.

Article 1.104. A cheque

A cheque, as a security, is an unconditional order drawn up in a certain manner that is addressed by the drawer to a bank to pay a certain sum in money to the holder of the cheque.

Article 1.105. A bill of exchange

1. A bill of exchange, as a security, is an unconditional order in writing addressed by one drawer to another by which the first person pledges himself or entrusts another person to pay directly or indirectly a certain sum of money to the person whose name is indorsed therein.

2. A bill of exchange may be of two forms: an order bill (draft bill) or a single bill (sole bill).

3. By using an order bill (draft bill) its drawer entrusts another person to pay to the person whose name is indorsed in the bill the sum indicated therein.

4. By using a single bill (sole bill) its drawer pledges himself to pay the sum indicated therein.

Article 1.106. A bill of lading

1. A bill of lading, as a security, is a document certifying the fact of conclusion of a contract and its holder's right to receive from the carrier the goods specified therein (cargo) and the right to dispose of the goods (cargo) received.

2. A bill of lading may be bearer, order or straight. If a bill of lading is drawn up in several copies, after the shipment is delivered under any of the copies of the bill of lading presented first, the other copies thereof shall lose their legal power.

Article 1.107. A bank certificate

1. A bank certificate is a written bank document containing a statement on the monetary contribution and granting the depositor the right to receive that contribution and interests subject to the time-limits stated therein.

2. A bank certificate may be inscribed, transferable or non-transferable.

Article 1.108. A state debt obligation

1. A state debt obligation is a security payable to the bearer which certifies that its holder has lent a certain sum in money to the state and grants its holder the right to receive the sum indicated therein and interests established thereby during the period of the possession of this security.

Article 1.109. A plot of land and other resources

A land plot indicated in kind and registered within the procedure established by laws, also the indicated areas of the entrails of the earth, as well as waters, forests, objects of flora and fauna may be objects of civil rights.

Article 1.110. Enterprises and other property complexes

1. An enterprise, as a complex of assets, property and non-property rights belonging to the person who is engaged in business (seeking profit), as well as debts and other duties thereof, may be the object of civil rights. An enterprise is considered to be an immovable thing.

2. A property complex, as the object of civil rights, is the totality of things joined by a common economic purpose.

Article 1.111. Results of intellectual activities

Works of science, literature and art, invention patents, industrial samples and other results of intellectual activities expressed in any objective form (manuscripts, technical drawings, models, etc.)

shall be deemed to be objects of civil rights. Invention patents and other results of intellectual activity shall become objects of civil rights from the moment of their recognition as such made within the procedure established by laws.

Article 1.112. Property rights

1. Real rights, rights arising from obligations, also rights arising from the results of intellectual activities shall be objects of civil rights.

2. Property rights may be transferred and inherited.

Article 1.113. Actions and their results

Various actions and their results (transportation of goods, repairing of things, services, etc.) shall be objects of civil rights.

Article 1.114. Personal non-property rights and values

1. Personal non-property rights and values, i.e. name, life, health, inviolability of body, honour, dignity, the private life of an individual, the author's name, professional reputation, business name, trade marks of goods (services) and other values with which the arising of certain legal effects is linked by the laws shall be objects protected by the Civil law.

2. Personal non-property rights may be transferred or inherited only in the cases established by laws or where this does not contradict the nature of these values and principles of good morals or is not restricted by laws.

Article 1.115. Personal non-property rights

1. Objects protected by the Civil law are personal non-property rights, i.e. the rights that have no economic content and are inseparably related with their holder.

2. Personal non-property rights may be related with property rights, or they may not be related with the aforesaid rights.

Article 1.116. Commercial (industrial) and professional secret

1. Information shall be considered to be a commercial (industrial) secret if a real or potential commercial value thereof manifests itself in what is not known to third persons and cannot be freely accessible because of the reasonable efforts of the owner of such information, or of any other person entrusted with that information by the owner, to preserve its confidentiality. The information that cannot be considered commercial (industrial) secret shall be determined by laws.

2. Forms of protecting the information containing a commercial (industrial) secret are established by this Code.

3. Persons who unlawfully acquire information considered to be a commercial (industrial) secret shall be bound to compensate for the damages caused. Workers who in breach of the labour contract disclose a commercial (industrial) secret, as well as a party of any other contract who in breach of that contract discloses a commercial secret shall also be bound to compensate damages resulting from the disclosure of the commercial (industrial) secret. In this event, the damages suffered by the holder of the secret include the investment expenses incurred for its creation, development and use, as well as the incomes of which he (the holder) has been deprived. Incomes received from unlawful use of a commercial (industrial) secret shall be considered unjust enrichment.

4. A person who discloses a commercial (industrial) secret may be released from liability if he proves that the disclosure of that secret is justified by the interests of public safety.

5. Information shall be considered to be a professional secret if, according to the laws or upon an agreement, it must be safeguarded by persons of certain professions (advocators, doctors, auditors, etc.). This information is received by the indicated persons in performance of their duties provided for by laws or contracts. The cases when the information received in exercise of professional rights and in performance of professional duties shall not be considered professional secret are established by laws.

Damage resulting from unlawful disclosure of a professional secret shall be compensated upon general grounds established by this Code.

PART IV
TIME-LIMITS

CHAPTER VI
GENERAL PROVISIONS

Article 1.117. Definition of a time-limit

1. A time-limit is a period of time determined by laws or a transaction or established by a judicial authority and fixed by a calendar date or by the termination of a period expressed in years, months, weeks, days or hours.

2. A time-limit may also be defined by indicating an event that must inevitably occur.

3. Time-limits may be restoratory, acquisitionary or resolutory.

4. A restoratory time-limit is a period which may be restored by the court after its expiration, providing it was exceeded due to substantial reasons.

5. An acquisitionary time-limit is a period after the expiration of which a certain civil right or duty is acquired.

6. A resolutory time-limit is a period after the expiration of which a certain civil right or duty expires. The resolutory time-limits may not be restored by a court or arbitration.

Article 1.118. Commencement of a time-limit

1. The moment from which a time-limit begins shall be 0 hours 00 minutes of the next day that follows the calendar date or the event by which its beginning is defined, unless law provide for otherwise.

2. A fixed time-limit that is expressed in hours shall begin from the moment defined by laws or one or both parties.

Article 1.119. Expiration of a time-limit expressed in years and months

1. A time-limit expressed in years shall expire at midnight on the corresponding day and month of the last year of the time-limit indicated as the *dies ad quem* (the day on which the time-limit expires).

2. A time-limit expressed in months shall expire at midnight on the corresponding day of the last month of the time-limit indicated as the *dies ad quem.*

3. In the event where in the time-limit expressed in years or months there is no corresponding day in the last month, the day of maturity shall be the last day of the relevant month.

Article 1.120. Expiration of a time-limit expressed in weeks

A time-limit expressed in weeks shall expire at midnight on the corresponding day of the week indicated as the *dies ad quem.*

Article 1.121. Inclusion of official holidays and weekends

1. Official holidays and weekends shall be included when calculating a time limit.

2. In the event where the day on which a time-limit expires is a day of an official holiday or a weekend, the time-limit shall be extended to include the first working day thereafter.

Article 1.122. Performance of actions on the *dies ad quem*

1. An action for the performance of which a time-limit is fixed shall have to be performed before midnight of the *dies ad quem*. Where an act has to be performed in an institution, it must be performed before the end of the normal office or business hours of that organisation on the *dies ad quem*.

2. Any applications and information in writing delivered to the post office or telegraph, or transmitted by other means of communication before midnight of the *dies ad quem* shall be considered to have been performed on time.

Article 1.123. Legal significance of a time-limit

1. If arising of a duty is made dependent upon the expiration of a certain time-limit, the performance of the duty may not be demanded before the expiry of that time-limit.

2. If certain legal effects of a transaction are made dependent upon the maturity of a time-limit, a transaction or obligation shall terminate with the expiry of the time-limit.

3. It shall be presumed that a time-limit takes effect in favour of a debtor except in the cases where:

1) the debtor is put on bankruptcy proceedings;
2) the debtor destroys the security provided for the performance of an obligation;
3) the debtor fails to provide a security of performance of an obligation he was bound to provide.

CHAPTER VII
PRESCRIPTION

Article 1.124. Concept of prescription

Prescription is a time period established by laws during which a person can defend his violated right by bringing an action.

Article 1.125. Time limits of prescription

1. General prescription comprises a period of ten years.

2. In respect of concrete kinds of claims, abridged prescription shall be established by this Code and other laws of the Republic of Lithuania.

3. Abridged one-month prescription shall apply to claims arising from the results of tender.

4. Abridged three-month prescription shall apply in respect of claims for declaring voidable the decisions of the bodies of a legal person.

5. Abridged six-month prescription shall apply in respect of:

1) claims arising from the exaction of penalties;

2) claims arising from shortage in the goods sold.

6. Abridged six-month prescription shall apply with respect to claims arising from the relationships between communication enterprises and their clients regarding dispatches sent within the territory of Lithuania, or abridged one-month prescription when the dispatches were sent abroad.

7. Abridged one-year prescription shall be applied with respect to claims arising from the legal relationships of insurance.

8. Abridged three-year prescription shall be applied with respect to claims for the compensation of damage, including claims for the compensation of damage caused by defective production.

9. Abridged five-year prescription shall be applied with respect to claims for the recovery of interest and any other periodical payments.

10. Claims arising from defects of the work performed shall be prescribed in the abridged prescription established in Book Six of this Code.

11. Claims, arising from contracts for transportation of goods, passengers or baggage shall be prescribed in the abridged prescription established by the codes (laws) regulating separate types of transport.

12. Any agreement of the parties with an intention to modify legal regulation of prescription, i.e. to modify the time-limit and the calculation thereof, shall be prohibited.

Article 1.126. Application of prescription

1. A claim to protect a violated right shall be accepted by the court irrespective of the expiry of prescription.

2. The expiration of prescription shall be effected by the court exclusively if invoked by a party to the dispute.

3. Prescription may not be renounced in advance.

Article 1.127. Commencement of prescription

1. Prescription shall start its run from the day on which the right to bring an action may be enforced. The right to bring an action arises from the day on which a person becomes aware or should have become aware of the violation of his right. Exceptions to this rule shall be established by this Code and other laws of the Republic of Lithuania.

2. Where there is a time-limit established for the performance of an obligation, prescription of a claim arising from such obligation shall start its run upon the expiry of the time-limit allotted for the performance of that obligation.

3. Where a time-limit for the performance of an obligation is not established, prescription shall run from the moment when a claim to perform the obligation is brought.

4. Prescription of claims arising from regressive obligation shall start its run from the moment when the principal obligation is performed.

5. In the event of a continuous infringement, i.e. it happens every day (a person fails to perform the actions he is bound to perform, or performs the actions he has no right to perform, or does not discontinue another violation), prescription for actions brought upon activity or inactivity that occurred on a concrete day shall start its run from that every day.

Article 1.128. Prescription of claims arising from an obligation upon subrogation

Substitution of persons in an obligation shall not affect the course of prescription – the time-limit and the procedure of its calculation, unless laws provide for otherwise.

Article 1.129. Suspension of prescription

1. Prescription shall be suspended if:

1) an extraordinary event that cannot be prevented in certain circumstances (*force majeure)* hinders to bring an action;

2) the Government of the Republic of Lithuania establishes a postponement of the performance of obligations (moratorium);

3) the plaintiff or defendant serves in a unit of the armed forces of the Republic of Lithuania where martial law is imposed;

4) no guardian or curator is appointed to a legally incapable person or to a person whose legal active capacity is limited;

5) the parties to an obligation are spouses;

6) the parties to an obligation are a guardian and the person under guardianship, or a curator and the person under curatorship;

7) the parties to an obligation are parents and their minor children;

8) the effect of the law or any other legal act regulating relationships of the dispute is suspended;

2. The run of prescription shall be suspended only in the event when the circumstances indicated in paragraph 1 of this Article occured or continued to exist during the last six months of the prescription; where the time-limit of the prescription does not exceed six months, the run of the prescription shall be suspended if the circumstances indicated in paragraph 1 of this Article occured or continued to exist during the whole period of the time-limit of the prescription.

3. Suspended prescription resumes its run from the day when the circumstance which conditioned such suspension ceases to exist. In that event, the remaining part of the time-limit shall be

prolonged by six months; if the time-limit of prescription is shorter than six months, it shall be prolonged by the whole duration of the time-limit.

Article 1.130. Interruption of prescription

1. Prescription shall be interrupted by bringing an action within the procedure established by laws.

2. Prescription shall also be interrupted by actions of a debtor by which the debtor acknowledges his obligation to the creditor.

3. An interrupted time-limit of prescription shall be resumed from the moment when the cause of such interruption ceases to exist. An interruption of prescription resulting from bringing an action shall be resumed from the time when the judgement thereon acquires the authority of the final judgement (*res judicata*), provided that an identical claim can be forwarded from the disputed legal relationship. The period that expired before the interruption shall not be included into the new time-limit of prescription.

4. No interruption in the time-limit of prescription shall occur where the suit is discontinued by the court due to the fault of the plaintiff. Refusal to accept the complaint or its withdrawal by the plaintiff shall likewise have no effect of interrupting prescription.

5. If an action brought in criminal proceedings is discontinued, prescription commenced before this action was brought shall continue its run from the day when the verdict by which the action was discontinued becomes finally binding.

Article 1.131. Legal effects of the expiration of a time-limit of prescription

1. The expiration of a time-limit of prescription prior to the date of bringing an action shall serve as valid grounds for dismissal of the claim.

2. If the court acknowledges the time-limit of prescription as expired due to important reasons, the violated right must be protected and the expired time-limit restored.

3. Questions of the ownership of property, for revindication of which prescription has expired, shall be regulated by the provisions of Book Four of this Code.

Article 1.132. Suspension, interruption and restoration of abridged prescription

The provisions regulating suspension, interruption and restoration of prescription (Articles 1.129 to 1.131 of this Code) shall likewise be applied in respect of abridged prescription except in cases where laws provide for otherwise.

Article 1.133. Consequences arising when a debtor performs an obligation after the expiration of a time-limit of prescription

Where a debtor performs his obligation after the expiration of the time-limit of prescription, he shall have not right to claim restitution even if at the time of the performance of his obligation he did not know that the time-limit of prescription had expired.

Article 1.134. Claims not subject to prescription

1. The following claims shall not be prescribed:

1) claims arising from the violation of personal non-property rights, except in cases established by laws;

2) claims of depositors for repayment of their accounts deposited in a bank or any other credit institution;

3) other claims in cases established by other laws.

Article 1.135. Application of prescription with respect to accessory claims

Expiration of prescription with respect to the principal claim shall have the same effect likewise on the accessory claims (penalty, pledge, suretyship, etc.), even though the prescription of the latter may not have expired.

PART V
EXERCISE AND PROTECTION OF CIVIL RIGHTS

CHAPTER VIII
PRINCIPLES OF EXERCISE OF CIVIL RIGHTS AND THE WAYS OF THEIR PROTECTION

Article 1.136. Grounds for the arisal of civil rights and duties

1. Civil rights and duties shall arise on the grounds established by this Code and other laws, also from actions performed by natural persons and organizations which, though not determined by laws, create civil rights and duties within the general principles and the meaning of the civil laws.

2. Pursuant to paragraph 1 of this Article, civil rights and duties shall arise:

1) from contracts and other transactions provided for by this Code and other laws, likewise from such transactions which might not be stipulated by the laws but not at variance with these laws;

2) from court judgements;

3) from administrative acts that cause civil legal effects;

4) as a result of creating intellectual property;

5) on the grounds damage, as well as on the grounds of the reception of property not due or of unjust enrichment;

6) on the grounds of events or actions (active or passive) to which the arising of civil legal effects is linked by laws.

Article 1.137. Enjoyment and exercise of civil rights and performance of civil duties

1. Persons shall freely enjoy their civil rights at their own discretion, including the right to protection.

2. Persons, while exercising their rights and performing their duties, must obey laws, respect rules of public welfare and principles of good morals, good faith, reasonableness and justice.

3. A person shall be forbidden to abuse his own right, i.e. there being no legal ground, no civil rights may be exercised in a manner or by means intended to violate other persons' rights and interests protected by laws; or to restrict other persons in their rights and interests protected by laws; or with the intent of doing damage to other persons; or where this would be contrary to the purpose of the subjective right. Abuse of a right that causes injury to other persons shall be the grounds for the implementation of civil liability. A court may refuse to protect the subjective right of which the person abuses.

4. The exercise of civil rights may not be used in bad faith and with the intent of unlawfully limiting competition or in abuse of the dominating position in the market.

5. Civil rights shall be protected by the laws, except in cases when the exercise of these rights is inconsistent with their purpose, public order, good usages (*bonus mores*) or the principles of public morals.

6. A renouncement of exercise of a subjective civil right shall not abolish the civil subjective right, except in cases established by laws.

Article 1.138. Protection of civil rights

1. Civil rights shall be protected by the court acting within its competence and according to the procedure established by laws. The ways of protecting civil rights are the following:

1) acknowledgement of rights;

2) restoration of the situation that existed before the right was violated;

3) prevention of unlawful actions or prohibition to perform actions that pose reasonable threat of the occurrence of damage (preventive action);

4) ad judgement to perform an obligation in kind;

5) interruption or modification of a legal relationship;

6) recovery of pecuniary or non-pecuniary damage from the person who infringes the law and, in cases established by the law or contract, recovery of a penalty (fine, interest);

7) declaration as voidable of unlawful acts of the state or those of the institutions of local governments or the officials thereof in the cases established in paragraph 4 Article 1.3 of this Code;

8) other ways provided by laws.

Article 1.139. Self-defense

1. Self-defense may be exercised for the purposes of protecting one's civil rights only in the events established by this Code.

2. Methods and means of self-defense must correspond to the nature of the unlawful act and cannot exceed the limits of self-defense that exist in every concrete event.

3. In exercising self-defense, the rights and freedoms of individuals must be respected, as well as the requirements of laws must be observed.

BOOK TWO
PERSONS

PART I
NATURAL PERSONS

CHAPTER I
PASSIVE AND ACTIVE CIVIL CAPACITY OF NATURAL PERSONS

SECTION ONE
PASSIVE CAPACITY

Article 2.1. The concept of passive civil capacity of natural persons

Every natural person shall have the full enjoyment of civil rights (passive civil capacity)

Article 2.2. Beginning and end of passive civil capacity of natural persons

1. Passive civil capacity of a natural person shall begin at the moment of his birth and end at the moment of his death.

2. The beginning of rights prescribed by law to a conceived but yet unborn baby shall depend on the act of its birth.

3. In the event of the impossibility to establish whether a baby was born alive or dead it shall be presumed that it was born alive.

4. Where certain ensuing legal consequences depend on the fact which of natural persons died at an earlier date and where it is impossible to establish the moment of the act of death of them each, it shall be presumed that the said natural persons died at the same time.

Article 2.3. Acts of birth and death of natural persons

1. The first independent breath shall be considered to be the act of birth of a natural person.

2. Full and irreversible stoppage of blood circulation or stoppage of all brain functions shall be considered to be the act of death of a natural person.

3. Criteria for stating the acts of birth or death shall be prescribed by law.

Article 2.4 Content of the passive civil capacity of natural persons

1. According to law, natural persons shall be entitled to property as the object of private ownership and shall enjoy the right to engage in commercial activities, establish enterprises or other legal entities, inherit property and bequeath it, choose a sphere of activities and residence, to have invention or industrial sample rights as well as other property and individual non-property rights, which are protected by the civil law.

2. Natural persons who, in accordance with the procedure established by the law, are engaged in commercial activities shall be deemed to be entrepreneurs.

3. Every person engaged in business or practising of his profession shall have to administer his property and everything related to his undertaking or practising of his profession as well as to safeguard documents and other information about his property, undertaking or practising of his profession in the manner, which would enable every person, having a legal interest, at any time, to receive comprehensive information about the property rights and obligations of the person in question.

SECTION TWO
ACTIVE CAPACITY

Article 2.5. Active civil capacity of natural persons

1. On attaining full age, i.e. when a natural person is eighteen years of age, he, by his acts, shall have full exercise of all his civil rights and shall assume civil obligations.

2. Where the law provides for the possibility of a natural person to enter into marriage before he is eighteen, the person, who has not yet come of the given age, shall acquire full active civil capacity at the moment of entering into marriage. If at a later date this marriage is dissolved or nullity of marriage is declared for reasons not related to the age of the parties to marriage a minor shall not loose his full active civil capacity.

Article 2.6. Prohibition to impose restrictions on the passive or active civil capacity of Natural Persons on the Grounds which are not Prescribed by Law.

1. Restrictions on the passive or active civil capacity may not be imposed on anyone in any other manner except by express provision of law.

2. Transactions, acts of public or municipality institutions or officials, which impose restrictions on the passive or active civil capacity, are deemed to be null and void except in cases where the said transactions and acts are prescribed by law.

Article 2.7. Active civil capacity of minors under fourteen years of age

1. Contracts on behalf and in the name of minor's under fourteen years of age name shall be concluded by their parents or guardians.

2. Upon entering into contracts and enforcing them parents and guardians shall have to act exceptionally in the interest of minors. Rights and obligations of parents and guardians in administering the property of minors are laid down in the provisions of Book three of the given Code.

3. Minors under fourteen years of age shall enjoy the right to enter alone into contracts to meet their ordinary and usual needs, conclude contracts aiming at gratuitous personal gain, as well as conclude contracts related to the use of their own earnings or money provided by their legal representatives or other persons if the said contracts fail to have a prescribed notarial or any other specific form.

4. Liability of legal representatives for contractual obligations of minors, who are under fourteen years of age, shall be prescribed by law if they fail to prove that they are not at fault for the breach of the said obligations.

5. Where a contract concluded by a minor under fourteen years of age is not recognised to be null and void and where the said person becomes legally capable, the other party to the contract may apply in writing to the party to the contract, who has become legally capable, and request the approval of the contract within the time limits, which may not be shorter than one month, determined in the application. Where the person fails to notify about his refusal to approve the contract within the proposed time limits, he shall be deemed to have approved the contract.

Article 2.8. Active civil capacity of minors over fourteen and under eighteen years of age

1. Minors over fourteen and under eighteen years of age shall enter into contracts with the consent of parents or guardians. The form of consent shall have to correspond to the form of the contract concluded. Contracts concluded without the consent of legal representatives shall be deemed valid if the consent of the legal representative is given after the contract has been concluded.

2. Minors over fourteen but under eighteen years of age, apart from the rights laid down in paragraph 3 of Article 2.7, shall have the right to dispose of their income and property acquired for that income, implement copyright to their works, inventions, industrial design as well as the right to enter into contracts alone to meet their ordinary and usual needs.

3. Where there are sufficient grounds, the court may be called upon to rule on an application filed by child care institutions or other interested persons to impose restrictions on or divest minors, who are over fourteen but under eighteen years of age, of the right to dispose independently of their income and property.

4. The right of minors over fourteen but under eighteen years of age to make deposits in credit institutions and dispose of them shall be prescribed by law.

5. Minors over fourteen but under eighteen years of age shall alone be liable for their contractual obligations.

Article 2.9. Emancipation of minors

1. Where a minor is sixteen years of age the court may emancipate him after he or his guardian , parents, institutions of guardianship or he himself has filed a declaration to that effect with the court if there are sufficient grounds to believe that he may exercise all civil rights and discharge his obligations alone. In all cases a minor has to give his consent to be emancipated.

2. The court may annul minor's emancipation on the request of parents or child care institutions in the event that exercising his rights and discharging his obligations a minor causes damage to his own or other persons' rights or lawful interests.

SECTION THREE
DECLARATION OF INCAPACITY OR LIMITATION OF CAPACITY OF A NATURAL PERSON

Article 2.10. Declaration of incapacity of a natural person

1. Natural person who as a result of mental illness or imbecility is not able to understand the meaning of his actions or control them may be declared incapable. The incapable person shall be placed under guardianship.

2. Contracts on behalf and in the name of the person, who was declared incapable, shall be concluded by his guardian. Rights and obligations of a guardian are laid down in the provisions of Book Three of the given Code.

3. Where a person who was declared incapable gets over his illness or the state of his health improves considerably the court shall recognise his capacity. After the court judgement becomes *res judicta,* guardianship to the said person shall be revoked.

4. The spouse of the person, parents, adult children, care institution or a public prosecutor shall have the right to request the declaration of person's incapacity by filing a declaration to the given effect. They shall also have the right to apply to the court requesting the declaration of person's capacity.

Article 2.11. Limitation of active civil capacity of natural persons

1. Where natural persons abuse alcoholic beverages, drugs, narcotic or toxic substances the court may impose restrictions on their civil capacity. After person's capacity has been imposed limitations , he shall be placed under guardianship. Rights and obligations of a guardian are laid down in the provisions of Book three of the given Code.

2. Upon imposition of a limitation on a person's capacity he may enter into contracts related to the disposition of his property, receive his salary, pension or any other income and dispose of it only with the consent of his guardian , with the exception of contracts, which he concludes to meet his ordinary and usual needs. Person whose capacity has been imposed limitations may not without the consent of his guardian curator:

1) borrow and lend money, when the sum exceeds two average monthly wages (without deductions);

2) extend a guarantee or offer a surety to other person;

3) conclude contracts of alienation or encumbrance of rights to his property ;

4) conclude an arbitration agreement;

5) file a statement of claim related to that part of his active civil capacity where his active capacity is limited;

6) come into inheritance or disclaim an inheritance;

7) conclude a contract for the construction of a building (apartment) or major repairs;

8) conclude a contract of tenancy or a loan-for-use contract;

3. The court may request the consent of the guardian curator to conclude other contracts, which are not laid down in paragraph 2 of the given Article.

4. Where the reasons for which person's capacity was imposed limitations are no more valid the court shall lift the limitations on person's capacity. After the court judgement has come into force, guardianship to a person under which he has been placed shall be annulled.

5. A person of full age who has limited capacity shall be alone liable for his contractual and non-contractual obligations.

6. A request to impose limitations on person's civil capacity may be filed by the spouse of the said person, his parents, adult children, institution of guardianship or the public prosecutor. The person whose capacity was imposed limitations shall also have the right to apply to the court requesting to lift the limitations on his capacity.

7. Provisions of the articles of Part VII of Book Three of the given Code are applied *mutatis mutandis* to relations, arising in the exercise and protection of the property and non-property rights of an incapable natural person or a natural person of limited capacity.

SECTION FOUR
DOMICILE AND RESIDENCE OF A NATURAL PERSON

Article 2.12. Domicile of a Natural Person

Being an expression of person's relationship with the state or part of its territory, domicile of a natural person shall be that state or its part, in which he permanently or ordinarily resides, regarding that state or its part to be the seat of his personal, social and economic interests.

1. A natural person is deemed to be domiciled in the Republic of Lithuania when of his own will he establishes and maintains the only or principal residence with the intention to make it

a seat of his personal, social and economic interests. This intention, *inter alia*, may manifest itself by person's actual presence on the territory of the Republic of Lithuania as well as the establishment of personal or business relations between him and the persons of the Republic of Lithuania or by some other criteria.

2. A natural person may have only one domicile. A person called to a temporary or revocable public office shall retain his domicile.

3. Domicile of a natural person shall be deemed unchanged until he changes it to another domicile.

4. Domicile of a married person shall not depend on the domicile of his spouse, although the domicile of one of the spouses is the fact, which has to be taken into consideration in establishing the domicile of the other spouse.

Article 2.13. Domicile of Legally Incapable Natural Persons

1. Domicile of legally incapable natural person shall be deemed to be the domicile of his guardian if the guardian and his ward reside in the same state.

2. Where a legally incapable person resides in a different from his guardian state and the said state is the seat of personal, social and economic interests of the legally incapable person he shall be deemed to be domiciled in that state.

Article 2.14. Domicile of Juvenile Natural Persons

1.Domicile of minor natural persons shall be deemed to be the domicile of their parents or guardians (foster parents).

2.Where parents of a minor natural person fail to have a common domicile, the domicile of a minor shall be deemed to be the domicile of one of his parents with whom the minor resides most of the time, unless the court has established the domicile of a minor with one of his parents.

Article 2.15. Right of the Parties to the Contract to Choose Domicile

The parties to a contract shall enjoy the right to choose, in writing, domicile with the view to the performance of the contract and the exercise of the rights arising from the said contract.

Article 2.16. Place of Residence of a Natural Person

1.The residence of a person shall be the place where he ordinarily resides.

2.Where a person has more than one residence, the seat of his principal establishment (where the person has property or a major part of property, where he has his job or where he lives the longest) shall be deemed to be his principal residence. In such case person's principal residence shall be taken into consideration in establishing his domicile.

3.A person, whose domicile cannot be determined with certainty in accordance with the criteria laid down in Article 2.12 of the given Code, shall be deemed to be domiciled at the place of his residence. This rule shall, too, be applied to refugees from the state, which was their domicile unless they were domiciled in the Republic of Lithuania in accordance with the provisions of Article 2.12 of the given Code.

Article 2.17. Criteria for the Establishment of Residence

1. Length and continuity of actual residence at the place, data on person's residence in public registers as well as his own public statements about his residence shall be taken into account in determining residence of a natural person.

2. A person whose residence is unknown or cannot be determined with certainty shall be deemed to live at the place of his last known residence.

3. A natural person must notify, in writing, the other party to the contract as well as his creditors or debtors about the change of residence. Where a person fails to perform this obligation the other party to the contract and creditors shall have the right to send notifications and perform other acts at the place of his last known residence.

SECTION FIVE
ACTS OF CIVIL STATUS

Article 2.18. State Registration of Acts of Civil Status

The state conducts mandatory registration of the following acts of civil status:

1) birth of a person;
2) death of a person;
3) entering into marriage;
4) dissolution of marriage
5) adoption;
6) recognition and establishment of parenthood;
7) change of the first name and surname;
8) change of designation of sex of a person;
9) partnership.

Article 2.19. The Order of Registration of Acts of Civil Status

1. Acts of civil status, except partnership, shall be registered in the registry offices by making respective entries into the register of civil status and issuing to the person the certificate of a respective entry of the act.

2. The procedure of registration of acts of civil status, alterations of the acts of civil status, rectification and reconstitution of acts is established in Book Three of the given Code.

PART TWO
ENJOYMENT AND EXERCISE OF SPECIFIC CIVIL RIGHTS OF NATURAL PERSONS

Article 2.20. Right to a Name

1. Every natural person shall enjoy the right to a name. Right to a name includes a right to a surname, name (names) and pseudonym. It shall be prohibited to gain rights and assume obligations under the cover of other person's name.

2. A natural person shall have the right to use his full or abbreviated name (names) and request other persons not to use and not to act in his name without his authorisation.

3. The basis and the procedure for the change of name and surname shall be provided by law.

4. Having changed his surname or name a natural person must inform his debtors and creditors thereof. Where the person fails to perform this obligation he shall run the risk of negative consequences ensuing after his failure to notify about the change of his name or surname.

Article 2.21. Protection of the Right to a Name

1. A natural person whose right to a name has been infringed as a result of other person's unlawful acts in his name or some other mode of unlawful appropriation of his name or he is prevented from using it, shall have the right to apply to court and request to oblige the guilty person to discontinue the said acts and redress the property and non-pecuniary damage incurred on him by such unlawful acts.

2. After the death of a natural person such claim may be presented by his spouse, parents or children.

Article 2.22. Right to an Image

1. Photograph (or its part) or some other image of a natural person may be reproduced, sold, demonstrated, published and the person may be photographed only with his consent. Such consent after natural person's death may be given by his spouse, parents or children.

2. Where such acts are related to person's public activities, his official post, request of law enforcement agencies or where a person is photographed in public places, consent of a person shall not be required. Person's photograph (or its part) produced under the said circumstances, however, may not be demonstrated, reproduced or sold if those acts were to abase person's honour, dignity or damage his professional reputation.

3. Natural person whose right to image has been infringed enjoys the right to request the court to oblige the discontinuance of the said acts and redressing of the property and non-pecuniary damage. After person's death, such claim may be presented by his spouse, children and parents.

Article 2.23. Right to Privacy and Secrecy

1. Privacy of natural person shall be inviolable. Information on person's private life may be made public only with his consent. After person's death the said consent may be given by person's spouse, children and parents.

2. Unlawful invasion of person's dwelling or other private premises as well as fenced private territory, keeping his private life under observation, unlawful search of the person or his property, intentional interception of person's telephone, post or other private communications as well as violation of the confidentiality of his personal notes and information, publication of the data on the state of his health in violation of the procedure prescribed by laws and other unlawful acts shall be deemed to violate person's private life.

3. Establishment of a file on another person's private life in violation of law shall be prohibited. A person may not be denied access to the information contained in the file except as otherwise provided by the law. Dissemination of the collected information on the person's private life shall be prohibited unless, taking into consideration person's official post and his status in the society, dissemination of the said information is in line with the lawful and well-grounded public interest to be aware of the said information.

4. Public announcement of facts of private life, however truthful they may be, as well as making private correspondence public in violation of the procedure prescribed in paragraphs 1 and 3 of the given Article as well as invasion of person's dwelling without his consent except as otherwise provided by the law, keeping his private life under observation or gathering of information about him in violation of law as well as other unlawful acts, infringing the right to privacy shall form the basis for bringing an action for repairing the property and non-pecuniary damage incurred by the said acts.

5. Where the said acts are committed on the basis of reasoned judgement of the court, restrictions imposed on the publication and collecting of information about the person which are laid down in the provisions of paragraphs 1 and 3 of the given Article shall not be applied.

Article 2.24. Protection of Honour and Dignity

1. A person shall have the right to demand refutation in judicial proceedings of the publicised data, which abase his honour and dignity and which are erroneous as well as redress of the property and non-pecuniary damage incurred by the public announcement of the said data. After person's death this right shall pass on to his spouse, parents and children if the public announcement of erroneous data about the deceased person abases their honour and dignity as well. The data, which was made public, shall be presumed to be erroneous as long as the person who publicised them proves the opposite.

2. Where erroneous data were publicised by a mass medium (press, television, radio etc.) the person about whom the data was publicised shall have the right to file a refutation and demand the given mass medium to publish the said refutation free of charge or make it public in some other way. The mass medium shall have to publish the refutation or make it public in some other way in the course of two weeks from its receipt. Mass medium shall have the right to refuse to publish the refutation or make it public only in such cases where the content of the refutation contradicts good morals.

3. The request to redress the property or non-property non-pecuniary damage shall be investigated by the court irrespective of the fact whether the person who has disseminated such data refuted them or not.

4. Where a mass medium refuses to publish the refutation or make it public in some other way or fails to do it in the term provided in paragraph 2 of the given Article, the person gains the right to apply to court in accordance with the procedure established in paragraph 1 of the given Article. The court shall establish the procedure and the term for the refutation of the data, which were erroneous or abased other person's reputation.

5. The mass medium, which publicised erroneous data abasing person's reputation shall have to redress property and non-pecuniary damage incurred on the person only in those cases, when it knew or had to know that the data were erroneous as well as in those cases when the data were made public by its employees or the data was made public anonymously and the mass medium refuses to name the person who supplied the said data.

6. The person who made a public announcement of erroneous data shall be exempted from civil liability in cases when the publicised data is related to a public person and his state or public activities and the person who made them public proves that his actions were in good faith and meant to introduce the person and his activities to the public.

7. Where the court judgement, which obliges the refutation of erroneous data abasing person's honour and dignity, is not executed , the court may issue an order to recover a fine from the defendant for each day of default. The amount of the fine shall be established by the court. It shall be recovered for the benefit of the defendant irrespective of the redress for the inflicted damage.

8. Provisions of the given article shall, too, be applied to protect the tarnished professional reputation of a legal person.

9. Provisions of the given article shall not be applied to those participants of judicial proceedings who are not held responsible for the speeches delivered at court hearings or data made public in judicial documents.

Article 2.25. Right to the Inviolability and Integrity of the Person

1. A natural person shall be inviolable. No natural person may be made to undergo scientific or medical test or examination against his will and without his free consent (in cases of person's incapability – without consent of his legal representative). Such consent shall be given in writing.

2. Intervention into a human body, removal of parts of his body or organs shall be possible only with his consent. Consent to a surgical operation shall be given in writing. Where a person is incapable his guardian shall give his consent, in the event of castration, sterilisation, abortion, operation, removal of organs of an incapable person, however, authorisation of the court shall be necessary. Such consent shall not be necessary in emergency cases when person's life is endangered and has to be saved while the person himself is unable to express his will.

3. A natural person may determine, in writing, the nature of his funeral and the disposal of his body after his death.

4. The procedure for the donation and transplantation of human tissues and organs is established in a separate law.

5. Human body, its parts or organs and tissues may not become subjects of commercial contracts. Such contracts shall be deemed null and void.

6. The person whose right to the inviolability of and integrity of his person has been infringed shall enjoy the right to request the guilty persons to redress property and non-pecuniary damage incurred on him.

Article 2.26. Prohibition to Restrict the Freedom of a Natural Person

1. Freedom of a natural person shall be inviolable. A capable person may be placed under any supervision or imposed any restrictions only after his consent has been given as well as in other cases prescribed by law.

2. Where a person's life is endangered or he has to be hospitalised to protect the public interests person's consent to the medical care shall not be required.

3. Psychiatric examination of a person may be conducted only with his consent or after the authorisation of the court has been granted. Consent to conduct psychiatric examination of an incapable person may be given by his guardian or by the court. Where a person's life is seriously endangered urgent psychiatric care may be taken without person's consent.

4. A person may be confined in a psychiatric institution only with his consent and after the authorisation of the court has been granted. Where a person is seriously ill with a mental disease and where there is a real danger that his actions may cause considerable damage to his or other people's health or life and property, the person may be hospitalised in a compulsory manner for the period not exceeding two days. Compulsory hospitalisation may be extended only after the authorisation of the court in accordance with the procedure prescribed by law has been granted. Where a person is incapable, his guardian may give his consent to the said person's compulsory hospitalisation for the period not exceeding two days. Compulsory hospitalisation of an incapable person may be extended only after the authorisation of the court following the procedure prescribed by law has been granted.

5. Persons who unlawfully imposed restrictions on the freedom of a natural person shall have to redress property and non-pecuniary damage incurred on the said person.

Article 2.27. Right to the Change of the Designation of Sex

1. An unmarried natural person of full age enjoys the right to the change of designation of sex in cases when it is feasible from the medical point of view. The application to the given effect shall have to be made in writing.

2. The conditions and the procedure for the change of designation of sex shall be prescribed by law.

CHAPTER THREE
RECOGNITION OF PERSON'S ABSENCE OR DECLARATORY JUDGEMENT OF DEATH

Article 2.28 Recognition of person's absence

1. Where for the period of one year in person's domicile there is no information about his whereabouts the court may recognise the person to be an absentee.

2. Where there is no possibility to establish the day when the last data about an absentee have been received, the first of January of the following year shall be deemed to be the beginning of person's absence.

Article 2.29. Protection of the Property of an Absentee

1. After application of the interested persons or the public prosecutor has been filed, the court shall appoint a temporary administrator of absentee's property. Absentee's spouse, close relatives or person's who are motivated to preserve his property may be appointed temporary administrators. The temporary administrator must take the inventory of the property and take measures to safeguard it. The court shall establish the amount of remuneration for the administrator's services with the exception of cases where the temporary administrator is person's spouse or a close relative. They shall fulfil the said functions free of charge.

2. Temporary administrator shall administer the property, shall maintain the persons whom the absentee is obliged to maintain and shall pay the absentee's debts. Temporary

administrator shall have to obtain the authorisation of the court to dispose of the property, mortgage it or restrict the right to property in some other manner.

3. Where the absentee's property is an enterprise the court shall appoint its administrator. The administrator shall act in his owner's name.

4. Where the court gives a judgement that the person is recognised an absentee, a permanent administrator to his property shall be appointed by the court judgement.

5. A person may be appointed an administrator to the property only with his consent.

Article 2.30. Revocation of the Judgement to Recognise the Person an Absentee

1. In the event that an absentee returns or his whereabouts become known the court shall revoke its judgement to recognise the person an absentee and the administration to his property.

2. Revenues received by the administrator from the property of the absentee shall be recovered by the owner of the property who has returned and who has to reimburse the property administrator for all expenses related to the administration thereof.

Article 2.31. Declaratory Judgement of Death

1. In the event that no information on person's whereabouts is obtained in his domicile for a period of three years and where he disappeared under such circumstances, which posed a mortal threat or give the grounds to suspect that he was killed in an accident, and no information about the person has been obtained for a period of six months, a declaratory judgement of natural person's death may be pronounced. The beginning of the said term is established in accordance with the rules laid down in paragraph 2 of Article 2.28 of the given Code.

2. A soldier or other person who disappeared as a result of military actions may in judicial proceedings be declared dead but not earlier than two years as of the day of the end of military actions.

3. A declaratory judgement of death may be pronounced for a person irrespective of the fact whether he was or was not recognised an absentee.

4. The date of death for a person for whom a declaratory judgement of death was pronounced shall be deemed the day when the court judgement becomes *res judicata* . Where a declaratory judgement of death is pronounced for a person who disappeared under such circumstances, which posed mortal threat or give grounds to suspect that he was killed in an accident the court may consider the alleged day of the accident to be the date of his death.

5. Specific location pointed out in the court judgement shall be considered to be the location of such person's death. Where it is impossible to establish a specific location of person's death the last known location of his whereabouts is deemed to be the location of his death.

6. From the point of view of person's civil rights and obligations, pronouncement of a declaratory judgement of his death shall equal the act of person's death.

Article 2.32. Consequences of the Return of a Person who was Declared Dead

1. Where a person who was declared dead returns or his whereabouts become known the court revokes its judgement to declare the person dead.

2. The person who has returned shall not have the right to request the recovery of his property, which has been inherited after a declaratory judgement of death was pronounced. However, in cases where a person was absent for serious reasons he shall enjoy the right, irrespective of the time of his return, to request the recovery of his property which is in possession of his heirs.

3. A person who has returned shall also enjoy the right to request either the recovery of his property, which was gratuitously received by the third persons, or its value. He shall have, however, to compensate the person, who, in good faith, was in possession of his property, for all losses related to the recovery of the said property or its value.

PART II
LEGAL PERSONS

CHAPTER IV
GENERAL PROVISIONS

Article 2.33. Concept of a Legal Person

1. A legal person shall be an enterprise or an organisation which has its business name, which may in its name gain and enjoy rights and assume obligations as well as act as a defendant and as a plaintiff in courts.
2. Provisions of the PART II of the given book shall be applied to individual juridical forms of legal persons except as otherwise provided by the provisions of the given Code.

Article 2.34. Public and Private Persons

1. Legal persons shall be divided into public and private persons.
2. Public legal persons shall be legal persons established by the state or municipalities, their institutions or other non-profit-seeking persons whose goal is to meet public interests (state and municipality enterprises, state or municipality institutions, public institutions, religious communities, etc.).
3. Private legal persons shall be legal persons, which aim at meeting private interests.
4. Chapter VII of the given book shall be applied to the public legal persons in a subsidiary manner.
5. Chapter IX of the given book shall not be applied to the public legal persons.

Article 2.35. State and Municipalities

1. The state and municipalities shall be legal persons.
2. State and municipality institutions the existence whereof is prescribed by the Constitution of the Republic of Lithuania shall be legal persons in the cases prescribed by law.
3. With the exception of Articles 2.36, 2.74, 2.76, 2.80, 2.84, 2.85 Provisions of the Part II of the given book shall not be applied to the state and municipalities.
4. State and municipality institutions specified in paragraph 2 of the given Article shall file with the register of legal persons documents and data, laid down in Articles 2.46 and 2.66 of the given Code.

Article 2.36. Participation of the State and Municipalities in Civil Relations.

1. State, municipalities and their institutions shall be subjects of civil relations subject to the same grounds as other participants thereof.
2. The state and municipalities shall gain civil rights, assume civil duties and implement them through respective public and municipality administration institutions.

Article 2.37. Religious Communities and Associations

1. Traditional religious communities and associations shall be legal persons. Other religious communities and associations gain the rights of a legal person in accordance with the procedure established in Chapter V of the given book as well as in other laws.
2. Structural units of religious communities and associations, which pursuant to the regulations of communities and associations, statutes or other norms fulfil the requirements provided in Article 2.33 of the given Code, shall be legal persons. These structural units shall file documents, testifying to their compliance with the requirements specified in the given paragraph, with the register of legal persons.
3. Religious communities and associations and their structural units, which enjoy the rights of a legal person, shall act pursuant to their regulations, statutes and other norms inasmuch as they do not infringe the laws, and only Chapters IV and VI , Articles 2.84, 2.85 shall be applied

to the said legal persons as well as Chapter V but only inasmuch as it fails to contradict the provisions of paragraph I of the given Article.

Article 2.38. Trade Unions

1. Where the requirements of paragraph 2 of the given Article are fulfilled trade unions shall be considered to be legal persons.

2. A trade union shall be formed when it has no less than 30 founders or when an enterprise, an institution or an organisation has no less than 30 founders and they account for no less than one fifth of all employees (while one fifth would account for no less than three employees) and if the general meeting of the trade union approves its statute and elects its managing bodies.

3. Citizens of the Republic of Lithuania or natural persons domiciled in the Republic of Lithuania who are not younger than fourteen years of age and are employed on the basis of labour contracts or some other basis may be founders of a trade union.

4. Provisions of Chapter V of the given book shall be applied to trade unions inasmuch as they fail to contradict the provisions of paragraph 1 of the given Article. Trade unions shall file documents testifying to their compliance with the requirements laid down in paragraph 2 of the given Article with the register of legal persons.

Article 2.39. Business Name of a Legal Person

1. A legal person shall possess its business name enabling to distinguish it from other legal persons.

2. Business name of a legal person shall be its property, which, however, may not be sold or conveyed in any other manner to become the property of the other person separately from the legal person.

3. Business name of a legal person may not contradict the public order or good morals or mislead the society as to its incorporator, co-owner, registered office, purpose of activities, juridical form, identity of the legal person or similarity to business names of other legal persons, business names of foreign enterprises, institutions and organisations, as well as trademarks and service marks which are familiar to the Lithuanian society. Business name of a legal person may not mislead by its identity or similarity to the recognised well-known trademarks and service marks which were submitted for registration, and were registered prior to the said legal person.

4. Where provisions of paragraph 3 of Article 2.46 of the given Code must be applied, business name of a legal person shall not be registered separately and shall be protected as of the day on which an application for the registration of a legal person is filed with the register of legal persons or a legal act has been adopted.

5. Regulations of the register of legal persons may establish additional requirements for the business name of legal persons.

Article 2.40. Composition of the Business Name of Legal Person

1. Business name of a legal person is composed of words or word-combinations used in their figurative or direct meaning.

2. Business name of a legal person shall be composed by taking into consideration the norms of standard Lithuanian and shall not be composed of a generic word (or words) denoting directly the sort of objects or services of activity or a single toponym or of some other word which fails to possess a distinctive feature.

3. Business name of a legal person may be composed only of letters, which may not be understood as words and numerals or their combinations only in cases when such business name is customary in the society. Where the consent has been given, business name of a legal person which is related to a foreign legal person or other organisation may be composed in such manner which would make the said name identical or similar to the business name of a foreign legal person or other organisation.

Article 2.41. Business Name of a Legal Person which is in the Process of Incorporation

1. Incorporators of a legal person may apply to the register of natural persons and request to make a temporary entry of the business name of a legal person, which is in the process of incorporation, in the register of legal persons.

2. Business name of a legal person, which is in the process of incorporation, shall be subject to the same rules as the business name of a legal person with the exception of paragraph 4 of Article 2.39 and Article 2.42 of the given Code.

3. Entry of a business name of a legal person, which is in the process of incorporation shall be made in the register of legal persons for the period of six months and upon its expiry shall be deleted without prior notification thereof to the founders of the legal person.

Article 2.42. Right to the Business Name of a Legal Person

1. It shall be prohibited to gain rights and assume obligations by using other legal person's business name as a cover or to use other legal person's business name without the latter's consent.

2. Where legal person's right to a business name has been infringed by other person's unlawful use of the said person's business name or where the other person has or uses a business name, which fails to meet the requirements laid down in Article 2.39 of the given Code, the legal person shall have the right to apply to the court and request the court to oblige the legal person to discontinue the said unlawful acts or alter the business name and to redress the property and non-pecuniary damage incurred by the said acts, while in the event that provisions of paragraph 1 of the given Article have been infringed – to request the person to return everything he has acquired by using other person's name as a cover or using the said name without the latter's consent.

Article 2.43. Alteration of the Business Name of a Legal Person

1. Prior to the alteration of the business name a legal person shall have, one time, to make a public announcement thereof or notify, in writing, all creditors of the legal person.

2. Where a legal person fails to discharge its obligation stipulated in paragraph 1 of the given Article he shall have to suffer the ensuing negative consequences related to its failure to notify about the alteration of its business name.

3. The business name of a legal person shall be altered alongside with the alteration of incorporation documents, which are filed with the Register of legal persons only after the requirements of paragraph 1 of the given Article have been fulfilled.

4. A legal person shall have the right to apply to the Register of legal persons and request to make a temporary entry in the Register of legal persons of the planned new business name. In such cases the provisions of Article 2.41 of the given Code shall be applied *mutatis mutandis*

Article 2.44. Information Supplied in the Documents of a Legal Person

1. Documents of a legal person used in his business relations with other subjects (business letters, invoices, trade documents etc.) shall have to supply the following information:
   1) business name of a legal person;
   2) juridical form of a legal person;
   3) head office of a legal person;
   4) code of a legal person;
   5) Register which stores and safeguards the data on the given legal person.

2. Where a legal person has declared bankruptcy or is liquidated the information thereof must be indicated in the documents specified in paragraph 1 of the given Article.

3. Where a legal person has to pay value-added tax, the payer's code shall have to be indicated in the documents specified in paragraph 1 of the given Article.

4. Where the assets of a legal person are mentioned in the documents specified in paragraph 1 of the given Article, authorised capital and the amount of paid-in authorised capital shall have to be indicated as well.

Article 2.45. Member of the Legal Person

1. A member of a legal person (shareholder, member, part-owner etc.) shall be the person, which enjoys the right of ownership to the property of a legal person, or the person, who, irrespective of his failure to maintain the right of ownership to the property of a legal person, acquires the obligatory rights and duties related to the legal person.

Article 2.46. Documents of Incorporation of a Legal Person

1. Legal persons shall act in accordance with the documents of their incorporation: articles of incorporation, incorporation contract or in cases provided by law – general regulations. According to the provisions of the given Code articles of incorporation shall have equal status with the regulations, statutes and other incorporation documents of legal persons.

2. Provisions of incorporation documents shall be valid inasmuch as they do not contravene the mandatory provisions of laws.

3. Public legal persons may act in accordance with the law or, where the law provides for it, in accordance with the legal act on the incorporation of a public legal person adopted by the state or municipalities if the said act does not provide for the obligation of a public legal person to act in accordance with the statutes approved by the state or municipality institutions.

4. Where incorporation documents of a legal person are not filed with the Register of legal persons within six months after they have been drafted and where other laws fail to provide for a different time limit, they shall be deemed void.

5. Identity of signatures of natural persons who have signed the incorporation documents of a legal person shall have to be approved by a notary with the exception of derogations provided by the law.

Article 2.47. Articles of Incorporation of a Legal Person

1. Articles of incorporation and in the event that a legal person fails to have articles of incorporation – incorporation contract or general regulations, where a legal person acts in accordance with the general regulations, or a legal act, where a legal person acts in accordance with the legal act, shall have to supply the following information:

1) business name of a legal person;
2) juridical form of a legal person;
3) registered office of a legal person;
4) goals of activities of a legal person;
5) competence of the general meeting of members of a legal person and the procedure for its convening;
6) bodies of a legal person and the procedure for their formation and dissolution or, where the bodies are not formed and the legal person exercises its rights through a member of a legal person – member of a legal person;
7) the procedure for the alteration of the incorporation documents of a legal person;
8) where the term of activities of a legal person is restricted, the term of its activities;
9) other provisions laid down in the laws, the incorporator or a member of a legal person.

2. Goals of the activities of public legal persons shall have to be defined in a clear and comprehensive manner including the field and form thereof.

3. In the event that the procedure for the convening of the general meeting of a legal person's members and its competence as well as the procedure for the formation and dissolution of other bodies of a legal person and their competence is identical to the procedure provided for by the law and where the given fact is indicated in the articles of incorporation, it shall not be indicated.

Article 2.48. Property of legal persons

1. Property of legal persons shall be administered, used and disposed of on the basis of the ownership right or the right of trust.

2. Property, which is administered, used and disposed of on the basis of the right of trust shall be owned by the incorporator of a legal person or its member on the basis of the ownership right.

Article 2.49. Registered Office of a Legal Person

1. Registered office of a legal person shall be the seat of its principal managing body. Registered office of a legal person shall be defined by indicating the address of the premises in which the head office is located.

2. Where the registered office of a legal person indicated in the register of legal persons, incorporation documents or the contract and the seat of its principal managing body fail to coincide, the third parties shall enjoy the right to consider the seat of its principal managing body to be the registered office of a legal person.

3. All correspondence with a legal person shall be deemed appropriate where the address of the registered office is used as well as where due regard of paragraph 2 of the given article is taken except as otherwise provided by a legal person.

4. Upon changing his registered office a legal person shall have to change its incorporation documents accordingly and register them.

Article 2.50. Contractual Liability of Legal Persons

1. A legal person shall be liable for his obligations by his property, which it owns on the basis of the ownership right or right of trust

2. A legal person shall not be liable for the obligations of its member and the latter shall not be liable for the obligations of the legal person with the exception of cases provided by the law and incorporation documents of a legal person.

3. Where a legal person fails to perform his obligations due to acts in bad faith of a member of the legal person, the member of a legal person shall, in a subsidiary manner, be liable for the obligations of a legal person by his property.

4. Legal persons shall be divided into persons of limited and unlimited civil liability. Where the property of a legal person of unlimited civil liability is not sufficient to discharge its obligations, a member of a legal person shall be liable for the said obligations. Personal (individual) enterprise and commercial partnership shall be legal persons of unlimited civil liability.

Article 2.51. Term of the Activities of a Legal Person

1. A legal person may be incorporated for a fixed or open-ended term. Date as well as presence or absence of certain conditions may be considered to be the term.

2. Where documents of incorporation of a legal person fail to indicate that the legal person has been incorporated for a fixed period of time such legal person shall be considered incorporated for an open-ended term.

Article 2.52. Financial Year of a Legal Person

1. Financial year of a legal person shall be the calendar year.

2. Any other period of twelve months may be considered to be the financial year of a legal person.

3. Where the financial year is changed, the end of the financial year shall be considered to be the end of the new financial year if the period from the beginning of the financial year to the end of the new financial year is not longer than eighteen months. Where such period is longer than

eighteen months, transitional financial year shall be set and its beginning shall be the end of the previous financial year whereas the end of it – the beginning of the new financial year.

4. Upon the incorporation of a legal person, the first financial year of a legal person shall be the period from the day of its incorporation to the end of the financial year. With the expiry of the term of a legal person the period from the beginning of the financial year to the day of the expiry of the term of a natural person shall be considered to be the last financial year.

5. Financial year of a legal person may not be altered more frequently than one time in five years. Where a legal person changes its financial year for a financial year coinciding with the calendar year, the given provision shall not be applied.

Article 2.53. Branch Office of a Legal Person

1. Branch office of a legal person shall be its structural unit, which has its registered office and performs all or part of legal person's the functions.

2. Branch office of a legal person shall not be a legal person. The legal person shall be liable for the obligations of the branch office and the branch office shall be liable for the obligations of the legal person.

Article 2.54. Regulations of the Branch Office of a Legal Person

1. Branch office of a legal person shall act in accordance with the regulations approved by a legal person. They must contain the following information:

1) business name of the branch office;
2) registered office of the branch office (address);
3) goals of activities of the branch office;
4) managing body of the branch office and its competence;
5) term of the activities of the branch office (where it is fixed
6) other provisions established by the law or a legal person.

2. Regulations of the branch office shall, too, provide information specified in Article 2.44 of the given Code on the founder of the branch office and on the managing body of a legal person, which enjoys the right to form or dissolve managing bodies of the branch office and make decisions on the legal status of the branch office.

Article 2.55. Regulation of Branch Offices

1. Provisions of PART II of the given book shall be applied to the branch offices and their activities inasmuch as they do not contradict the essence of a branch office and by taking due regard of peculiar provisions laid down in the given Article.

2. Documents of the branch office listed in Article 2.44 of the given Code shall also contain analogous information about the legal person, with the exception of information specified in paragraph 3 of Article 2.44 of the given Code in cases, where a foreign legal person or other organisation is the founder of the branch office.

3. Upon the registration of a branch office a foreign legal person or other organisation shall have to notify the Register of legal persons about the changes in the data of a legal person's documents, which were filed with the register, and the legal status of a legal person, and present documents of annual financial accountability, including consolidated balance sheet, in cases where such accountability, according to the law, is applied to a foreign legal person or other organisation.

Article 2.56. Representative Office of a Legal Person

1. Representative office of a legal person shall be a unit of a legal person, which shall have its registered office enjoy the right to perform all operations specified in paragraph 2 of the given Article.

2. Representative office of a legal person shall have the right to represent the interests of a legal person and safeguard them, to enter into contracts as well as perform other operations in legal person's name, to conduct import and export operations exclusively between foreign legal

persons and other organisations, which have established the branch office or related enterprises, institutions or organisations and the branch office.

3. Representative office of a legal person shall not be a legal person.

Article 2.57. Regulations of a Representative Office of a Legal Person

1.Representative office of a legal person shall act pursuant to the regulations approved by a legal person which have to indicate:

1) business name of a representative office;
2) registered office of a representative office;
3) goals of activities of a representative office;
4) managing body of a representative office and its competence;
5) period of activities of a representative office where it is limited;
6) other provisions established by the law or a legal person.

2.Regulations of the representative office of a legal person shall also include information specified in Article 2.24 of the given Code about its founder and about the managing body which has the right to form and dissolve managing bodies and make decisions on the legal status of a representative office.

Article 2.58. Regulation of the Representative Office of a Legal Person

1. Provisions of Part II of the given book shall be applied to representative offices inasmuch as they do not contradict the essence of a representative office and by taking due regard of peculiar provisions laid down in the given Article.

2. Documents of a representative office listed in Article 2.44 of the given Code must also contain similar information about a legal person, with the exception of information specified in paragraph 3 of Article 2.44 of the given Code in cases, where the founder of a representative office is a foreign legal person or other organisation.

3. Upon registration of a representative office a foreign legal person or other organisation must notify the Register of legal persons about the alterations of data in documents of a legal person filed with the register and the legal status of a legal person, produce documents of annual financial accountability, including consolidated balance sheet, in cases, where such accountability is mandatory pursuant to laws applied to a foreign legal person or other organisation.

CHAPTER V
INCORPORATION OF A LEGAL PERSON

Article 2.59. Procedure for the Incorporation of a Legal Person

Legal persons shall be incorporated pursuant to the procedure established by the law and the given Code.

Article 2.60. Incorporators of a Legal Person

1. Incorporator of a legal person shall be a person who has concluded a contract for the incorporation of a legal person. Upon passing a respective law or, where it is provided for by the law, other legal act, the state, or, where it is provided by the law, a municipality, public or local self-government institutions upon passing a respective legal act, which forms the basis for the incorporation of a public legal person, shall, too, be considered the incorporators of a legal person.

2. Natural and legal persons may be incorporators of a legal person.

3. The law may provide for cases, where for the purpose of protection of public order or where retaliatory action is taken, a foreign legal person, other organisation or a foreigner may not be an incorporator or a member of legal persons.

Article 2.61. Contracts Concluded Prior to the Incorporation of a Legal Person

1. A special managing body of a legal person or some other body defined in the incorporation document shall have the right to approve contracts, which in a legal person's name were concluded by other persons prior to the incorporation of a legal person. When such contract is concluded it should be indicated that it is concluded in a legal person's name and in its interests. Where such reference fails to be included the person who has concluded the contract and the legal person whose managing body approved the contract concluded in its interest shall have solidarity obligation to discharge their contractual obligations.

2. Where such contract fails to be approved by the body of the legal person which was incorporated at a later date all obligations arising from the contract shall have to be discharged by the person who has concluded the said contract. Where such contract has been entered into by some persons and where a legal persons fails to approve it all persons shall have the solidarity obligation to discharge obligations arising from the said contract.

Article 2.62. Register of Legal Persons

1. Legal person shall have to be registered with the Register of legal persons.

2. Register of legal persons shall file legal persons and store data thereof. Register of legal persons shall be the principal register of the state.

3. Register of legal persons must be supplied with all data prescribed by the law on legal persons themselves and their activities (principle of disclosure).

4. A public institution prescribed by the law shall be the institution for the administration of the Register of legal persons (registrar of the register).

Article 2.63. Moment of Incorporation of a Legal Person

1. A legal person shall be deemed incorporated as of the moment of its registration with the Register of legal persons.

2. In cases prescribed by the law or laws, other legal act which formed the basis for the incorporation of public legal person may establish that a legal person is deemed incorporated after the act forming the basis for the incorporation has entered into force. In such cases the said legal act must contain the data laid down in Article 2.66 of the given Code and the said legal act has to be published and produced to the Register of legal persons.

Article 2.64. Registration of Legal Persons

1. A legal person shall be registered with the Register of legal persons after documents listed in paragraph 2 of the given Article have been produced except as otherwise provided by other laws in relation to cases established by the provisions of the given Code.

2. The following documents shall have to be produced to the Register of legal persons for the registration of a legal person:

1) application of the established form for the registration of a legal person;

2) incorporation documents of a legal person;

3) licence, where issuance of a licence prior to the incorporation of a legal person is provided for by the law;

4) documents verifying the authenticity of documents which are produced to the Register and the compliance of incorporation documents with the provisions of laws as well as documents verifying the fact that a legal person may be registered because contractual obligations assumed in the incorporation contract have been fulfilled and the circumstances prescribed by the law and incorporation documents have emerged.

5) document verifying the payment of a registration fee except in cases where a person is exempted from a registration fee.

6) other documents prescribed by the law.

3. A legal person shall be registered within 30 days as of the day on which all documents listed in Paragraph 2 of the given Article have been produced.

4. Regulations of the Register of legal persons shall establish the procedure for the registration of legal persons.

5. A legal person may be removed from the Register only on the expiry of the term of a legal person.

Article 2.65. Certificate of Registration and Code of a Legal Person

Upon registration of a legal person, the registrar of the Register shall issue a certificate of registration and shall give a legal person a code of a legal person.

Article 2.65. Data of the Register of Legal Persons

1. Register of legal persons shall have to include:
   1) business name of a legal person;
   2) juridical form of a legal person;
   3) code of a legal person;
   4) registered office of a legal person;
   5) bodies of a legal person;
   6) members of managing bodies of a legal person (name, surname, personal code (code of a legal person), residence (registered office);
   7) members of managing bodies of a legal person and members of a legal person having the right to conclude contracts in the legal person's name, limits of authority and samples of signatures;
   8) branch offices and representative offices of a legal person (names, codes, registered offices, members of managing bodies of branch offices and representative offices);
   9) restrictions on the activities of a legal person;
   10) legal status of a legal person;
   11) expiry of the term of a legal person;
   12) dates of alterations in the data filed with the register and dates of the alteration of documents;
   13) other data prescribed by the law.

2. Where legal persons the members whereof are liable for contractual obligations of a legal person are registered, additional information on a member, a natural person, of a legal person shall be furnished: name, surname, personal code, residence or business name of a legal person, juridical form, code and registered office.

3. Where the data, listed in paragraphs 1 and 2 of the given Article has been altered and where incorporation documents or other data listed in paragraphs 1 and 2 of the given Article has been altered, a legal person must file an application of the established form requesting the registration of the alterations with the Register of legal persons within thirty days as of the day the alterations have been made. Documents listed in point 4 paragraph 2 of Article 2.64 of the given Code and full text of the altered document, where the document has been altered, must be produced together with the application requesting the registration of the alterations.

4. The documents of the annual financial accountability of enterprises shall be produced to the Register (annual financial accountability) every year within thirty days as of the moment, when a legal person approves them in accordance with the procedure established by the law and incorporation documents of a legal person except as otherwise provided for by the law.

5. Alterations in the data listed in points 5-7 and 11 of paragraph 1 of the given Article as well as alterations of documents shall enter into force only upon their registration with the Register of legal persons with the exception of derogations provided by the law.

Article 2.67. Persons Responsible for the Production of Documents of a Legal Person and the Data of the Register to the Registrar of the Register

1. Managing body of a legal person shall be responsible for the timely production of documents of a natural person, data and other requested information to the Register of legal persons except as otherwise provided by the law or incorporation documents.

Article 2.68. Refusal to Register

1. The registrar may refuse to register a legal person or the alterations in the data and documents of a legal person only in cases where:

1) the application to register a legal person (alterations of data and documents to be registered with the register, removal of data) fails to conform to the established form or not all documents specified in Articles 2.63 and 2.64 are produced;

2) the term specified in paragraph 4 of Article 2.46 of the given Code has expired;

3) data and documents produced to the Register are not in conformity with one another, are vague or misleading;

4) form or content of the documents fail to conform to the requirements provided for by law.

2. Where obstacles for the registration of the produced documents and data arise, the registrar shall set a time limit for the elimination of defects. Where the defects are not eliminated within the established time limit and corrected documents are not produced to the registrar, the registrar makes a motivated decision to refuse the registration of a legal person (alterations in data or documents).

3. Decision to refuse registration of a legal person (data to be registered in the register or alterations in documents) shall be appealed to the court in accordance with the procedure established by the law.

Article 2.69. Rectification of the Register of Legal Persons

1. Errors in the Register of legal persons shall be rectified on the application of a legal person or a person whose data has been inserted in the Register or on the initiative of the registrar.

2. Upon the detection of an error in the Register, the registrar shall have, without delay, to notify, in writing, a legal person. Where a legal person fails to raise objections within the time limit set by the registrar for the rectification of the error, the registrar shall rectify the data in the register.

3. In the event that a legal person, the data whereof has been registered with the Register, requests the rectification of an error in the Register, the registrar shall have to rectify the data in the Register within three business days as of the day, on which the application and the documents verifying the facts have been received.

4. The registrar shall have to notify, where applicable, the persons who were given erroneous data about the rectification of the mistake in the Register.

Article 2.70. Liquidation of a Legal Person on the Initiative of the Registrar of Legal Persons.

1. Where a legal person registered with the Register fails to renew its data in the Register of legal persons within five years and where there are grounds to presume that the said legal person has stopped its activities or where an enterprise failed to produce documents of financial accountability, which were specified in paragraph 4 of Article 2.66 of the given Code for a period exceeding twenty four months and failed to inform the administrator of the Register of legal persons about the reasons thereof or where management bodies failed to make decisions due to the lack of quorum after the resignation of the members of managing bodies of a legal person and the situation persists for more than six months or where members of managing bodies of a legal person may not be contacted at the registered office of a legal person or locations, the addresses of which have been produced to the Register of legal persons, the registrar of the Register shall have the right to initiate liquidation of a legal person.

2. The registrar of legal persons shall send a notification about the pending liquidation of the legal person to the registered office of a legal person or to the addresses of the members of managing bodies of a legal person which were produced to the register of legal persons as well as make the public announcement of the said notification in the source provided for in the regulations of the register of legal persons.

3. Where within three months following the public announcement of the pending liquidation of a legal person the registrar of legal person fails to receive objections to the pending liquidation of a legal person he applies to the court requesting to put the legal person into liquidation.

Article 2.71. Publication of the Register of Legal Persons

1. Data of the Register of legal persons, documents stored in the register as well as any information supplied to the Register shall be made public.

2. A separate file shall be made up for each legal person. Documents produced to the Register, data and other information related to the given legal person shall be stored and safeguarded in the said file.

3. The data produced by the Register, copies of documents or information shall have a mark "attested abstract" ("attested copy") except in cases where an applicant fails to request the said mark. The copies of the data stored in the register, of documents or information attested in the said manner shall have *prima facie* authority.

4. Every person shall have the right to receive, free of charge, oral information on the legal status of a legal person and restrictions imposed of his activities in accordance with the procedure established by the Register of legal persons.

Article 2.72. Procedure and Mode of Publication of the Data of the Register of Legal Persons

1. The registrar shall have to make a public announcement of the registration of a legal person, alteration of the data stored in the Register in accordance with the procedure established by the Register of legal persons and in the source designated by the said Register.

2. Copies of the data and documents stored in the Register of legal persons shall be issued pursuant to the procedure established by the regulations of the Register of legal persons.

3. Every person shall enjoy the right to be issued copies of any data, documents and information stored in the Register after a fee not exceeding the costs of the said work has been paid.

4. Data of the Register of legal person shall be issued free of charge:

1) to natural persons whose data are inserted in the Register – the Register stores the data about the said persons;

2) to judicial institutions – inasmuch as they need to discharge their direct functions;

3) to other State registers and information systems – on the data exchange basis.

5. a fee for the issuance of copies of the data and documents of legal persons shall not exceed the costs of the administration of the Register.

Article 2.73. Liability for Unlawful Refusal to Register a Legal Person and for Errors in the Register of Legal Persons

1. Where a legal person and the data produced to the Register or documents to be registered with the Register, are unlawfully refused registration a legal person shall have the right to seek a legal redress for the damage inflicted on him by the said actions.

2. Damage incurred by the actions specified in paragraph 1 of the given Article on a legal person as well as damage incurred on other persons in the administration of the Register of legal persons shall be redressed by the State. The said damage is recovered in judicial proceedings. Institution authorised by the State shall represent the State in civil cases for the award of damage.

CHAPTER VI
LEGAL CAPACITY OF LEGAL PERSONS

Article 2.74. Legal Capacity of Legal Persons

1. Private legal persons may be in possession of or achieve any civil rights and assume duties except those, which may emerge only when such characteristics of a natural person as gender, age and consanguinity are in place.
2. Public legal persons shall have a special legal capacity, i. e they may be in possession of or achieve only such civil rights and assume such duties, which are not at variance with their incorporation documents or goals of activities.
3. Provisions of paragraph 3 of Article 2.4 of the given Code shall be applied to legal persons *mutatis mutandis.*

Article 2.75. Restrictions on the Legal Capacity of Legal Persons

1. Legal Capacity of legal persons may not be imposed limitations in any other manner except as by express provision and procedure of law.
2. Legal Capacity of an individual legal person may be imposed limitations only by the court judgement.

Article 2.76. Prohibition of Discrimination

1. It shall be prohibited to establish in legal acts, for discrimination purposes, different rights, obligations or privileges for separate legal persons.

Article 2.77. Licensing of the Activities of Legal Persons

1. In cases provided by law legal persons may be engaged in a certain type of activities only after a licence has been granted in accordance with the procedure established by the law.
2. A legal person must be in possession of all licences (permits) which are defined in -the law as a necessary prerequisite for its activities.

Article 2.78. Licensing Requirements

1. The Government approves licensing requirements for every licenced sphere of activities provided by law except as otherwise provided by other laws.
2. Licensing requirements shall indicate the following:
    1) licenced activities;
    2) licensing institution and its authority;
    3) documents for the issuance of a licence;
    4) procedure and term for the investigation of documents;
    5) types of licences, conditions of their issuance, re-issuance of a licence;
    6) forms of licences;
    7) procedure for the registration of issued licences;
    8) cases of refusal to issue a licence;
    9) conditions of licenced activities;
    10) procedure for the supervision of the observance of the conditions of a licence;
    11) procedure and cases for the revocation and withdrawal of a licence.
3. Regulations of licensing may provide for other requirements and a different procedure.

Article 2.79. Issuance of a Licence

1. Where the requirements specified in the regulations of licensing are fulfilled an open-ended licence shall be issued.

2. Except as otherwise provided by law, licence for the engagement in a certain activity or a written motivated refusal to issue a licence shall be submitted to an applicant within thirty days as of the day on which the documents for the issuance of a licence were produced.

3. Refusal to issue a licence may not be based on the inexpediency of activities and has to be motivated.

4. Information on the issuance of a licence, its revocation and withdrawal shall be stored in the register of legal persons. The licensing authority must notify the register of legal persons about the issuance, revocation and withdrawal of licences in accordance with the procedure established by the regulations of the register of legal persons.

5. Upon the issuance of a licence a legal person must supply information specified in the licensing requirements and related to the licenced activities or conditions predetermining the issuance thereof and allow the institution for the supervision of licenced activities to verify it.

6. Stamp tax for the issuance of a licence shall not exceed the costs of the issuance of a licence and supervision thereof.

Article 2.80. Prohibition to Use Administrative Methods

1. Public or municipality institutions shall be prohibited, in cases not prescribed by law, to use methods of administrative regulation of the activities of legal persons.

2. Where, in accordance with the procedure prescribed by law, an emergency or martial law is declared or a certain territory is declared the region of disaster, legal persons must carry out the instructions of the Government or local self-government institution.

CHAPTER VII
BODIES OF A LEGAL PERSON

Article 2.81. Bodies of a Legal Person

1. Legal persons achieve civil rights, assume civil duties and implement them through their bodies which are formed and act in accordance with laws and documents of incorporation of legal persons

2. In cases prescribed by laws and incorporation documents legal persons may achieve civil rights and assume duties through their members.

3. Members of legal persons enjoy the right to institute an action at law requesting to prohibit the managing bodies of a legal person to enter into contracts which contravene the goals of the activities of a legal person or overstep the authority of a managing body of a legal person.

4. Only natural persons may be members of managing bodies of a legal person whereas both natural and legal persons may be members of other bodies.

Article 2.82. Authority and Functions of the Bodies of Legal Persons

1. Authority and functions of the natural persons' bodies shall be established by the law and incorporation documents of a legal person, which regulate legal persons of a respective juridical form.

2. Where incorporation documents and laws regulating the activities of a legal person fail to provide a different structure of managing bodies, each legal person must have a single-person or a collegial managing body and the general meeting of members. Laws regulating individual juridical forms of legal persons may establish that an managing body and the general meeting of members may be considered to be the same body of a legal person.

3. A managing body shall be responsible for the financial accountability, convening of the general meeting of members of a legal person, production of documents and data to the register of legal persons, notification of the members of a legal person about the essential events,

which are important for the activities of a legal person, organisation of the legal person's activities, accounting of the members of a legal person and actions specified in paragraph 3 of Article 2.4 of the given Code, except as otherwise provided in laws regulating the activities of legal persons or incorporation documents of a legal person.

4. Decisions of the bodies of a legal person may, in judicial proceedings, be declared void where they contravene the imperative provisions of the law, incorporation documents of a legal person or principles of reasonableness and good faith. Where the decision infringes their rights or interests, action can be taken by the creditors of a legal person, a respective managing body of a legal person, member of a legal person or other persons prescribed by the law. Three-month limitation of actions period shall be set for the said actions. It shall be counted as of the day on which the defendant found out or had to find out about the contested decision where the given Code and other laws fail to set another term of limitation of actions or a different procedure for the challenging of the decision.

Article 2.83. Contracts Concluded in Overstepping the Authority of Managing Bodies of a Private Legal Person

1. Contracts concluded by the managing bodies of a private legal person in overstepping their authority shall impose obligations on a legal person except in cases where it is proved that concluding the contract the third person was aware or due to certain circumstances may not have failed to be aware of the fact that the contract has been entered into by a managing body of a legal person who was not authorised to conclude it.

2. Paragraph 1 of the given Article shall not be applied where quantitative representation has been established, i.e. only some members of a managing body together or a member of a managing body and a representative together are authorised to act in the name of a legal person. Quantitative representation shall have to be provided in the incorporation documents of a legal person, specified in the register of legal persons and publicised in accordance with the procedure established by the regulations of the register of legal persons.

3. Where a legal person fails to satisfy fully the claim of a third person, the person who has concluded the contract under circumstances laid down in paragraph 1 of the given Article shall take on subsidiary liability.

Article 2.84. Contracts Concluded in Overstepping the Authority of Managing Bodies of a Public Legal Person

1. Contracts concluded by administrative bodies of a public legal person in overstepping their authority shall not impose obligations on a legal person.

2. Where, at a later date, the person approves the contract, the contract shall become valid as of the day of its conclusion.

3. A person who, under the circumstances laid down in paragraph 1 of the given Article, has concluded a contract, which is not approved by a legal person, must redress the damage incurred on the third person, if he fails to prove that concluding the contract the third person was aware or due to certain circumstances may not have failed to be aware of the fact that the contract has been concluded in overstepping the authority of the managing body of a legal person.

Article 2.85. Public Announcement of the Authority

Publication and indication in the Register of legal persons of the authority of managing bodies of legal persons which was stipulated in incorporation documents shall not affect the application of the provisions of Articles 2.83 and 2.84.

Article 2.86. Equality of Members of Legal Person's Managing Bodies

Members of legal person's managing body shall enjoy equal rights and obligations with the exception of the case specified in paragraph 2 of Article 2.93 of the given Code.

Article 2.87. Duties of Members of Legal Person's Managing Bodies

1. Member of a legal person's body shall have to act in good faith and reasonable manner in respect of the legal person and members of other legal person's bodies.

2. Member of a managing body of a legal person shall have to be loyal to the legal person and maintain confidentiality.

3. Member of legal person's managing body shall have to avoid a situation where his personal interests are contrary or may be contrary to the interests of a legal person.

4. Member of a managing body of a legal person may not confuse the property of a legal person with his own property and, without consent of members of a legal person, use the property or the information, which he obtains in the capacity of a member of legal person's body, for his personal gain or third person's gain.

5. A member of a managing body of a legal person must notify other members of the managing body of a legal person about the circumstances laid down in paragraph 3 of the given Article and define their nature and, where applicable, their value. Such information shall have to be supplied in writing or included into the minutes of the meeting of legal person's bodies.

6. A member of a managing body of a legal person may enter into a contract with a legal person being in the capacity of a member of the said person's body. He shall have, without delay, to notify other bodies of a legal person about the said contract in accordance with the procedure established in paragraph 5 of the given Article or members of a legal person where incorporation documents of a legal person fail to provide explicitly for a different procedure of notification.

7. A member of a managing body of a legal person who fails to perform or performs improperly his duties specified in the given Article or incorporation documents must redress all damage incurred on a legal person except as otherwise provided by law, incorporation documents, or an agreement.

Article 2.88. Agreements on the Voting of the Members of a Legal Person

1. Members of a legal person may conclude an agreement on general voting at the meeting of the members of a legal person. Agreements on voting are null and void where an obligation is assumed:

1) to vote according to instructions received from the managing bodies of a legal person;

2) to vote for all proposals made by the managing bodies of a legal person;

3) to vote according to instructions or abstain from voting for certain remuneration.

2. An agreement on voting may establish that parties to the said agreement may grant an authorisation to a third person to vote at the general meetings of the members of a legal person in the name of the parties to the agreement on voting, and such authorisation may be revoked only in cases provided for in the said agreement.

3. Upon the issuance of the authorisation in accordance with the provisions of paragraph 2 of the given Article, the parties to the agreement are deprived of the right to vote or to grant authorisation to other persons to vote at the meetings of members of legal person for issues specified in the authorisation.

4. Where provisions of an agreement on voting have been infringed by one party to the agreement the court is authorised to oblige re-counting of the results of voting at the meeting of members of a legal person in accordance with the agreement on voting and reverse the decision taken at the meeting of members of a legal person in cases where voting in violation of the agreement was decisive in arriving or not arriving at a certain decision.

Article 2.89. Transfer of a Voting Right

1. A member of a legal person may transfer his right to vote at the general meeting of members of a legal person to other persons and establish the procedure and modes of exercising the voting right.

2. An agreement on the transfer of the voting right enters into force as of disclosure to a legal person of the data on the number of transferred votes, time limit of transfer, grounds for the entitlement to the voting right, member of a legal person who transfers the right and the person who achieves the right (inasmuch as is provided in incorporation documents of a legal person, laws or the established practice of a legal person).

3. A legal person must notify the member of a legal person who transfers his voting right and the person who achieves it as well as, at the nearest meeting of members of a legal person, announce that he has received documents and information specified in paragraph 2 of the given Article. Obligations of a legal person related to the convening of the general meeting of members of a legal person are fulfilled in respect of the person who has achieved a voting right.

4. Term for an agreement on the transfer of a voting right may not exceed a period of ten years.

5. Other non-property rights enjoyed by a member of a legal person may, too, be transferred by an agreement on the transfer of voting rights.

Article 2.90. Minutes

1. Meetings of a legal person's collegiate body shall keep the minutes.

2. The minutes shall include the time and place of a meeting, number of participants, the fact of having a quorum, results of voting, and decisions. The minutes shall have to be annexed by the list of participants and information on the convening of the meeting. On the request of participants of the meeting information specified by them shall have to be included into the minutes. All alterations and supplements shall have to be deliberated.

3. Minutes shall have to be stored no less than ten years and on the request of each participant or other member of a managing body who participated or was entitled to participate in the meeting a copy of the minutes shall have to be issued. A legal person shall have the right to demand from a member of a legal persona a fee, not exceeding the costs of its issuance, for the copy of minutes.

4. Where a decision is signed by all members of a managing body of a legal person or where only one person constitutes a body of an legal person and in this case a decision made by that member of a legal person equals a decision made by a managing body of a legal person, minutes shall not be taken.

5. Laws may provide for different or supplementary requirements for minutes compared to those, which are laid down in paragraph 2 of the given Article.

Article 2.91. Keeping and Signing of Minutes

1. Minutes shall be taken by a secretary of a meeting, a chairman of a meeting, where a secretary is not elected, or by a chairman of a collegiate managing body of a legal person where a chairman and secretary of a meeting are not elected.

2. Minutes are signed by the person who has taken it and by the chairman of a meeting and in cases where he is not elected – chairman of a collegiate managing body of a legal person.

3. Minutes shall be taken and signed within a time limit established in incorporation documents or laws and in all cases, however, must not exceed thirty days as of the day on which a meeting was convened.

Article 2.92. Remarks on the Minutes

1. Participants of a meeting shall enjoy the right to make remarks on the minutes within three days as of the moment they have read them but neither the period of three days nor the maximum time limit for taking minutes established in incorporation documents may be exceeded.

2. Remarks on the minutes shall be attached to the minutes together with the information whether persons who signed the minutes agree or disagree with them.

3. Failure to make remarks shall not preclude the right to contest decisions of the managing body of a legal person.

Article 2.93. Voting

1. Resolutions of collegiate bodies of a legal person shall be adopted by voting.

2. Equality of votes shall mean that the same number of votes "for" and the same number of votes "against" have been received. In cases of equality of votes, vote of the chairman of a collegiate body shall be decisive. Where the chairman of a collegiate body has not been designated or fails to participate in the resolution adopting process, the resolution, in the case of equality of votes, shall be deemed not adopted.

3. Where members of a collegiate body fail to raise objections voting could be done, in writing, in the form of an interview.

4. In urgent cases the court may designate members of a body of a legal person.

5. Member of a body of a legal person may vote himself or may authorise other persons to vote for him as his proxy except as otherwise provided in incorporation documents of a legal person.

6. Decision of a chairman of the sitting (meeting) of a legal person's collegiate body on the results of voting shall be decisive except in the cases where the voting is held in writing or a commission for counting of votes is established. In such cases the decision of the commission shall be final. Where upon the announcement of the results of voting by the chairman of the sitting or the commission for counting of votes, doubts are expressed on the lawfulness of voting, repeated voting, upon the request by the majority of members of a collegiate body, must be done.

7. Laws and incorporation documents of a legal person may provide for a different procedure of voting.

8. Provisions of the given Article shall not be applied to the general meeting of shareholders.

Article 2.94. Verification of a Decision

Where, for purposes of validity of a resolution, approval of the body of other legal person may be requested, the said approval may be effected at a later date within a reasonable period of time.

CHAPTER VIII
TERMINATION AND RESTRUCTURING OF LEGAL PERSONS

Article 2.95. Termination of Legal Persons

1. Legal persons shall be terminated by way of liquidation or reorganisation.

2. Reorganisation shall be termination of a legal person without the liquidation procedure.

3. A legal person shall be terminated as of the day of its removal from the Register of legal persons.

Article 2.96. Reorganisation of Legal Persons

1. Resolution to reorganise a legal person shall be passed by members of a legal person or the court in cases provided by law.

2. Resolution to reorganise, by way of merger, a legal person, which is joined by other legal person, may, too, be passed by the managing body of a legal person where the given circumstances emerge.

1) Public announcement about the terms of reorganisation of legal persons laid down in paragraph 2 of Article 2.99 of the given Code shall be made no later than thirty days prior to the general meeting of members of a legal person, which is going to be merged.

2) Every member of a legal person shall have the right to acquaint himself with the documents specified in paragraph 4 of the given Article.

3) One or some members of a legal person with no less than 1/20 of votes at the general meeting of members of a legal person shall enjoy the right to request the convening of the general meeting of legal person's members on the reorganisation, by way of merger, of a legal person.

3. Resolution to reorganise a legal person shall be passed by the qualified majority vote. It shall be set in the incorporation documents and may be no less than 2/3 of the votes given by the persons present at the general meeting. Subject to paragraph 1 of Article 2.101 of the given Code, resolution to reorganise a legal person may be passed only upon the expiry of a thirty days period following the public announcement that terms for the reorganisation have been set. Terms of reorganisation shall have to be approved by a resolution to reorganise a legal person and documents of incorporation shall have to be altered or new documents shall have to be drawn up.

4. Members of a legal person shall have the right to acquaint themselves with the terms of reorganisation, incorporation documents of legal persons who will continue the activities after the reorganisation or documents of newly incorporated legal persons or with their projects and reports drawn up by all managing bodies of legal persons participating in the reorganisation, assessments of experts as well as financial statement for the last three financial years. Where terms of the reorganisation were set six months following the end of the financial year of at least one legal person participating in the reorganisation, interim financial statement has to be issued in accordance with the same rules applied to the earlier financial statement and has to be presented to the members of a legal person. It shall be issued no earlier than three months prior to the setting of terms for the reorganisation. All members of a legal person shall have the right to receive copies of the said documents.

5. Managing bodies of legal persons shall have to notify members of legal persons about all essential changes after terms of reorganisation have been set and prior to taking decision on the reorganisation and attach this written notification to documents specified in paragraph 4 of the given Article as well as inform, orally, about essential changes in the general meeting of members of legal persons.

Article 2.97. Modes of Reorganisation of Legal Persons

1. Legal persons may be reorganised by way of merger and division.

2. Joining and consolidation shall be the possible modes of merger of a legal person.

3. Joining shall be merger of one or more legal persons to the other legal person, which become successors to all rights and obligations of the reorganised legal person.

4. Consolidation is a merger of two or more legal persons into a new legal person, which becomes a successor to all rights and obligations of reorganised legal persons.

5. Possible modes of splitting up of legal persons shall be division and parcelling out.

6. Parcelling out shall be parcelling out of legal person's rights and obligations to other functioning legal persons.

7. Division shall be incorporation of two or more legal persons on the basis of the legal person under reorganisation, which become successors to certain parts of legal person's rights and obligations.

8. Where the resolution to liquidate a legal person was not passed by the general meeting of the members of a legal person or where at least one member of a legal person became a successor to a part of property of a legal person under liquidation it shall be prohibited to reorganise such legal person under liquidation.

9. Specific character of reorganisation of individual legal persons may be prescribed by the laws, which regulate individual legal forms of legal persons.

Article 2.98. Reorganisation of Legal Persons of Different Legal Forms

1. Only legal persons of the same legal form may participate in the reorganisation procedures with the exception of derogations provided by laws regulating individual legal forms of legal persons.

2. Upon termination of a reorganised legal person whose members are liable for obligations of a legal person, members of the terminated and reorganised legal person shall, irrespective of the terms of reorganisation, accept subsidiary liability for the obligations of the dissolved legal person, which emerge prior to the legal person's, who will continue activities of the dissolved legal person, becoming a successor to the rights and obligations of the terminated legal person. Where a member of a legal person fails to become a member of a legal person who, upon reorganisation, will continue the activities of the dissolved legal person throughout the reorganisation procedure as well as later, he shall not be exempted from the liability specified in the given paragraph.

Article 2.99. Terms of Reorganisation and Report on the Reorganisation

1. Managing bodies of legal persons participating in the reorganisation shall have to prepare the terms of reorganisation which have to indicate:

1) information, specified in Article 2.44. of the given Code, on all legal persons participating in the reorganisation;

2) mode of reorganisation, terminated legal persons and legal persons continuing the activities after reorganisation;

3) procedure for becoming a member of a legal person who continues activities after reorganisation, terms and time limit as well as payments to the members of a legal person;

4) moment from which a legal person continuing the activities becomes a successor to rights and obligations of a terminated legal person;

5) ancillary rights conferred to managing and other bodies of a legal person, employees of administration or experts specified in Article 2.100 if the given Code.

2. Public announcement of the terms of reorganisation shall be made subject to the provisions of paragraph 1 of Article 2.101 of the given Code and filed with the Register of legal persons no later than on the first day of publication by applying the provisions of paragraph 3 of Article 2.66 of the given Code *mutatis mutandis*.

3. Managing bodies of each legal person participating in the reorganisation shall have to draw up written reports, which have to indicate the goals of reorganisation, explain the terms of reorganisation, continuity of legal person's activities, time limit for reorganisation and economic grounds.

4. Paragraph 3 of the given Article shall be applied only in those cases where a joint-stock company, participating in the reorganisation, or other persons whose members have no less than 1/20 of all votes request it.

Article 2.100. Assessment of the Terms of Reorganisation

1. Terms of the reorganisation of a legal person shall be assessed by an independent expert who has the necessary qualifications.

2. Independent experts shall be designated by each legal person participating in the reorganisation. Where there is a wish to designate a single expert for all legal persons under reorganisation such designation must be approved by the registrar of legal persons

Article 2.101. Protection of the Rights of Creditors of the Legal Persons under Reorganisation

1. Public announcement of the terms of reorganisation shall be made three times with at least three-month intervals between the announcements or public announcement shall be made once and all creditors of a legal person shall be given a written notice thereof. The notice shall indicate data specified in points 1, 2 and 4 of paragraph 1 of Article 2.99 of the given Code as well as information where and when documents listed in paragraph 4 of Article 2.96 are available.

2. A creditor of a legal person under reorganisation shall enjoy the right to request termination of the contract or performance of obligations before the expiry of the time limit as

well as redress of damages, where this has been provided in the contract, and where there are grounds to presume that the performance of obligations may become more difficult due to reorganisation and where, on creditor's request, a legal person failed to extend an additional guarantee for the performance of obligations.

3. Creditors of the person under reorganisation shall have the right to acquaint themselves with the documents specified in paragraph 4 of Article 2.96 of the given Code and receive their copies.

Article 2.102. Invalidity of Reorganisation

1. Only the court may declare reorganisation invalid and only in cases where the following circumstances emerge:

1) no public announcement of the respective documents of the reorganisation procedure has been made or they were not filed with the Register of legal persons;

2) resolutions on the reorganisation passed by the body of members of a legal person or other managing body are declared invalid;

3) not all requirements for reorganisation established by the imperative provisions of law have been fulfilled.

2. Where the period following the termination of a legal person to its applying to the court exceeds six months reorganisation may not be declared invalid.

3. Where applicable, the court must grant a reasonable time limit to correct mistakes which gave grounds for declaring reorganisation invalid.

4. Judgement of the court to declare reorganisation of a legal person invalid shall not invalidate the activities of a legal person after reorganisation or of a newly incorporated legal person prior to the alteration of respective data in the Register of legal persons. All legal persons who participated in the reorganisation shall accept solidary liability for obligations arising from such contracts of legal persons.

Article 2.103. Simplified Reorganisation of Legal Persons

Where a legal person under reorganisation is joined to a legal person which is the only member of the legal person under reorganisation or where public legal persons participate in the reorganisation, paragraph 3 of Article 2.99 and Article 2.100 of the given Code shall not be applied.

Article 2.104. Restructuring of Legal Persons

1. Restructuring shall be an alteration of the juridical form of a legal person whereby a legal person of a new juridical form becomes the successor to all rights and liabilities duties of the restructured legal person.

2. Where a legal person, members of which are liable for obligations of a legal person, is restructured, members of a restructured legal person, irrespective of a new legal form of a legal person, shall accept subsidiary liability, for three years, for the obligations of the restructured legal person which emerge prior to the registration of a legal person of a new legal form with the Register of legal persons. Where a member of a restructured legal person fails to become a member of a legal person of as new juridical legal form he will not be exempted liability specified in the given paragraph either during restructuring or later.

3. Public legal person, except public and municipality enterprises, may not be restructured into a private legal person.

4. Restructuring of legal persons shall be applied, *mutatis mutandis*, provisions of paragraph 2 of Article 2.101, Article 2.102, paragraph 1 of Article 2.107 and paragraph 1 of Article 2.112.

5. Laws regulating individual legal forms of legal persons may establish a specific mode for the restructuring of legal persons.

Article 2.105. Mandatory Restructuring of Legal Persons

1. Laws may provide for circumstances under which a legal person must alter its legal form.

2. Where within the time limit established by the law, which may not be shorter than nine months, members of a legal person fail to pass a resolution on the alteration of legal person's legal form, it shall be considered that the legal form of a legal person has been altered and the legal person acts according to the documents of incorporation inasmuch as they do not infringe laws regulating activities of legal persons having the legal form into which the said legal person had to be altered.

3. Where a legal person passes a resolution to liquidate a legal person within the time limit for the restructuring established by the law, paragraph 2 of the given Article shall not be applied.

Article 2.106. Grounds for Liquidation of a Legal Person

Grounds for the liquidation of a legal person may only be the following:

1) resolution of members of a legal person to terminate the activities of a legal person has been passed;

2) the court or the creditor's meeting has passed a decision to liquidate a bankrupt legal person;

3) the court has passed a judgement to liquidate a legal person subject to the provisions of Article 2.131 of the given Code;

4) the court has passed a judgement to liquidate a legal person in cases prescribed by Article 2.70 of the given Code;

5) the term of the legal person has expired;

6) the number of members of a legal person has decreased more than the permitted the minimum prescribed by law where member of a legal person fails to pass a decision within six months following the decrease, to reorganise or restructure a legal person;

7) incorporation of a legal person has been declared invalid subject to the provisions of Article 2.114 of the given Code.

Article 2.107. Resolution of Members of a Legal Person on Liquidation

1) Resolution to liquidate a legal person shall be passed by a qualified majority vote of members of a legal person. It shall be established in incorporation documents of a legal person and it may not be lower than 2/3 of all votes of the participants of the general meeting.

2) Resolution to liquidate a legal person may not be reversed where at least one member of a legal person received part of the property of a legal person under liquidation.

Article 2.108. Appointment of a Liquidator

1) After the resolution to liquidate a legal person has been passed, members of legal persons, general meeting of creditors, registrar of legal persons or the court must appoint a liquidator.

2) Incorporation documents of a legal person or laws may provide for different rules for the appointment of a liquidator or establish a concrete liquidator. These rules shall not be binding on the court, general meeting of creditors or the registrar of legal persons.

3) A liquidator shall be a person having the necessary qualifications. Some liquidators may be appointed. Where some liquidators are appointed liquidation commission shall be formed and one of the liquidators shall be appointed a chairman of the liquidation commission.

4) Where the grounds for liquidation are points 5 and 6 of Article 2.106 of the given Code and where a member of a legal person fails to appoint a liquidator, managing bodies of a legal person or members of a legal person with no less than 1/20 of all votes and registrar of legal persons shall have to apply to court requesting the appointment of a liquidator.

5) Where the grounds for liquidation are points 3 or 7 of Article 2.106 of the given Code, institution authorised by the Government shall discharge the duties of a liquidator before a liquidator has been appointed by a member of a legal person.. This institution, on the approval of the court, shall have the right to assign other person to discharge the duties of a liquidator.

Article 2.109. Revocation of a Liquidator of a Legal Person

1) Liquidator of a legal person may be revoked by a simple majority of vote of legal person's members present at the meeting.

2) Members of a legal person with no less than 1/10 of all votes, a creditor with no less than fifty thousand Litas right of requisition or no less than 1/5 of the legal person's employees shall have the right to apply to court to change the liquidator where he fails to act in a proper manner, is dishonest in effecting settlements with creditors and members of a legal person, is dishonest in discharging other duties or infringes the rights of legal person's members, creditors or legal person's employees.

Article 2.110. Authority of a Liquidator

1) Managing bodies of a legal person shall be divested of their authority and the authority of legal person's members shall be delegated to a liquidator as of the day of his appointment while in cases specified in paragraph 5 of Article 2.108 of the given Code – as of the moment when the resolution on the liquidation of a legal person enters into force.

2) A liquidator shall enjoy the rights of a legal person's managing body and provisions of Chapter VII of the given book shall be applied to him *mutatis mutandis*.

Article 2.111. Contracts of a Legal Person in Liquidation

Legal person in liquidation may conclude only such contracts, which are related to the termination of legal person's activities as well as those contracts, which are provided for in the liquidation resolution.

Article 2.112. Notification about Liquidation

1) The person, which passed a resolution to liquidate a legal person in accordance with the procedure established in the regulations of legal persons, shall make a public announcement thereof three times with at least 3-month interval between the announcements or make a public announcement once and shall give all creditors written notices thereof. The notices shall include all data listed in paragraph 1 of Article 2.42 of the given Code.

2) Register of legal persons shall, too, be notified about the liquidation no later than on the first day of the public announcement thereof in accordance with the procedure established in paragraph 3 of Article 2.66 of the given Code.

3) A different procedure for the notification about the liquidation may be established by the given Code or other laws of the Republic of Lithuania.

Article 2.113. Sequence of and Procedure for the Satisfaction of Claims of a Legal Person's Creditors

1. In the event of legal person's liquidation the following sequence of and procedure for the satisfaction of creditors' claims shall be established:

1) priority in satisfying creditors' claims shall be given to claims secured by the mortgage of property of a legal person in liquidation - from the value of the mortgaged property;

2) first in sequence for the satisfaction of claims shall be employees' claims connected with labour relations; claims of compensation for maiming or other physical injuries, occupational disease or deprivation of life resulting from an accident in the place of work as well as claims of natural persons to settle accounts for agricultural produce supplied for processing.

3) second in sequence for the satisfaction of claims shall be the claims related to taxes and other payments to the budget as well as compulsory state social insurance and health insurance contributions and foreign loans granted the State guarantee;

4) third in sequence for the satisfaction of claims shall be all other claims of creditors.

2. The claims of creditors of each successive sequence shall be fulfilled upon fully satisfying the claims of creditors of the preceding sequence. If assets are insufficient to fulfil all the claims of one sequence in full, said claims shall be satisfied in proportion to the amount of claims due to each creditor.

Article 2.114. Unlawful Incorporation of a Legal Person

1. Unlawful incorporation of a legal person may be recognised only by the court and only in cases where:

1) all incorporators were incapable or the provision establishing the minimum number of incorporators has been violated;

2) documents of incorporation prescribed by law have not been drawn up or mandatory provisions of the regulations for the incorporation of a legal person have been violated;

3) true goals of legal person's incorporation were unlawful or contradict public order;

4) minimum authorised capital has not been formed in accordance with the procedure established by law and within the established time limit;

5) documents of a legal person fail to provide for its business name, goals, amounts of authorised capital and personal contributions of the members of a legal person where such requirements are provided in the mandatory provisions of laws regulating individual juridical forms of legal persons.

2. Where the court passes a judgement that the incorporation of a legal person was unlawful the said legal person must be liquidated in accordance with the procedure established by law.

3. Where applicable, the court must grant a reasonable period of time to correct mistakes due to which the incorporation of a legal person was recognised to be unlawful.

4. Passing a judgement that a legal person has been incorporated unlawfully the court shall have to take into consideration the interests of employees and members of a legal person who participated in the incorporation of a legal person.

5. The claim for the recognition of unlawful incorporation of a legal person may be filed by a member or managing bodies of a legal person as well as by a public prosecutor to protect public interests.

CHAPTER IX
FORCED SALE OF SHARES (INTEREST, CONTRIBUTIONS)

Article 2.115. Content of Forced Sale of Shares (Interest, Contributions)

1. Members of a legal person listed in Article 2.116 of the given Code shall have the right to file an application to the court with the request that shares (interest, contributions) of a legal person which are in possession of a legal person's member whose actions contradict the goals of legal person's activities and where there are no grounds to expect any changes in the said actions, be sold to the applying member of a legal person.

2. The claim for the forced sale of shares (interest, contributions) shall be filed with the district court according to the location of the registered office of a legal person. The court must inform the legal person, whose shares (interest, contributions) have to be sold in the forced manner, about the claim and the decisions.

3. Participation of a lawyer in the process of litigation of the parties to the given cases shall be compulsory.

4. Member of a legal person who has filed a claim for forced sale must apply to other members of a legal person to become co-claimants.

Article 2.116. Persons Entitled to File an Application for Forced Sale of Shares (Interest, Contributions).

1. The following members of a private legal person shall have the right to file an application for forced sale of shares (interest, contributions):

1) one or some shareholders of a private company whose face value of shares accounts for no less than 1/3 of the authorised capital;

2) one or some members of a partnership whose interest accounts for no less than 1/3 of all interest of jointly owned assets;

3) one or some members of an agricultural partnership or co-operative society whose contribution accounts for no less than 1/3 of all contributions.

2. A member of a legal person shall have no right to file an application for the forced sale of shares (interest, contributions) under the circumstances laid down in Article 2.115 if incorporation documents of a legal person or contracts concluded by its members provide for different rules of forced sale of shares (interest, contributions) and the said rules may be applied.

3. Member of a legal person shall have no right to file an application for forced sale of shares (interest, contributions) if he is controlled by a legal person the shares whereof (interest, contributions) have to be sold in a forced manner.

4. Member of a legal person shall have no right to file an application for forced sale of shares (interest, contributions) if he himself is the legal person the shares whereof (interest, contributions) have to be sold in a forced manner

Article 2.117. Restrictions on the Transfer of Title to Shares (Interest, Contributions)

1. A defendant shall have no right, without claimant's consent, to sell or otherwise transfer the title to shares (interest, contributions), to mortgage them or otherwise encumber the rights to them as well as transfer or otherwise encumber the rights granted by the shares (interest, contributions) as of the day on which the court judgement becomes *res judicata*, except as otherwise decided by the court. The court shall enjoy the right to authorise the acts specified in the given paragraph if a defendant fails to give his consent thereof.

2. A defendant shall have no right to sell, except according to the provisions of the given section, or otherwise transfer the title to shares (interest, contributions), to mortgage them or otherwise encumber the rights to them, as well as transfer or otherwise encumber the rights granted by the shares (interest, contributions) as of the day on which the court judgement becomes *res judicata,* except as otherwise decided by the court.

3. The court may, upon plaintiff's request, prohibit a defendant to exercise his right to vote without the consent of the court or a plaintiff.

4. Prohibitions established in paragraphs 1 and 3 of the given Article shall be valid irrespective of the appeal against the court judgement.

Article 2.118. Appointment of Experts

1. Upon satisfaction of a claim the court shall have to appoint experts to set the price of shares (interest, contributions).

2. Experts shall start their activities only after the court judgement becomes *res judicata* . Experts shall have to present a written report on the price of shares (interest, contributions) to the court and the parties to the case.

3. Articles 2.127 – 2.130 of the given Code shall be applied *mutatis mutandis.*

Article 2.119. Setting of a Price

1. After the experts' report on the price of shares (interest, contributions) has been submitted, the court shall have to pass a judgement on the setting of a price and establish the person who will have to reimburse experts' work and other expenses borne. The court may decide that a legal person shall have to reimburse the given expenses.

2. A separate appeal against the court judgement whereby a price is set may be lodged.

Article 2.120. Procedure for Forced Sale

1. After the court judgement on setting a price has become *res judicata* the defendant shall have, in two weeks time, to transfer title to his shares (interest, contributions) to the plaintiff and the plaintiff shall have the right to accept the shares (interest, contributions) and pay the established price. The price shall have to be paid upon the transfer of title to the shares to the plaintiff. Transfer shall take place in the registered office of a legal person whose shares (interest, contributions) are sold or in some other place agreed upon by the plaintiff and the defendant.

2. Where a defendant fails to discharge his duty to transfer the title to his shares (interest, contributions), a legal person shall have to transfer the title to the shares (interest, contributions) in the defendant's name and issue documents confirming the owner's rights to the shares (interest, contributions) sold in the forced manner and declare respective defendant's documents invalid as well as make a public announcement thereof in the source prescribed by the legal acts. Upon the receipt of documents confirming the title to the shares (interest, contributions), the plaintiff shall pay the price into the deposit account of a notary, bank or other credit institution.

3. In the event that there are some plaintiffs, shares (interest, contributions) sold in forced manner shall be allotted as proportionally as possible to the legal person's shares (interest, contributions) held by the plaintiffs.

Article 2.121. The Procedure for Forced Selling of Shares in the Presence of a Prior Right

1. Where other members or persons of a legal person have a prior right to acquire the shares (interest, contributions) sold in forced manner, a legal person, upon the receipt of a *res judicata* court order on the setting of a price, must make a proposal to the said persons to purchase shares (interest, contributions) for the price fixed by the court. After the court judgement on the forced sale of shares (interest, contributions) has become *res judicata* , the defendant shall have to notify a legal person about the persons who enjoy the prior right to acquire shares (interest, contributions) sold in forced manner in accordance with the contracts concluded by the plaintiff.

2. Upon the receipt of legal person's proposal to exercise the prior right, the persons shall have, within thirty days, in writing, to accept or reject the proposal. Where a person fails to reply to the said proposal, the proposal shall be deemed unaccepted.

3. Upon the expiry of a thirty-day time limit, a legal person shall have to notify the plaintiff and the defendant of how many shares (interest, contributions) have been accepted. Upon the receipt of the said notification, the defendant shall have to transfer title to the shares to persons specified in the notification and the remainder of them, in accordance with the provisions of Article 2.120 of the given Code, to the plaintiff. Shareholders who purchase shares (interest, contributions) shall have to make payments for them in accordance with the provisions of Article 2.120 of the given Code. Where the persons enjoying the prior right fail to make timely payments for shares (interest, contributions), shares (interest, contributions) shall be transferred to the plaintiff.

Article 2.122. Transfer of the Right to Vote

1. Persons listed in Article 2.116 of the given Code shall enjoy the right to apply to the court with a request to reinstate the owner of shares (interest, contributions) in his right to vote in cases where the right to vote has been assigned to other person whose actions contradict the goals of a legal person and there no grounds to expect positive changes in the future.

2. The owner of shares (interest, contributions) shall be granted the right to vote as of the day on which the court judgement has become *res judicata.*

3. In this case paragraphs 2 and 3 of Article 2.115, Article 2.116, paragraph 3 of Article 2.117 of the given Code shall be applied *mutatis mutandis.*

Article 2.123. Forced Sale of Shares (Interest, Contributions) Due to the Failure to xercise the Rights Properly

1. Where members of a legal person listed in Article 2.116 fail to exercise their rights of members of a legal person properly due to the actions of the other member of a legal person and where there no grounds to expect any positive changes in the future, the said members may file an action to the court requesting the member of a legal person, whose actions obstruct proper exercise of their rights, to purchase their shares (interest, contributions). In this case paragraphs 2 and 3 of Article 2.115 and Articles 2.116 – 2.121 of the given Code shall be applied *mutatis mutandis*.

2. Member of a legal person who is requested to purchase plaintiff's shares (interest, contributions) must apply to other members of a legal person with the proposal to become co-defendants.

CHAPTER X
INVESTIGATION OF LEGAL PERSON'S ACTIVITIES

Article 2.124. Content of the Investigation of Legal Person's Activities

Persons listed in Article 2.125 of the given Code shall enjoy the right to request the court to appoint experts who have to investigate whether a legal person or legal person's managing bodies or their members acted in a proper way, and in the event that improper actions are established to apply measures specified in Article 2.131 of the given Code.

Article 2.125. Persons Enjoying the Right to Apply for Investigation of the Activities

1. The following persons shall enjoy the right to apply for investigation of the activities:

1) one or some shareholders who hold or manage shares the par value of which accounts for no less than 1/10 of the authorised capital;

2) one or some members of an economic partnership whose interest accounts for no less than 1/10 of all interest;

3) one or some members of a farming partnership or a co-operative society (co-operative) whose contributions account for no less than 1/10 of all contributions;

4) members of a legal person who have no less than 1/5 of all votes, with the exception of legal persons' members listed in Articles 2.35 and 2.37 and in points 1,2 and 3 of the given paragraph, who have no less than 1/5 of all votes;

5) persons as well as members of a legal person who, according to incorporation documents or contracts concluded with legal persons, have been granted said right.

2. The public prosecutor shall also have the right to apply for the investigation of legal person's activities in an attempt to safeguard public interests including the cases where the activities of a legal person, its managing bodies or its members are at variance with the public interests.

Article 2.126. Filing of an Application

1. An application for the investigation of activities shall be filed with the district court according to the location of the legal person's registered office.

2. An application may be filed only after a plaintiff has applied to a legal person (legal person's managing body or its member) with the request to terminate inappropriate activities and has granted a reasonable time limit to adjust the situation. A request, which either fails to specify

inappropriate activities or bad faith in discharging the duties or give reasons why the activities are considered to be inappropriate, shall not be deemed to be an application.

3. Participation of a lawyer shall be obligatory in drawing up an application for the investigation of activities. Where a public prosecutor, acting in the public interest, files an application, provisions of the given paragraph shall not be applied.

4. Upon the receipt of an application and listening to the reasoning of the parties the court shall pass a judgement on the investigation of legal person's activities if there are grounds to presume the feasibility of circumstances specified in Article 2. 124, paragraphs 2 and 3 of Article 2.125, or shall reject the application.

Article 2.127. Appointment of Experts

1. The court may appoint as experts any independent persons, who have the necessary qualifications to investigate legal person's activities and make a report, in writing, on inappropriate activities, as well as draw up guidelines for the application of measures specified in Article 2.131 of the given Code.

2. Prior to the appointment of experts the court must make a proposal to the parties to reach a consensus on the appointment of specific experts. Where a consensus has been reached, the court shall appoint jointly chosen experts if they meet the requirements set in paragraph 1 of the given Article. Where a consensus on the appointment of experts has not been reached, the court shall appoint experts, at its discretion, from the list, compiled by the parties, of proposed experts. Each party must compile a list of no less than ten experts and shall enjoy the right to delete, for any reasons, five experts from the list of the other party, as well as to give an opinion on the remaining five experts regarding their compliance with the requirements set in paragraph 1 of the given Article.

3. The number of experts shall be established by the court with due regard to the scope of investigation of legal person's activities.

Article 2.128. Rights of Experts

1. Experts shall have the right to examine legal person's documents and interrogate members of a legal person, members and employees of managing bodies as well as persons who were legal person's members, members of managing bodies or employees in the period under investigation.

2. On experts' instruction a legal person shall have to grant a possibility to examine legal person's property. The judge may, without prior notification to the parties, pass a judgement, which shall grant the right to the experts to take the actions laid down in paragraph 1 of the given Article with respect to other legal persons as well as receive documents and information from respective public institutions.

3. Where experts are prevented from exercise of their rights the court may give instructions to the police to facilitate the experts' activities.

Article 2.129. Payment for Experts' Work

1. The experts, who were appointed by the court, must notify the court about the terms as well as the amount of payment for their services and reimbursement of expenses incurred on them. In the event that the court approves the terms as well as the amount of payment and reimbursement of expenses incurred, it shall fix the sum, which may not be less than seventy per cent of the amount indicated by the experts, without prior notification to the parties. The plaintiff must pay the said sum into the separate account of the court.

2. Where the plaintiff fails to pay the sum indicated by the court into the separate account of the court, the court shall not proceed with the application. In such cases other parties to the case shall have the right to the reimbursement of court expenses incurred on them.

3. In the event that the court fails to approve the terms of payment and reimbursement of expenses proposed by experts it shall appoint new experts after listening to the opinions of the parties.

Article 2.130. Experts' Reports and Dissemination of Guidelines

1. Upon the receipt of experts' report and guidelines the court must notify the parties and their representatives thereof and send the copies of experts' report and guidelines to each party and their representatives as well as convene a court sitting to discuss the said report and the guidelines.
2. Experts' report and the guidelines must be sent to respective public institutions, which exercise the supervision, prescribed by the law, of legal person's activities.
3. Persons, who were not specified in the given Article, may examine the experts' report and guidelines only after permission of the court has been granted.

Article 2.131. Measures Applied by the Court

1. In the event that the experts' report points out that legal person's (legal person's managing bodies or their members) activities are inappropriate and the court approves the said conclusion, the court may, upon receipt of opinions of the parties and public institutions mentioned in Article 2.130 of the given Code, apply one of the following measures:
    1) revoke the decisions taken by the legal person's managing bodies;
    2) suspend temporarily the powers of the members of legal person's managing bodies or exclude a person from legal person's managing body;
    3) appoint provisional members of legal person's managing bodies;
    4) authorise non-implementation of certain provisions of incorporation documents;
    5) to oblige making of amendments to certain provisions of incorporation documents;
    6) to transfer the legal person's right to vote to other person;
    7) to oblige a legal person to take or not to take certain actions;
    8) to liquidate a legal person and appoint a liquidator.
2. Upon the appointment of a member of managing body the court may fix his salary.
3. A decision to liquidate a legal person may not be taken where such decision would contravene the interests of other legal person's members or employees or public interest. A decision to revoke decisions of legal person's managing bodies may not be taken where the period of limitation of actions prescribed by the given Code or other laws has expired.
4. The court shall have to notify, without delay, the Register of legal persons about the judgement and its becoming *res judicata.*

PART III
AGENCY

CHAPTER XI
GENERAL PROVISIONS

Article 2.132. Conclusion of Contracts by Agents

1. Persons shall enjoy the right to conclude contracts through agents with the exception of those contracts which, due to their character, may be concluded only personally as well as other contracts prescribed by the law.
2. Agency shall be possible on the basis of contract, law statute, court judgement or an administrative act.
3. Legally capable natural persons as well as legal persons shall act as agents.
4. Persons who act in their own name although in the interest of other person shall not be deemed to be agents (sales intermediaries, etc.).

Article 2.133. Legal Effects of a Contract Concluded by an Agent

1. the event that a contract was concluded without due authorisation, a person who has concluded the contract shall be liable for his contractual obligations to the other party to the contract, except in cases, where the said party to the contract was aware or had to be aware of the fact that the latter was not entitled to conclude the contract.

2. A contract concluded by one person (agent) in other person's (principal's) name by disclosing thereby the fact of agency and without exceeding the rights conferred, shall assign, alter and destruct directly the civil rights and obligations of a principal.

3. Rights of an agent may also arise from the circumstances under which an agent acts (salesperson in retail trade, cashier, etc.). In the event that behaviour of a person gives reasonable grounds for the third persons to think that he has appointed the other person to be his agent , contracts concluded by the said person in principal's name shall be binding for the principal.

4. In the event that concluding a contract an agent fails to inform that he acts in principal's name and in his interests, the principal shall acquire the rights and assume the duties arising from the contract only where the other party to the contract was in a position to understand from the circumstances of conclusion thereof that the said contract was concluded with an agent, or where the identity of the person with whom the contract was concluded was of no importance to the said party.

5. Where the validity of a contract concluded by an agent is questioned due to a mistake, deceit, duress or threat, the existence or non-existence of the said circumstances shall be established with due regard to agent's will.

6. Where a contract has been concluded as per principal's instructions the principal may not question its validity by stating that concluding the contract the agent ignored certain circumstances if the principal was aware of the said circumstances or ignored them due to his carelessness.

7. Where a contract has been concluded by a person, who has not been authorised to do so, the principal must bear the consequences thereof only when the principal approves the said contract. The other party to the contract may, in this case, request to approve or not to approve the contract within its established time limit, which may not be shorter than fourteen days. Where no reply has been received within the established time limit the contract shall be deemed not approved. The approval of a contract shall have a retroactive effect, i.e. it shall be deemed valid as of the day of its conclusion.

8. The other party to the contract, which concluded a contract with a person, who was not authorised to do so, may terminate the contract prior to the approval of the contract by the principal, except in cases, where at the moment of its conclusion the said party was aware or had to be aware of the fact that it has concluded a contract with a person who has not been granted the requisite authority.

9. In Where an agent acted in excess of his powers but in the manner which gave to a third person serious grounds to think that he was concluding a contract with a duly authorised agent, the contract shall be obligatory to the principal, except in cases where the other party to the contract was aware or had to be aware that an agent was exceeding his powers.

Article 2.134. Restriction Imposed on Agent's Rights to Conclude a Contract

1. An agent may not conclude contracts in principal's name either with himself or with a person, whom he represents at the given time, as well as his spouse, parents, children or other close relatives. Such contracts, upon principal's request, may be deemed null and void.

2. Restrictions laid down in paragraph 1 of the given Article shall not be imposed in the cases where other laws provide otherwise and where an agent acts as a statutory agent .

3. An agent may not conclude a contract which a principal himself is not authorised to conclude.

Article 2.135. Conflict of Interests

1. Where, in violation of the rights conferred, an agent enters into a contract, which contravenes the interests of a principal, such contract, upon principal's request, may be deemed void in the cases where a third person was aware or had to be aware of the conflict of interests.

2. A person may not act as an agent of both parties to the contract. This provision, however, shall not be applied in the cases where contractual obligations are performed as well as in the cases where both parties to the contract express their will explicitly that the agent has to act in the interests of both parties.

Article 2.136. Legal Effects of a Contract Concluded in Other Person's Name Without Express Authorisation or in Excess of Authority

1. A contract, which was concluded by a person in other person's name without express authorisation or in excess of his authority, shall impose, alter and revoke obligations and rights of a principal only in the cases where, at a later date, the principal approves all the contract or that part of it, which is in excess of his authority (paragraph 6 of Article 2.133 of the given Code).

2. Principal's approval of a contract at a later date shall make the contract valid as of the date of its conclusion.

3. Upon conclusion of a contract, which is not approved by the principal , under circumstances laid down in paragraph 1 of the given Article, an agent shall have to redress the damage incurred on a third person in the cases where the said third person was not aware and was under no obligation to be aware of the said circumstances.

Article 2.137. Power of Attorney

1. Power of attorney shall be a written document granted by a person (principal) to other person (authorised agent) to represent a principal in establishing and maintaining relations with the third persons.

2. An authorised agent whose rights in the power of attorney are not clearly defined shall enjoy the right to perform only those actions, which are necessary for the protection of principal's property and property interests as well as supervision of principal's property.

Article 2.138. Verification of the Power of Attorney by a Notary

1. The following powers of attorney must be verified by a notary:

1) power of attorney to conclude contracts whereby a notarial form is obligatory;

2) power of attorney to perform, in natural person's name, the actions related to legal persons, with the exception of the cases where the authorisation of a different form is permitted;

3) power of attorney to administer, use or dispose of his immovable property granted by a natural person.

2. Powers of attorney verified by a notary shall be equalled to:

1) powers of attorney of servicemen verified by the commanders (heads)of military units, formations, military institutions and military schools;

2) powers of attorney of people in imprisonment institutions verified by the heads of imprisonment institutions;

3) powers of attorney of long voyage seamen on the ships, navigating under the colours of Lithuania, verified by the captains of the said ships.

Article 2.139. Simplified Verification of Power of Attorney

Power of Attorney, which is granted by a natural person to receive mail (specifically – posted money and parcels) as well as to receive salaries and other payments related to labour relations, pensions, benefits, stipends, may be verified by an organisation, in which a natural person works or studies, chairman of a partnership of multi-storey dwelling houses, in which a person resides, or a captain of a long voyage sea-fearing ship.

Article 2.140. Power of Attorney Granted by a Legal Person

1) Power of attorney granted by a legal person shall be signed and, in the event that the legal person must have a stamp, be stamped by the head thereof.

2) Additional requirements for a power of attorney granted by a legal person may be prescribed by the law.

3) Provisions of Articles 2.176-2.185 of the given Code shall be applied to the power of attorney granted by profit-seeking (commercial) legal persons.

Article 2.141. Rights and Obligations of a Legal Person Vested with the Power of Attorney

A legal person may be vested with the power of attorney to conclude only such contracts the right of conclusion whereof has been provided in his incorporation documents.

Article 2.142. Term of the Power of Attorney

1) The term of the power of attorney may be fixed or open-ended. Where the term of the power of attorney fails to be indicated, the power of attorney shall be valid for one year as of the day on which it was granted..

2) The power of attorney, verified by a notary, to perform certain actions abroad, which fails to specify its term, shall be valid until the person who granted the power of attorney revokes it.

3) Power of attorney, which fails to indicate the date when it was granted, shall be deemed invalid.

Article 2.143. The Right to Request Power of Attorney and its Copy

1) The third person who concludes a contract with a principal shall have the right to request an agent to produce his power of attorney and its copy.

Article 2.144. Obligation to Return the Power of Attorney

Upon the expiry of the term of the power of attorney or revocation thereof prior to the expiry of the term, an agent shall have to return the power of attorney to a principal or successors to his rights.

Article 2.145. Re-authorisation

1. An authorised agent shall have to perform the acts, which he has been authorised to perform. He may re-authorise the other person to perform the said acts only in the cases where such right has been conferred upon him by the authority he was vested with or where under certain circumstances he is forced to do so to protect the principal's interests. A re-authorised person shall enjoy the same rights and assume the same obligations as an agent in respect of a principal and the third persons.

2. The form of power of attorney, which is given by re-authorisation shall have to conform to the form of the power of attorney, which has been granted.

3. The term of power of attorney granted by re-authorisation may not exceed the term of power of attorney, which formed the basis for granting it.

4. A person, who delegates his authority to the other person, shall have to notify a principal thereof and supply the necessary data about the person who was delegated the authority. Where the authorised agent fails to discharge the given obligation he shall be liable for the actions of the person, to whom he delegated his authority, as for his own actions. Where an authorised agent has been appointed as per principal's instructions, an agent shall not be liable for the authorised agent's actions, except in the cases where the agent was aware of the fact that the person who was appointed as authorised agent was dishonest and unreliable but failed to notify the principal thereof.

Article 2.146. The Right to Revoke Power of Attorney and Re-authorisation and the Right to Waive Them

1. A principle shall enjoy the right to divest, at any time, of the power of attorney whereas an authorised agent – to waive it. Both a principal and an authorised agent may, at any time, revoke re-authorisation. The person who has been vested with the power of attorney by way of re-authorisation may, in his turn, waive it.

2. Laws or an agreement of the parties may provide for the cases whereby an irrevocable power of attorney may be granted.

Article 2.147. Expiry of the Power of Attorney

1. Power of attorney expires:

1) upon the expiry of the term of power of attorney;

2) upon the divestment of power of attorney by a principal;

3) upon the waiver of power of attorney by an authorised agent;

4) upon termination of a legal person, which was vested with power of attorney

5) upon termination of a legal person which was vested with power of attorney or where the said person was instituted a bankruptcy;

6) upon the death, recognition of legal incapacity, partial capacity or absence of a natural person who vested with power of attorney;

7) upon the death, recognition of legal incapacity, partial capacity or absence of a natural person who was vested with the power of attorney.

2. Upon the expiry of power of attorney, power of re-authorisation, too, shall be terminated.

3. Expiry of representation may not be used against third persons acting in good faith, except in cases where the said persons were aware or had to be aware of the expiry of representation but were not aware of it due to their negligence.

Article 2.148. Obligation of an Authorised Agent to Notify About the Expiry of the Power of Attorney

1. A principle shall have to notify an authorised agent and the third persons known to the principle and for the establishment and maintenance of relations with whom the power of attorney has been granted, about the divestment of power of attorney, laid down in point 2 of paragraph 1 of Article 2.147. Where the power of attorney expires on the basis of provisions laid down in points 4 and 6 of paragraph 1 of Article 2.147 of the given Code, successors to the rights of the authorised agent shall have the same obligations.

2. Rights and obligations of an authorised agent and successors to his rights, arising as a result of the authorised agent's actions prior to the date on which the said agent learned or had to learn about the expiry of the power of attorney, shall be valid for the third persons. In the event that the third person was aware or had to be aware of the expiry of the power of attorney, the given provision shall not be applied.

3. Upon the expiry of the power of attorney an authorised person and successors to his rights shall have to return the power of attorney to the principal or successors to his rights.

Article 2.149. Subsidiary Application of Provisions Regulating Agency

Provisions, which regulate agency, shall, too, be applied in the cases where a person whose business was managed by the other person without due authority approves the actions of the said person at a later date.

Article 2.150. Obligation of an Agent to Report

An Agent must present a report to a principal about his activities and give an account of everything he received in his mission to the principal.

Article 2.151. Obligation of a Principal to Refund the Expenses and Offer Remuneration

1. A principal shall have to refund all agent's expenses related to his mission except as otherwise provided by the law or the contract.

2. A principal shall have to offer remuneration to the agent with the exception of the cases where the law or the contract provide for a free of charge representation.

CHAPTER XII
COMMERCIAL AGENCY

SECTION ONE
COMMERCIAL AGENT

Article 2.152. Concept of a Commercial Agent

1. A commercial agent shall be an independent person whose basic business activity is to act as intermediary for a principal in conclusion of contracts or conclusion of contracts in his or principal's name and at the latter's expense as well as in his interests.

2. A principal and an agent may, in a mutual contract, establish such competition restricting conditions, which are not prohibited by the provisions of the law on competition.

3. The contract may provide for an exemption, which grants a commercial agent an exclusive right to conclude contracts in principal's name on a certain territory or with a certain group of consumers where such exemption fails to violate the provisions of paragraph 2 of the given Article.

Article 2.153. Prerequisites for the Activities of a Commercial Agent

Prior to commencing his activities a commercial agent shall have to insure his civil liability against possible damage which, as a result of his activities, may be incurred on the principal or the third persons.

Article 2.154. Establishment of Commercial Agent's Rights and Obligations

1. Commercial agent's rights and obligations may be established in writing or orally.

2. Upon a commercial agent's or a principal's request their contract must be concluded in writing. Waiver of the right to conclude the contract in writing shall be null and void.

3. Only upon conclusion of a contract in writing shall the following conditions be valid and shall establish:

1) restrictions on the civil liability of an agent or a principal or a complete exemption from civil liability ;

2) prohibition of competition after the contract has been terminated;

3) conditions for the termination of a contract;

4) exclusive rights of a commercial agent;

5) ratio of the commercial agent's right to remuneration to the performance of a contract.

Article 2.155. Term of Validity of a Contract

1. A contract between a commercial agent and a principal may be for a fixed period or for an indefinite period.

2. Where a contract has been concluded for a fixed period and where upon the expiry of the given period the parties continue to exercise their rights and discharge their duties, the contract shall be considered renewed for an indefinite period on the same conditions.

Article 2.156. Obligations of a Commercial Agent

A commercial agent must:

1) carry out in good faith and carefully comply with all principal's reasonable instructions, be loyal to the principal and act exclusively in the principal's interest;

2) notify the principal, on a regular basis, about contracts, which are being or have been concluded, as well as supply other important information related to his own and principal's business;

3) keep principal's commercial secrets during the term of validity of a contract and upon its expiry;

4) where such condition has been set in the contract, avoid competition with the principal;

5) compensate the losses damages incurred on the principal ;

6) upon the expiry of a contract, return to the principal all documents, property and other things which were handed over by the principal.

Article 2.157. Obligations of a Principal

A principal must:

1) supply the commercial agent with requisite documents and information (price lists, samples of commodities, advertising materials, standard conditions of contracts, etc.);

2) notify the commercial agent , without delay, about his consent or refusal to enter into a specific contract or enforce perform it, as well as about alterations of or supplements to the conditions of the contract;

3) notify, without delay, the commercial agent about the approval or a refusal to approve a contract, which the commercial agent concluded without due authority;

4) pay a salary as provided in the contract;

5) supply the commercial agent with information requested for the performance of the agency contract and especially notify about the existence of a lesser number of trade contracts than the commercial agent might expect.

Article 2.158. Remuneration to a Commercial Agent

1. A principal shall remunerate a commercial agent for every successfully concluded contract as provided in the agency contract. The commercial agent shall also have the right to remuneration in the case where the contract has been concluded by the principal himself but owing to the activities of the commercial agent and even in the event that the contract has been concluded after the expiry of agency relations.

2. A contract may provide that commercial agent's remuneration shall depend on how successfully the principal's instructions have been carried out or that the commercial agent is offered remuneration only in the cases where the third person has performed the contract. A commercial agent shall also be offered remuneration for the sums of money recovered for the principal from the third persons.

3. Where a commercial agent gives a guarantee to a principal that the other party to the contract will perform the contract in the proper way, the commercial agent shall be entitled to an additional remuneration (del credere). Agreement of the parties to preclude the given right shall be null and void. The right to additional remuneration (del credere) shall be achieved upon successful performance of a contract.

4. In the event that remuneration for a commercial agent fails to be set in the contract, he shall be offered the remuneration, which is paid to the commercial agents, employed in the sphere of the said commercial agent's activities, and for the goods, which are provided in the agency contract, whereas in the absence of such practice the commercial agent shall be entitled to a reasonable remuneration set by taking into consideration all peculiarities of the contract.

Article 2.159. Setting of the Amount of Commercial Agent's Remuneration

1. The amount of commercial agent's remuneration set in the agency contract shall be presented in the form of a specific sum of money or the ratio of the contract value to the recovered sum.

2. All expenses borne by a commercial agent shall be refunded if the other party to the contract failed to reimburse them (transportation of goods, storage, protection, packaging expenses, customs duties paid, as well as other dues and fees) and they shall not be included into the expenses of commercial agent's independent activities.

3. Where the salary of a commercial agent is presented in a concrete sum the Article 2.160 is applied inasmuch as it fails to contradict the essence of the agreement on the commercial agent's salary expressed in concrete terms.

Article 2.160. The Procedure for the Remuneration to a Commercial Agent

1. A commercial agent acquires the right to remuneration as of the moment of the conclusion of a contract on condition that the principal has performed a contract or had to perform a contract according to an agreement reached with the third party , or the third party performed a contract, and in all cases, however, the latest date is when the third party has performed its part of the contract or could have done it if the principal had performed his part of the contract

2. Where a contract provides that remuneration for a commercial agent is paid only after a third person has performed a contract, a commercial agent shall be entitled to advance payment An advance payment may not be less than forty per cent of the salary and has to be paid no later than on the last day of the next month following the month on which a contract has been concluded, except as otherwise provided in the contract

3. Where it becomes evident that the third person will fail to perform a contract a commercial agent shall be denied the right to request remuneration. In the event that the money has already been paid or an advance payment has been made, a principal shall have the right to recover the money from the commercial agent. The given provision shall not be applied in the cases where the principal is at fault for the failure to enforce the contract.

4. A principal shall have to remunerate a commercial agent on a monthly basis and no later than on the last day of the month following the accounting period. The parties may, in a written contract, extend the term of payment but no longer than for three months.

5. Every month, and upon reaching a written agreement at least every three months, a principal shall have to submit to a commercial agent documents of accounting, the data of which shall allow to calculate and offer remuneration, as well as to inform about all circumstances against which payments to the commercial agent are stopped or cut.

6. In the event of disputes related to remuneration a commercial agent shall enjoy the right to request an audit to establish the exact amounts of remuneration and payments. Waiver of the right to audit shall not be valid. Where a principal refuses to carry out an audit or in the event of disagreement about the auditor the commercial agent shall have the right to file a request with the court for the mandatory appointment of an auditor.

7. Three-year period of limitation shall be applied to requests to recover a commercial agent's remuneration.

8. Where a commercial agent has been granted an exclusive right to conclude contracts on a certain territory or with certain consumers, a commercial agent shall be entitled to payment by commission, which shall be calculated by taking into account the contracts concluded within the period of validity of the agency contract with the persons from the said territory or the said consumers.

9. A commercial agent shall, too, be entitled to payment by commission in the cases where the order of the third party has reached the principal prior to the expiry of the agency contract or within a reasonable period of time after the expiry of the agency contract and the contract is related to the agency contract.

10. Where a commercial agent is paid by commission after the expiry of the contract, the new agent shall not be entitled to payment by commission except in the cases where division of payment by commission under certain circumstances may be considered to be fair.

Article 2. 161. The right to Retention

1. A dealer commercial agent shall have the right to retain principal's things , which are in his possession and the documents confirming the rights to them until the principal offers remuneration to the commercial agent .
2. Waiver of the right to retention shall be null and void..

Article 2.162. Rights of a Commercial Agent

1. A commercial agent shall enjoy the right to perform any requested actions to carry out principal's instruction properly in the principal's name without special authority . A commercial agent shall have the right to alter provisions of contracts and accept the performance of the contract only in the cases where the given right has been provided separately in the agency contract or a separate power of attorney.
2. Even though a commercial agent fails to be vested with authority to enter into contracts he shall be vested with authority to receive claims related to the quantity and the quality of goods as well as other claims related to the enforcement performance of a contract, and exercise, in the principal's name, the latter's right to secure the proof.

Article 2.163. Liability for Obligations Arising Under Contracts Concluded by a Commercial Agent

1. Where a commercial agent, in the principal's name, concludes a contract without authority to do so and where the other party was not aware and was not able to be aware thereof, it shall be recognised that the principal has approved the contract in the case, where he, upon notification about the said contract by the commercial agent or the third person, failed to inform, without delay, the third person of his disapproval thereof.
2. Provision of paragraph 1 of the given Article shall also be applied in the cases where a commercial agent acted outside his authority.

Article 2.164. Prohibition of Competition

1. A commercial agent and a principal may provide in the contract that upon expiry of the contract the commercial agent shall not compete with the principal for no more than two years. The given provision may be agreed upon in writing.
2. Restriction of competition may be related only to a certain territory or certain kinds of goods and services or a group of customers and a territory, which were entrusted to the commercial agent.
3. A principal shall enjoy the right to waive, in writing, in a unilateral manner, the prohibition of competition until the end of a contract.
4. Where a contract provides for the prohibition of competition a commercial agent shall enjoy the right to compensation for all the period of the prohibition thereof. The amount of compensation shall be fixed by the agreement of both parties. The amount of compensation may be expressed by the sum of annual payment to the commercial agent.
5. Where the contract has been terminated through the commercial agent's fault, the commercial agent shall be divested of the right to compensation provided in paragraph 4 of the given Article.
6. A principal shall be divested of the right to refer to the provision of the contract on the prohibition of competition where:
   1) a principal terminates the contract without commercial agent's consent violating thereby the term of prior notification about the termination of a contract and fails to notify,

without delay, the commercial agent about the important reasons for the termination thereof.

2) A commercial agent terminates the contract for important reasons for which the principal is held liable and notifies the principal, without delay, thereof.

3) Contract of a commercial agent and a principal has been terminated by a court judgement for reasons for which the principal is held liable;

7. The court shall have authority, upon commercial agent's request, to declare full or partial invalidity of the provision on the prohibition of competition where, taking into consideration the commercial agent's lawful interests, the said provision causes him serious damage.

8. Agreements, which contravene the provisions of the given Article and aggravate the situation of the commercial agent, shall be null and void.

Article 2.165. Termination of a Contract Concluded for an Indefinite Period

1. An agency contract for indefinite period may be terminated on each party's initiative subject to the condition that the other party has been notified about the termination thereof within the following term:

1) a month before – where the contract was valid for one year;

2) two months before – where the contract was valid for no more than two years;

3) three months before – where the contract was valid for no more than three years;

4) four months before – where the contract was valid for more than three years.

2. The parties may not establish a shorter term of notification by an agreement but may establish a longer term of notification but in all cases the same term of notification shall be established for both parties.

3. The party, which has terminated a contract without the other party's consent and has violated the term of prior notification, must compensate the other party for the losses incurred by its actions, except in the cases, where the contract has been terminated for compelling reasons, which have to be notified, without delay, to the other party.

4. Except as otherwise agreed upon by the parties, the last day of notification and the day of the termination of a contract shall have to coincide with the end of the calendar month.

5. Where the term of an agency contract has expired and the fixed period contract became a contract for an indefinite period, the term of notification laid down in paragraph 1 of the given Article, which includes the time limit of validity of a fixed period contract, shall be applied to its termination.

Article 2.166. Termination of a Contract for a Fixed Period

1. Each party shall have the right to terminate a fixed period contract before the expiry of its term where there are compelling reasons to do so. Waiver of the given right shall be null and void.

2. Where the contract is terminated for reasons, for which the other party is liable, the latter shall have to compensate for the losses damages inflicted by the termination of the contract.

Article 2.167. Right to Compensation for the Damages

1. Where a contract has been terminated prior to the expiry of its term not through commercial agent's fault he shall be entitled to compensation. Waiver of the right to compensation shall be null and void.

2. Besides, a commercial agent shall be entitled to compensation where:

1) upon the termination of the contract the principal has considerable profit from the business relations established by the commercial agent;

2) taking into consideration all circumstances, compensation would be in line with the principle of justice.

3. Maximum amount for compensation shall be the average annual payment to the commercial agent calculated for all the term of contract validity where the contract was valid for no more than five years.

4. Requirements for compensation shall be applied one year period of limitation counted as of the day following the termination of a contract.

5. A commercial agent shall be divested of the right to compensation where:

1) the contract has been terminated on the commercial agent's initiative except in the cases where the commercial agent terminated a contract due to the unlawful actions of the principal or due to his illness, age or disability which prevent him from discharging his obligations properly.

2) the contract has been terminated on the principal's initiative where the commercial agent was at fault.

3) A commercial agent, with principal's consent transfers his rights and obligations stipulated in the agency contract to the other person.

6. A commercial agent shall be vested with authority to request compensation for damages, which he suffers upon the termination of the contract with a principal, and especially if he fails to receive a commission he is entitled to after a successful performance of an agency contract and a principal profits substantially from the commercial agent's activities, where he fails to refund the expenses the commercial agent had to bear in the execution of the principal's instructions.

Article 2.168. Exemptions

1. The laws may provide for exemptions to the provisions of the given Section where they are deemed necessary due to the specific character of commercial agent's activities in the different fields of business.

SECTION TWO
PECULIARITIES OF COMMERCIAL AGENCY IN CONCLUSION AND PERFORMANCE OF INTERNATIONAL CONTRACTS OF PURCHASE AND SALE OF GOODS

Article 2.169. The Field of Application

1. Provisions of the given Section shall be applied only in the cases where the following requirements are fulfilled:

1) an international contract of purchase and sale of goods has been concluded and is performed;

2) a principal and the third person reside in different states.

2. Provisions of the given Section shall be applied only to the relations between a principal and a commercial agent, on the one hand, and the third person, on the other.

3. Provisions of the given Section shall not be applied:

1) to shares or other securities traded in the stock exchange;

2) to commodities sold by auction;

3) to the activities of statutory representatives as well as activities of representatives appointed by the decision of the court or an administrative institution.

4. Where a legal person's managing bodies or employees act without overstepping the authority prescribed by law or legal person's incorporation documents they, in the given Section, shall not be deemed to be agents.

Article 2.170. Rights and Obligations of an Agent

1. Rights and obligations of an agent may be express or implied in specific circumstances.

2. An agent shall be vested with authority to perform any acts, which under specific circumstances are necessary to carry out principal's instruction properly.

3. Rights and obligations of an agent may be presented in any form and any mode of proof may be used to prove their content.

Article 2.171. Validity of Contracts Concluded by an Agent

1. Where an agent acts in principal's name and in his interests without overstepping his authority and where the third person was aware or had to be aware that he was concluding the contract with an agent, the principal shall achieve the rights and assume obligations arising under the contract.

2. Rights and obligations arising under a contract concluded by the agent shall be imposed on a agent and not a principal where:

1) the third person failed to know and was not obliged to know that the contract was concluded with an agent (undisclosed agency);

2) specific circumstances (e.g. provision of the contract) confirm that the agent, not the principal, intended to achieve rights and assume obligations arising under the contract.

3. Where an agent fails to discharge his obligations to the principal, the principal, notwithstanding the circumstances laid down in paragraph 2 of the given Article, may exercise the rights, achieved by the agent, and related to the third person, by taking into consideration the right of the third person to use protective measures against the agent. Where the agent fails to discharge his obligations to the third person, the said person shall be vested with authority to exercise his rights, achieved against the agent, and related to the principal, by taking into account the right of the agent to use protective measures against the third person as well as the principal's right to use protective measures against the agent.

4. Rights provided in paragraph 3 of the given Article may be exercised if the principal, the agent and the third person have been respectively notified thereof. Upon the receipt of the said notification, the third person or the principal may not waive the obligations linking them with the agent.

5. Where an agent fails to discharge his obligations to the third person through a principal's fault, the agent must reveal principal's name to the third person.

6. Where the third person fails to discharge his obligations to the agent, the agent must reveal the third person's name to the principal.

7. A principal may not exercise the rights achieved by the agent and related to the third person, where the third person proves, that he would not have concluded the contract if he had known who the principal was.

Article 2.172. Conclusion and Enforcement of a Contract Without Due Authority or Outside One's Authority

1. Where a person acts without due authority or outside his authority his actions shall have no legal consequences for the principal. In such cases rights and obligations of the said person and the third person shall be achieved.

2. Provisions of paragraph 1 of the given Article shall not be applied in cases where principal's behaviour gave reasonable grounds for the third person to think that the agent had due authority and has not exceeded his powers.

Article 2.173. Approval of Agent's Actions

1. A principal shall have the right to approve the actions taken by the person who was not authorised to do so or was outside his authority. Approval may be done in different ways.

Besides, approval may be implied in principal's behaviour. Approval enters into force as of the moment of its receipt by the third person. Approval, which entered into force, shall be irrevocable.

2. Where at the moment of entering into the contract the third person is unaware and is not able to know that the agent is not vested with authority or acts outside it, the third person shall not be liable to the principal if prior to the approval of his actions he notifies the principal, that the contract is not binding on him even after it has been approved.

3. Where on entering into a contract the third person knew or had to know that the agent was not vested with authority or acts outside it the third person may not terminate the contract prior to the approval of agent's actions or thereafter.

4. The third person shall in all cases enjoy the right to waive only a partial approval of the agent's actions.

5. Where a person performs certain actions in the future legal person's interests prior to the incorporation of a legal person, such actions may be approved only in the cases prescribed by the law.

Article 2.174. Legal Consequences of a Failure to Approve Agent's Actions

1. Where a person acts without due authority or outside his authority and where the principal refuses to approve his actions, the person must compensate to the third person those losses which would enable the third person to be in the situation in which he might have been if the agent had possessed the requested authority or acted without overstepping his authority.

2. A person shall not be liable to the third person where the third person knew or had to know, that the person was not vested with authority or acted outside it.

Article 2.175. Termination of Agent's Authority

1. Authority of an agent shall be terminated:
   1) upon the agreement between a principal and an agent ;
   2) upon conclusion of the contract or performance of some other action for which the authority was granted;
   3) where a principal divests the agent of the authority he was granted;
   4) where an agent waives the rights he was granted;
   5) in other cases provided for by the given Code.

2. Termination of agent's authority shall not exercise influence on the authority of the third person except in the cases where the third person knew or had to know about the termination of agent's authority or the circumstances, which formed the basis for the termination thereof.

3. Notwithstanding the termination of agent's authority, an agent shall enjoy the right to perform, in principal's or his successors' interests, certain actions which are necessary to avoid damage, which may be incurred on his or his successors' interests.

SECTION THREE
PROCURACY

Article 2.176. Concept of Procuracy

1. Procuracy shall be a power of attorney, which a legal person (entrepreneur) grants to his employee or other person to perform, in principal's name and in his interests, all legal acts related to legal person's (entrepreneur's) undertaking.

2. Besides, procuracy shall grant the right to perform, in principal's name and in his interests, legal acts in the court or other non-judicial institutions.

3. A person who is issued a procuracy shall be a procurator.

Article 2.177. Issuance of a Procuracy

1. Procuracy shall be issued by a respective managing body of a legal person or the owner of a legal person or his authorised person in accordance with the procedure established in incorporation documents.

2. Procuracy may be issued to some persons (joint procuracy). In such case all procurators shall have to act together.

Article 2.178. Form of a Procuracy

1. Procuracy shall be issued in writing and signed by a person vested with authority to issue a procuracy.

2. Procuracy shall be registered in accordance with the procedure prescribed by the law.

Article 2.179. Rights of a Procurator

1. A procurator shall not have the right to perform and he may not be authorised to perform the following acts:

1) to transfer an immovable object thing of the principal (enterprise) or encumber the rights to it;

2) to sign the balance sheet and tax return of the principal;

3) to institute bankruptcy proceedings of the principal;

4) to issue a procuracy;

5) to accept interest holders into an enterprise;

2. A procurator shall not have the right to delegate his authority to the other person.

Article 2.180. Restrictions on a Procuracy.

1. Procuracy may be restricted. Procuracy may be restricted to a branch office of a legal person, respective spheres and types of legal person's activities, certain circumstances, time or territory.

2. Restrictions on procuracy shall have no effect on the third persons.

Article 2.181. Entering Into Force of a Procuracy

1. A procuracy establishing the relations between a principal and a procurator shall enter into force as of the moment of its issuance.

2. A procuracy, which is establishing relations between a procurator and the third persons shall enter into force as of the moment of its registration in accordance with the procedure prescribed by the law.

Article 2.182. Signature of a Procurator

Signing documents in a principal's name a procurator shall have to indicate that he acts as a procurator, i.e. to include the word "procurator" or its abbreviation "pp".

Article 2.183. Procurator's Liability

A procurator shall be liable to a principal and the third persons in the same manner as a commercial agent.

Article 2.184. Termination of Procuracy

1. Procuracy shall be terminated when:

1) a principal revokes it;

2) a procurator waives it;

3) a principal has been instituted bankruptcy proceedings;

4) a legal person which issued the procuracy is liquidated or reorganised;

5) a procurator is dead.

2. Procuracy shall be terminated as of the date of a respective entry in a respective register with the exception of the cases laid down in points 4 and 5 of paragraph 1 of the given Article.

Article 2.185. Acts Performed Without Procuracy

1. A principal may instruct his employees to perform acts, which in a certain field of undertaking are usual and commonplace, without issuance of the procuracy. In such cases provisions of the given Code regulating a procuracy shall be applied by analogy.

2. It is presumed that employees working in a shop or a warehouse shall have the right to sell, deliver or receive goods as well as receive claims concerning the quantity and quality of goods.

3. On signing documents in the principal's name employees specified in the given Article shall have to indicate their capacity, name, family name and authority.

BOOK THREE
FAMILY LAW

PART I
GENERAL PROVISIONS

CHAPTER I
FAMILY LAWS

Article 3.1. Relationships governed by Book Three of the Civil Code of the Republic of Lithuania

1. The provisions of Book Three of the Civil Code of the Republic of Lithuania define the general principles of the legal regulation of family relations and govern the grounds and procedures of entering into marriage, validity and dissolution of marriage, property and non-property personal rights of spouses, filiation, mutual rights and responsibilities between children, parents as well as other family members, the basic provisions on adoption, guardianship, curatorship and on the procedures of registering Acts of Civil Status.

2. The provisions of the other Books of the Civil Code, as well as the provisions of other civil laws, shall apply to family relationships to the extent that they are not regulated by the provisions of this Book.

Article 3.2. Sources of family law

1. Family relations shall be governed by the Constitution, the Civil Code and other laws of the Republic of Lithuania as well as by the international treaties of the Republic of Lithuania.

2. The Government and other public authorities of the Republic of Lithuania may adopt regulations on family law matters only in the cases and to the extent provided for in this Code and other legislation.

3. Customs shall apply to family relations only in cases provided for by legislation. In case there is a contradiction between the law and the custom, the law shall prevail.

Article 3.3. Principles of the legal regulation of family relationships

1. In the Republic of Lithuania the legal regulation of family relationships shall be based on the principles of monogamy, voluntary marriage, equality of spouses, priority of protecting and safeguarding the rights and interests of children, up-bringing of children in the family, comprehensive protection of motherhood and other principles of the legal regulation of civil relationships.

2. Family laws and their application must ensure the strengthening of the family and its significance in the society, the mutual responsibility of family members for the preservation of the

family and the education of the children, the possibility for each member of the family to exercise his or her rights in an appropriate manner and to protect the children of minor age from the undue influence of the other members of the family or other persons or any other such factor.

Article 3.4. Analogy of statute or law

1. Where family relationships are not governed by this or the other Books of the Civil Code, they shall be governed by the provisions of other civil laws applicable to similar legal relations. The application by analogy of special legal norms stipulating derogation from the general provisions shall be prohibited.
2. Where it is not possible to apply statute by analogy and also where the resolution of the matter is left to judicial discretion, the rights and duties of the subjects of family relations shall be determined on the basis of justice, good faith, reasonableness and other general legal principles.
3. Where there are no mandatory rules, also in cases provided for in this Code and other laws, the subjects of family relations may determine their rights and duties by mutual agreement in accordance with the principles enshrined in paragraph 2 and Article 3.3 hereof.

Article 3.5. Implementation and protection of family rights

1. ersons are free to implement and exercise their family rights at their own discretion including the right to the protection of family rights. A waiver from a family right or its implementation shall not abolish the right except in cases provided for by law.
2. In exercising their family rights and performing their duties, persons must comply with the laws, respect the rules of their community life as well as the principles of good morality and act in good faith.
3. It is Pprohibited to abuse family rights, i. e. it is prohibited to exercise them in such a way and by such means as would violate or restrict other persons' rights or interests protected by law, or would inflict harm on other persons. If a person abuses a family right, the court may refuse to protect it .
4. Family rights shall be protected by courts, institutions of guardianship and curatorship, governmental or non-governmental organisations in the ways provided for herein. Courts and other institutions shall seek that the parties to a dispute resolve their dispute peacefully by mutual agreement, and shall help the parties in every possible way to reach such an agreement.

Article 3.6Limitation period for action

1. Claims arising from legal family relations shall be subject to statutory limitations except for the exemptions provided for in this Book hereof.
2. The procedures for the calculation, suspension, termination or restoration of limitation periods shall be stipulated in the rules of Book One hereof unless this Book provides for different rules.

PART II
MARRIAGE

CHAPTER II
CREATION OF MARRIAGE

SECTION ONE
AGREEMENT TO MARRY AND ITS LEGAL CONSEQUENCES

Article 3.7. Concept of marriage

1. Marriage is a voluntary agreement between a man and a woman to create legal family relations executed in the procedure provided for by law.

2. A man and a woman who have registered their marriage in the procedure provided for in law shall be deemed to be spouses.

Article 3.8. Agreement to marry (engagement)

1. Agreement to marry is not binding and may not be enforced by force although it may give rise to legal consequences described in Articles 3.9 to 3.11 hereof.
2. An agreement to marry may be expressed orally or in writing.
3. An application to register a marriage submitted to the Register Office in the prescribed format shall be deemed to be a public agreement to marry.

Article 3.9. Return of gifts

1. If the engagement is terminated, both parties to the public agreement to marry shall have a right to demand that the other party return everything he or she has received from the other party as a gift in consideration of the intended marriage except where the value of the gift is under one thousand litas or where the party who had received a gift died before the registration of the marriage and the marriage has not been contracted due to the death of one of the parties.
2. Requests for the return of gifts shall be governed by the rules of Book Six hereof regulating relations pertaining to unjust enrichment or acquisition of assets not due.
3. An action for the return of a gift may be brought within a year of the date of the refusal to marry.

Article 3.10. Compensation of damages

1. The party to the agreement to marry that has refused to contract the marriage without a reasonable cause must compensate the damages incurred by the other party due to the refusal to marry.
2. The damages include the actual expenses of the party in preparation to marry and the actual expenses made in performing the obligations related to the intended marriage.
3. Where a party refuses to marry for a weighty reason that has emerged through the fault of the other party, the party at fault shall pay damages under paragraphs and 2 hereof.
4. The time limit to present claims for damages shall be one year after the date of the refusal to marry.

Article 3.11. Compensation for non-pecuniary damage

1. Where the parties had made a public agreement to marry, the party entitled to damages under Article 3.10 hereof, may also claim compensation for non-pecuniary damage.
2. An action for compensation of non-pecuniary damage may be brought within a year of the date of the refusal to marry.

SECTION TWO
CONDITIONS FOR CONTRACTING A MARRIAGE

Article 3.12. Prohibiting marriage of persons of the same gender

Marriage may be contracted only with a person of the opposite gender.

Article 3.13. Voluntary nature of marriage

1. Marriage shall be contracted by a man and a woman of their own free will.
2. Any threat, coercion, deceit or any other lack of free will shall provide the grounds on which the marriage declared null and void.

Article 3.14. Legal age of consent to marriage

1. Marriage may be contracted by persons who by or on the date of contracting a marriage have attained the age of 18.

2. At the request of a person who intends to marry before the age of 18, the court may, in a summary procedure, reduce for him or her the legal age of consent to marriage, but by no more than three years.

3. In the case of a pregnancy, the court may allow the person to marry before the age of 15.

4. While deciding on the reduction of a person's legal age of consent to marriage, the court must hear the opinion of the minor person's parents or guardians or curators and take into account his or her mental or psychological condition, financial situation and other important reasons why the person's legal age of consent to marriage should be reduced. Pregnancy shall provide an important ground for the reduction of the person's legal age of consent to marriage.

5. In the process of deciding on the reduction of the legal age of consent to marriage, the state institution for the protection of the child's rights must present its opinion on the advisability of the reduction of the person's legal age of consent to marriage and whether such a reduction is in the true interests of the person concerned.

Article 3.15. Active capacity

1. A person who has been declared by a *res judicata* court judgement) to be legally incapacitated may not contract a marriage.

2. If there is knowledge of a case pending before a court for the declaration of one of the parties to an intended marriage to be legally incapacitated, the registration of the marriage must be postponed until the judgement of the court becomes *res judicata*.

Article 3.16. Prohibition to violate the principle of monogamy

A married person who has not terminated his or her marital bond in accordance with the procedures laid down by the law may not enter into a second marriage.

Article 3.17. Prohibition to contract marriage between close relatives

Marriage between parents and children, adopters and adoptees grandparents and grandchildren, real or foster-brothers and real or foster-sisters, cousins, uncles and nieces, aunts and nephews shall be prohibited.

SECTION THREE
FORMATION OF MARRIAGE

Article 3.18. Application to register a marriage

Persons intending to marry must file an application to register the marriage in the procedure specified in Article 3.299 hereof.

Article 3.19. Making public the application to register a marriage

The fact of the submission of the application to register a marriage shall be made public in the procedure specified in Article 3.302 hereof.

Article 3.20. Confirmation of the compliance with the requirements for the formation of a marriage

1. While filing an application to register a marriage, the intended spouses must confirm in writing that they have met all the requirements laid down for the formation of marriage in Articles 3.12 to 3.17 hereof.

2. Before registering a marriage, the officials of the Register Office must check if all the requirements laid down in Articles 3.12 to 3.17 for the formation of marriage have been complied with.

Article 3.21. Premarital medical examination

1. At the time of filing an application to register a marriage, the officials of the Register Office shall suggest to the intended spouses that they undergo a premarital medical examination and prior to the date of the registration of their marriage submit a doctor's certificate drawn up in the form specified by the institution authorised by the Government.

2. Failure to submit a doctor's certificate shall not be an impediment for the registration of the marriage.

3. Failure of one of the parties to an intended marriage to inform the other party that he or she is suffering from a venereal disease or AIDS shall provide a cause for rendering the marriage null and void.

Article 3.22. Declaration on impediments to marriage

1. Any interested person shall have a right to make a written declaration to the Register Office that has made the application to register a marriage public to the effect that, subject to this Book, there are impediments to the marriage.

2. Having received a declaration on impediments to a marriage, the official of the Register Office shall postpone the registration of the marriage and request that the declarant submit written evidence of the facts alleged in the declaration within three days. If the declarant fails to submit such evidence within three days, the marriage shall be registered in accordance with the general procedures.

3. If the written evidence on the existing impediment to a marriage is presented , the official of the Register Office shall suspend the registration of the marriage and, in the event of a dispute, advise the intended spouses on their right to apply for the court to refute the declaration. In such a case the marriage shall be registered only after the intended spouses submit to the Register Office the *res judicata* court judgement on the refutation of the declaration on the impediments to the marriage as ill-founded.

4. Where the court decides to refute the declaration on the impediments to the marriage as unfounded , after the formation of the marriage the intended spouses shall have a right, within a year of the day on which the court's judgement became *res judicata*, to claim damages from the person who submitted the declaration on impediments to the marriage, except in cases where the declaration was presented by the parents of one of the spouses or a public prosecutor.

Article 3.23. Proof of marriage

1. The Register Office that has registered a marriage shall issue a Certificate of Marriage.

2. The proof of marriage shall be the record of the marriage and the Certificate of Marriage issued on the basis of the record.

Article 3.24. Formation of religious marriages in the procedure established by the Church (confessions)

1. A religious marriage is formed in accordance with the procedures established by the internal law (canons) of the respective religion.

2. The formation of a marriage in accordance with the procedures established by the Church (confessions) shall entail the same legal consequences as those entailed by the formation of a marriage in the Register Office provided that:

1) the conditions laid down in Articles 3.12 to 3.17 hereof have been satisfied;

2) the marriage has been formed according to the procedures established by the canons of a religious organisation registered in and recognised by the Republic of Lithuania;

3) the formation of a marriage in the procedure established by the Church (confessions) has been recorded at the Register Office in the procedure provided for herein.

Article 3.25. Official records of marriages formed in the procedure established by the Church (confessions)

Marriages formed according to the procedure established by the Church (confessions) shall be entered in the official records in accordance with Article 3.304 hereof.

SECTION FOUR
LEGAL EFFECTS OF MARRIAGE

Article 3.26. Equality of spouses

1. Having contracted a marriage, the spouses acquire the rights and duties defined in this Book.
2. Spouses shall have equal rights and equal civil liability in respect of each other and their children in matters related to the formation, duration and termination of their marriage.
3. Spouses may not waive, by mutual agreement, their rights or extinguish their duties that arise from a marriage.

Article 3.27. The duty of spouses to support each other

1. Spouses must be loyal to and respect each other, they must support each other morally and financially and contribute toward the common needs of the family or the needs of the other spouse in proportion to their respective capabilities.
2. Where due to objective reasons one of the spouses is unable to make a sufficient contribution toward the common needs of the family, the other spouse must do that in accordance with his or her abilities.

Article 3.28. Creation of family relations

By contracting a marriage the spouses create family relations as a basis for their life together.

Article 3.29. Passive and active capacity of spouses

Marriage shall not restrict the passive and active capacity of spouses, nevertheless the possibility of the spouses to exercise certain rights may be restricted by the contract of marriage or the mandatory rules hereof.

Article 3.30. Duties of the spouses in respect to their children

Spouses must maintain and bring up their children of minor age, care for their education and health, ensure the child's right to personal life, inviolability of his or her personality and freedom, the child's property, social and other rights laid down in the domestic and international law.

Article 3.31. The surnames of the spouses

Both spouses shall have the right to retain their respective surnames or to choose the surname of the other spouse as their common surname or to have a double surname by adjoining the surname of the other spouse to one's own surname.

Article 3.32. Representation

1. Any of the spouses may authorise the other to represent him and act on his behalf.
2. Where certain acts require the consent of the other spouse, but for any objective reason the other spouse is unable to give such a consent, the court may, upon the interested spouse's request, give the interested spouse permission to perform the act. Before giving the permission, the court must satisfy itself that the consent of the other spouse is really unobtainable, while the permission will serve the interests of the family. The court's permission is valid only for the act specified in the court's order to be performed in the specified period of time. If the court finds that the spouse's actions are contrary to the interests of the family or of the children of minor age, it may amend or revoke its permission on the request of the state institution for the protection

of the child's rights or the public prosecutor. The amendments or revocation of the permission shall be effective only from the date of the court's order to that effect. On the day of its adoption, such an order of the court must be sent to the Chamber of Notaries Public or, if the permission is related to the disposition of immovable property, to the public register.

3. If a spouse has acted on behalf of the other spouse without his or her permission or the permission of the court, such acts and their consequences shall be subject to the rules of Book Six regulating the management of the other spouse's affairs.

Article 3.33. Disputes of spouses relating to the performance of their duties or
exercise of their rights

1. Where the spouses are unable to agree as to the performance of their duties or the exercise of their rights, either of them shall have a right to apply to the court for the resolution of their dispute.

2. In its efforts to resolve the dispute the court shall take measures for the reconciliation of the spouses.

3. The court must decide on the dispute of the spouses by taking account of the interests of their children of minor age and the interests of the family as a whole.

Article 3.34. Temporary Restriction of the property rights of a spouse

1. Where one of the spouses is in serious breach of his or her marital duties provided for in this Book hereof and poses a threat to the property interests of the family by his or her acts, the other spouse shall have a right to apply to the court for an order prohibiting the other spouse from disposing of their community property without the consent of the other spouse. The prohibition may not be valid for more than two years.

2. Transactions entered into by a spouse without the consent of the other spouse, which should have been obtained, may be annulled under an action brought by the other spouse provided the third party involved in the transaction was in bad faith. An action may be brought within a year of the date on which the spouse acquired or should have acquired knowledge of the transaction.

Article 3.35. Rights and duties of the spouses in the household

1. Neither spouse may, without the consent of the other spouse, alienate, pledge or lease movable property used in the household or encumber the right to it in any other way.

2. The movable property serving for the use of the household shall include household utensils, furniture, except for works of art, collections or home libraries.

3. A spouse having neither consented to nor ratified such a transaction may apply to have it annulled except in cases where the transaction was by onerous title and the third party was in good faith.

Article 3.36. The rights and duties of spouses in respect of the dwelling considered to be Family Property

1. Where the spouses live in a rented dwelling under a lease agreement, the spouse in whose name the dwelling is rented may not, without a written consent of the other spouse, terminate the lease agreement before its term, sublease it or transfer the rights under the lease agreement. The spouse having neither consented nor ratified such an act may apply to have it annulled.

2. A spouse who is the sole owner of the family dwelling may not, without a written consent of the other spouse, alienate, pledge or lease this dwelling. The spouse having neither consented to nor ratified such an act may apply to have it annulled provided that the disputed premises have registered in the public register as a family asset.

3. The rules of paragraph 1 and 2 shall be applied also in cases of usufruct (i. e. the right of using and receiving the profits, products or fruits of property that belongs to another) and contract of use.

CHAPTER III
NULLITY OF MARRIAGE

Article 3.37. The grounds and procedures for declaring Marriage Null and Void

1. A marriage may be declared null and void if the conditions for the formation of a valid marriage set out in Articles 3.12 to 3.17 hereof have been violated as well as on the grounds provided for in paragraph 3 Article 3.21, Articles 3.39 and 3.40 hereof.
2. A marriage may be annulled only by the court.
3. A marriage that the court declares to be null and void shall be void *ab initio*.
4. Having pronounced a marriage null and void, the court must send a copy of its judgement to the Register Office where the marriage was registered within three business days of its effective date.

Article 3.38. Persons entitled to petition for a decree of nullity on the grounds of violation of the requirements for the formation of marriage.

1. A marriage formed in violation of the conditions set for the formation of marriage in Articles 3.16 and 3.17 hereof may be declared null and void on the petition of spouse who was ignorant of the impediments to the marriage, a public prosecutor or any other person whose rights and lawful interests were violated by the marriage.
2. A marriage formed in violation of the requirement set in Article 3.14 hereof may be declared null and void on the petition of a minor spouse, his or her parents, guardians or curators, public institutions for the protection of the child's rights or a public prosecutor. After the minor spouse attains the age of 18, he or she shall be the only person who may petition for a decree of nullity.
3. A marriage formed in violation of the requirement set in Article 3.15 hereof may be declared null and void on the petition of the guardian of the spouse lacking capacity to marry, a public prosecutor or any other person whose rights and lawful interests have been violated by the marriage.
4. A marriage formed in violation of the requirement set in Article 3.13 hereof may be declared null and void on the petition of the spouse who had failed to express his or her free will at the time of the marriage or a public prosecutor. Where the who failed to express his free will is a minor, the nullity of the marriage may be sought by his or her parents, guardians, curators or a State institution for the protection of the child's rights.
5. A judgement for the nullity of marriage on the grounds referred to in paragraph 3 Article 3.21 hereof may be sought by the party to the marriage who by the time of marriage had not been informed of the other party's illness.

Article 3.39. Nullity of a fictitious ('sham') marriage

A marriage formed fictitiously without the true intention of creating a legal family relationship may be declared null and void on the petition of either spouse or a public prosecutor.

Article 3.40. Declaring a marriage null and void due to the lack of free will

1. A marriage may be declared null and void if a spouse can prove that at the time of marriage he or she was incapable of understanding the true meaning of his or her actions or of being in charge of them of being in charge of them.
2. Nullity of marriage may be sought by a spouse if he or she entered into the marriage under threat, duress or fraud.
3. A spouse who gave consent to the marriage in consequence of an essential mistake may seek the nullity of the marriage. The mistake is presumed to be essential if it is a mistake about the circumstances related to the other party the knowledge of which would have been a sufficient

reason for the party not to enter into the marriage. The mistake is presumed to be essential if it is about:

1) the health condition or the sexual abnormality of a party which makes the usual family life impossible;

2) the grave crime committed by the other party.

Article 3.41. Bars to the nullity of marriage

1. The court may refuse to declare a marriage null and void if the circumstances which had constituted an impediment to the marriage hereunder disappeared during the proceedings of the case.

2. The court may refuse to declare a marriage contracted by a minor persons null and void if the nullity of the marriage were contrary to the interests of the minor children of the minor spouse or spouses.

3. A marriage may not be pronounced to be a fictitious marriage if prior to the petition for nullity the spouses had created family relations or had cohabited for over a year from the date of marriage or had given birth to or were expecting their own child.

4. A marriage may not be declared null and void after divorce, except where the marriage had been contracted in violation of the monogamy principle or within the prohibited degrees of relationship (Articles 3.16 and 3.13).

5. A marriage which was contracted without one of the spouses expressing his free will may not be pronounced null and void if, after the formation of the marriage or after the knowledge of the circumstances giving a sufficient ground for pronouncing it null and void, the spouses lived together for over a year or they have given birth to or are expecting their own baby.

Article 3.42. Statutes of limitation

1. A spouse who entered into a marriage under the age of 18 may petition for the nullity of the marriage within a year of the date of his or her attaining full age.

2. Petition for the nullity of a marriage contracted without a free and voluntary consent may be presented within a year of the date on which the circumstances constituting the grounds for pronouncing the marriage null and void disappeared or became known.

3. Petition for the nullity of a fictitious marriage may be presented within a year of the date on which the marriage was contracted. A public prosecutor may petition for the nullity of a marriage under Article 3.39 hereof within five years of the date on which the marriage was contracted.

4. Petition for the nullity of a marriage on other grounds shall be subject to no limitations.

Article 3.43. Separation of spouses and maintenance order

1. In an effort to protect the interests of one of the spouses, the court may, circumstances permitting, order the spouses to separate pending the proceedings on the nullity of their marriage.

2. In pronouncing a marriage null and void, the court must decide as to the maintenance of the children and the spouse in good faith as well as to make a residence order in respect of the children.

Article 3.44. Extinguishment of the right to petition

1. The right to petition for the nullity of a marriage may not be devolved by succession or any other way.

2. After the death of one of the parties to a marriage, a public prosecutor may no longer initiate proceedings for the nullity of the marriage.

Article 3.45. Legal effects of marriage declared null and void

1. Any children born of a marriage subsequently decreed void by the court shall be treated as born within marriage.

2. Where both the spouses were in good faith, i. e. did not and could not know about the impediments to their marriage, the legal consequences of their marriage, although it has been declared null and void, shall be the same as those of a valid marriage except for the right of succession. Evidence of the good faith of the spouses must be indicated in the judgement of the court.

Article 3.46. Legal consequences of nullity where one or both spouses were in bad faith

1. With a null and void marriage where only one of the parties was in good faith, the party in good faith shall be entitled to all the rights a spouse is entitled to by virtue of a valid marriage.

2. With a null and void marriage where both the parties were in bad faith, they lose all the rights and duties spouses have by virtue of a valid marriage. Each of them shall have a right to recover their own property including the gifts to the other party.

Article 3.47. Rights of the spouse in good faith

1. If in need of maintenance, the spouse in good faith shall have a right to petition for maintenance from the spouse in bad faith for a period not exceeding three years.

2. The amount of the maintenance shall be at the discretion of the court having regard to the financial position of both the parties. The court may make an order for periodical monthly payments or one payment of a lump sum. If the financial position of one of the parties changes, the interested party may start apply for the increase, decrease or termination of maintenance.

3. An order for maintenance to the spouse in good faith terminates on the remarriage of the payee or at the end of the three-year period during which maintenance was paid.

Article 3.48. Mandatory participation of guardianship and care institutions

Where one or both spouses are of minor age or have been declared by the court lacking legal capacity, guardianship and care institutions or the public institution for the protection of the child's rights must attend the proceedings for the nullity of the marriage of such persons and give their opinion on whether the nullity of the marriage may prejudice the rights and interests of such persons or their children.

CHAPTER IV
DISSOLUTION OF MARRIAGE

SECTION ONE
FUNDAMENTALS OF DISSOLUTION OF MARRIAGE

Article 3.49. Cases of dissolution of marriage

1. A marriage is dissolved by the death of one of the spouses or by termination by the operation of law.

2. A marriage may be dissolved by the mutual consent of the spouses, on the application of one of the spouses or through the fault of a spouse (spouses).

Article 3.50. Dissolution of marriage by the death of one of the spouses

1. A marriage is dissolved by the death or a court judgement of presumption of death of one of the spouses.

2. Where one of the spouses is presumed dead, the marriage shall be considered dissolved from the date on which the court judgement becomes *res judicata* or from date specified therein.

3. If the spouse who has been presumed to be dead by a court judgement turns up, the marriage may be renewed by the mutual application of the spouses to be presented, after the annulment of the court judgement of presumption of death, to the Register Office that registered the dissolution of marriage.

4. A marriage may not be renewed if the other spouse had remarried or there are impediments under Articles 3.12 to 3.17 hereof.

SECTION TWO
DIVORCE BY THE MUTUAL CONSENT OF THE SPOUSES

Article 3.51. Conditions for divorce

1. A marriage may be dissolved by the mutual consent of the spouses provided all the following conditions have been satisfied:

1) over a year has elapsed from the commencement of the marriage;

2) the spouses have made a contract in respect of the consequences of their divorce (property adjustment, maintenance payments for the children, etc.);

3) both the spouses have full active legal capacity.

2. In cases provided for in this Article divorce shall be obtained under simplified procedures.

Article 3.52. Application for divorce

1. A mutual application of the spouses for divorce shall be presented to the court of the district where one of the spouses resides.

2. The application must be accompanied by the contract as to the consequences of the divorce.

3. The application must contain reasons why, in the opinion of the spouses, their marriage has broken down.

Article 3.53. Divorce proceedings

1. The court grants a judgement of divorce if it is satisfied that the marriage has broken down irretrievably. A marriage shall be considered to have broken down irretrievably if the spouses no longer live together and it is not likely they will live together again.

2. An irretrievable breakdown of a marriage is presumed if the spouses have been separated form board and bed for over a year.

3. While granting a divorce decree, the court shall approve the contract of the spouses as to the consequences of divorce providing for the maintenance payments for the children of minor age and each other, the residence of their minor children, their participation in the education of their children and their other property rights and duties. The content of the contract shall be incorporated in the judgement of divorce. In case there is an essential change in the circumstances (illness of one of the former spouses, incapacity for work, etc.), the former spouses or one of them may petition the court to reconsider the terms and conditions of their contract as to the consequences of divorce.

4. Where the contract as to the consequences of divorce is not consistent with the public order or is an essential violation of the rights and lawful interests of the minor children of the spouses or of one of the spouses, the court shall not approve the contract and shall suspend the divorce proceedings until the spouses have made a new contract. If the spouses fail to comply with the directions of the court within six months of the suspension of the proceedings, the court shall not resume the consideration of the application for divorce.

Article 3.54. Reconciliation of spouses

1. The court must take measures to encourage the reconciliation of the spouses.

2. At the request of one of the spouses or on its own initiative the court may provide for an up to a six-month-long reconciliation period. At the end of the reconciliation period the divorce proceedings shall be resumed at the request of one of the parties.

3. If neither of the spouses petitions for divorce within a year of the beginning of the reconciliation period, the court does not resume the divorce proceedings.

4. Where the spouses have lived apart for over a year or the reconciliation period is essentially contrary to the interests of one of the spouses or those of their children, or where both the spouses require a substantive consideration of their case, the court shall not set any reconciliation period.

SECTION THREE
DIVORCE ON THE APPLICATION OF ONE OF THE SPOUSES

Article 3.55. Conditions for obtaining divorce

1. A marriage may be dissolved on the application of one of the spouses filed with the court of the district where the applicant resides, if at least one of the following conditions are satisfied;

1) the spouses have been separated for over a year;

2) after the formation of the marriage one of the spouses has been declared legally incapacitated by the court;

3) one of the spouses has been declared missing by the court;

4) one of the spouses has been serving a term of imprisonment for over a year for the commission of a non-premeditated crime.

2. On behalf of the spouse lacking legal capacity the application for divorce may be filed by his or her guardian, a public prosecutor or a guardianship and care institution.

Article 3.56. The content of the application

1. The application must contain the indication of one of the grounds for divorce under paragraph 1 Article 3.55 hereof.

2. The application must also indicate how the applicant is going to perform his or her obligations toward the other spouse and their minor children.

3. The application must also contain the data provided for in the Code of Civil Procedure.

Article 3.57. Examination of the application

1. A spouse's application for divorce shall be examined in a simplified procedure.

2. Where divorce proceedings are commenced on the application of one of the spouses, the reconciliation measures referred to in Article 3.54 shall not be applied.

3. The court having regard to the age of one of the spouses, the duration of marriage, the interests of the minor children of the family may refuse to grant a divorce decree if the divorce may cause significant harm to the property and non-property interests of one of the spouses or their children.

4. The other spouse or his or her guardian shall have a right to declare that the marriage has broken down through the applicant's fault and demand that the court grant divorce on the basis of the applicant's fault. If the court considers the declaration to be well grounded , divorce shall be granted on the basis of the fault of the spouse who initiated the divorce proceedings (Article 3.60 hereof).

Article 3.58. Mandatory participation of guardianship and care institutions

Where one of the spouses lacks legal capacity, a guardianship and care institution must present its opinion to the court concerning the guarantees of the interests of the spouse lacking legal capacity on divorce.

Article 3.59. Matters to be resolved by the court in granting divorce

In granting a divorce the court must resolve matters relating to the residence and maintenance of the minor children, the maintenance of one of the spouses, adjustment of the community property of the spouses, except in cases where the property has been adjusted by the mutual agreement of the spouses certified in the notarial procedure.

SECTION FOUR
DIVORCE ON THE BASIS OF THE FAULT OF ONE OR BOTH OF THE SPOUSES

Article 3.60. Conditions for obtaining divorce

1. A spouse may apply for divorce on the grounds provided for in this Section where the marriage has broken down through the fault of the other spouse.
2. The fault of a spouse for the breakdown of the marriage shall be established if he or she has seriously breached the duties under this Book hereof, which is the reason why their matrimonial life has become impossible.
3. A marriage shall be presumed to have broken down through the fault of the other spouse where he or she has been convicted of a pre-meditated crime or has committed adultery or is violent toward the other spouse or the other members of the family or has deserted the family and has not been caring for it for over a year.

Article 3.61. Both spouses at fault

1. The respondent in a divorce suit may argue against his or her fault and adduce facts to prove that the other spouse is at fault for the breakdown of the marriage.
2. The court having regard to the circumstances of the case may declare that both parties are at fault for the breakdown of the marriage.
3. A divorce based on the fault of both spouses shall have the same consequences as the dissolution of marriage by the mutual consent of the spouses (Articles 3.51 to 3.54).

Article 3.62. Divorce procedure

1. A divorce on the basis of the fault of one of the spouses shall be granted by the court under contentious procedure.
2. At the request of one of the spouses divorce proceedings shall be held in a closed hearing.
3. Divorce proceedings shall be subject, *mutatis mutandis*, to Article 3.59 hereof.

Article 3.63. Omission of the specific causes of a divorce from the court judgement

At the request of both spouses the court, in granting a divorce, shall omit the specific facts evidencing the fault of one or both the spouses for the dissolution of the marriage from the judgement and merely indicate that the marriage has broken down through the fault of one or both the spouses.

Article 3.64. Conciliation of spouses

1. The court must take measures to achieve a reconciliation of the spouses.
2. The court must suggest that the spouses reach an amicable settlement of their respective property interests, the maintenance and education of their children as well as other consequences of their divorce. If the spouses reach an agreement, paragraphs 3 and 4 of Article 3.53 hereof shall be applied.
3. The court shall apply measures provided for in paragraph 2 and 3 of Article 3.54 hereof, except in cases where the application of those provisions may be detrimental to the interests of the applicant or the minor children of the spouses.

Article 3.65. Provisional protection measures

1. The court having regard to the interests of the children of the spouses as well as the interests of one of the spouses may make orders for provisional protection measures pending the outcome of the divorce suit.

2. The court may make the following orders for provisional protection measures:

1) circumstances permitting, order one of the spouses to live separately;

2) determine the residence of the minor children with one of the parents;

3) demand for one of the spouses not to interfere with the use of certain property by the other spouse;

4) issue a maintenance order in favour of the minor children or the other spouse;

5) seize property until its ownership by one of the spouses is determined or in order to enforce maintenance payments;

6) seize the property of one of the spouses the value of which could be used to compensate for the litigation costs to the other spouse;

7) prohibit one of the spouses from having contact with his or her minor children or appearing in certain places.

SECTION FIVE
LEGAL EFFECTS OF DIVORCE

Article 3.66. The moment of the dissolution of marriage

1. A marriage shall be considered to be dissolved on the date when the divorce judgement becomes *res judicata*.

2. The court must send a copy of the divorce judgement to the local Register Office for the registration of the divorce within three business days of the date of *res judicta* of the judgement .

Article 3.67. Consequences of divorce to the property interests of the spouses

1. Legal consequences of divorce to the property interests of the spouses shall be produced from the moment of the commencement of divorce proceedings.

2. A spouse other than the one determined to be at fault for the breakdown of the marriage may ask the court to rule that the legal consequences of divorce to the interests of the spouses shall be produced from the day of their actual separation.

Article 3.68. Invalidation of transactions made after the commencement of the divorce proceedings

Transactions related to the joint property of the spouses made by one of the spouses after the commencement of the divorce proceedings may be invalidated by the court in an action brought by the other spouse provided the other spouse can prove that the transaction was made with the aim of prejudicing his or her interests while the third party was in bad faith.

Article 3.69. Surnames of the former spouses

1. On divorce, a spouse may retain his or her married surname or the surname he or she had before the marriage.

2. Where a marriage is dissolved on the basis of the fault of one of the spouses, the court may, at the request of the other spouse, prohibit the spouse at fault from retaining his or her married surname, except in cases where the spouses have children.

Article 3.70. Legal consequences of a divorce on the basis of the fault of one of the spouses

1. Where a divorce is granted on the basis of the fault of one of the spouses, the spouse at fault shall lose the rights of a divorcee under the law or under the marriage contract including the right to maintenance.

2. The other spouse may demand from the spouse responsible for the breakdown of the marriage damages related to the divorce as well as compensation for non-pecuniary damage done by the divorce. This provision shall not be applied where both spouses are responsible for the breakdown of the marriage.

3. At the request of the other spouse the spouse at fault for the breakdown of the marriage shall return the gifts received from him or her except for the wedding ring unless the marriage contract provides otherwise.

4. Where both spouses are responsible for the breakdown of the marriage, both of them shall have a right to demand the return of the immovable gifts given to each other unless more than ten years have elapsed from the gift contract and the immovable property has been transferred to third parties.

Article 3.71. Retention of the right to use the matrimonial dwelling

1. Where the matrimonial dwelling is owned by one of the spouses, the court may make a usufruct order and allow the other spouse to remain in the matrimonial dwelling if their minor children live with him or her.

2. The usufruct order shall be valid until the child (children) attain majority.

3. Where the matrimonial dwelling is rented, the court may award the rights of the lessee to the spouse that remains to live with their minor children or that lacks capacity for work and may evict the other spouse if he or she has been ordered to live separately.

Article 3.72. Mutual maintenance of the former spouses

1. The court when making a divorce judgement shall also make a maintenance order in favour of the spouse in need of maintenance unless the matters of maintenance are settled in the agreement of the spouses concerning the consequences of divorce. A spouse shall have no right to maintenance if his or her assets or income are sufficient to fully support him or her.

2. Maintenance shall be presumed to be necessary if he or she is bringing up a minor child of the marriage or is incapacitated for employment because of his or her age or state of health.

3. A spouse that was not able to obtain any qualifications for work (complete his or her studies) because of the marriage, common interests of the family or the need to care for the children, shall have a right to demand from the former spouse to cover the costs related to the completion of his or her studies or retraining.

4. The spouse responsible for the breakdown of the marriage shall have no right to maintenance.

5. While making a maintenance order and deciding on its amount, the court shall take into account the duration of the marriage, the need for maintenance, the assets owned by the former spouses, their state of health, age, capacity for employment, the possibility of the unemployed spouse of finding employment and other important circumstances.

6. The amount of maintenance shall be reduced, made temporary or refused if one of the following circumstances exist:

1) the marriage lasted for a period not exceeding a year;

2) the spouse entitled to maintenance has committed a crime against the other spouse or his or her next of kin;

3) the spouse entitled to maintenance has created his or her difficult financial situation through his or her own irresponsible acts;

4) the spouse requesting maintenance did not contribute to the growth of their community assets or wilfully prejudiced the interests of the other spouse or the family during the marriage.

7. The court may demand from the spouse obliged to provide maintenance to the other spouse to produce an adequate guarantee of fulfilment of this obligation.

8. The court may make maintenance orders for a lump sum or periodical (monthly) payments or property adjustment.

9. Where divorce is based on the application of one of the spouses because of the legal incompetence of the other spouse, the applicant spouse must cover the treatment and care expenses of the former incompetent spouse unless the expenses are covered from state social security funds.

10. The maintenance order shall be the basis for the forced pledge of the respondent's assets. If the former spouse defaults on his or her obligation to pay maintenance, his or her assets may be used to make payments in the procedure laid down by the law.

11. Where the maintenance order is for periodical payments, a significant change in the circumstances referred to in paragraph 5 of this Article may warrant the application of either of the former spouses for an increase, reduction or termination of maintenance payments. Periodical payments shall be for the life of the creditor and shall be inflation-indexed annually in the procedure laid down by the Government.

12. After the death of the spouse obliged to pay maintenance, the obligation to pay maintenance is devolved on his or her successors to the extent of his or her estate irrespective of the way the estate is accepted.

13. Where the payee dies or remarries, the maintenance payment shall be terminated. On the payee's death, the right to demand arrears of the maintenance payments shall pass to the payee's successors. The dissolution of the new marriage shall create a right to apply for the renewal of maintenance payments provided the payee is bringing up a child by his or her former spouse or is caring for a disabled child by his or her former spouse. In all other cases the duty of the subsequent spouse to maintain the payee shall take precedence over that of the first former spouse.

CHAPTER V
SEPARATION

Article 3.73. Application for separation

1. One of the spouses may apply to the court for the approval of the separation if due to certain circumstances, which may not depend on the other spouse, their life together has become intolerable (impossible) or can seriously prejudice the interests of their minor children or the spouses are no longer interested in living together.

2. Both spouses may jointly apply to the court for the approval of their separation if they have made a contract concerning the consequences of their separation providing for the residence, maintenance and education of their minor children as well as for the adjustment of their property and mutual maintenance.

Article 3.74. Counter-applications

1. The defendant in a separation case shall have a right to lodge a counter-claim for divorce.

2. The defendant in a divorce case shall have a right to lodge a counter-claim for separation.

3. Where one of the spouses seeks a divorce while the other spouse applies for separation, the court may make a divorce order on the basis of the fault of one or both of the spouses or it may make a separation order.

Article 3.75. Separation procedure

1. The court shall examine applications for separation in the contentious procedure.

2. Having regard to the interests of the minor children of the spouses as well as to the interests of one of the spouses the court shall take measures to foster a reconciliation of the spouses (Article 3.54 hereof).

3. The court may order provisional protection measures referred to in Article 3.65 hereof.

Article 3.76. Matters to be resolved in making a separation judgement

1. When making a separation judgement, the court must designate the spouse with whom the children are to live, the maintenance of the children and the involvement of the separated father (mother) in the education of their children.

2. Having regard to important circumstances, the court may make an order for the residence of the children with other persons or in a guardianship or care institution.

3. In deciding which of the spouses should have a right to stay in their matrimonial dwelling, first consideration must be given to the spouse with whom the minor children are to live or to the spouse lacking capacity for work.

4. Where the spouses have made a contract as to the consequences of separation (paragraph 2 Article 3.73), the court shall approve the contract provided that it is consistent with public order, the rights and lawful interests of their minor children or one of the spouses. Having approved the contract , the court shall incorporate its content in the separation -judgement.

5. If there is a serious change in the circumstances significant for the matters related to the separation of the spouses, either spouse may seek the reconsideration of the former judgement and a different resolution of matters referred to in paragraph 1 of this Article based on the change in the circumstances.

Article 3.77. Legal consequences of separation

1. When the court makes a separation judgement, it releases the spouses form the obligation to live together, but the other rights and duties of the spouses shall not be extinguished except in cases provided for herein.

2. Separation shall not produce any effects on the rights and duties of he spouses in respect of their minor children except in cases provided for herein.

3. When making a separation judgement, the court must always make a property adjustment order unless those matters are settled in the marriage contract of the spouses.

4. The legal consequences of separation for the property interests of the spouses shall be produced from the initiation of the separation suit. However, the spouse other than the one responsible, in the opinion of the court, for the separation may ask the court to make the legal consequences of separation retroactive to the date on which the spouses ceased to live together.

5. If one of the separated spouses dies, the survivor shall retain all the rights of a surviving spouse under the law, except where the surviving spouse has been declared by the court to be at fault for the separation. The same rule shall apply where the court makes a separation order on the basis of the joint application of the spouses unless the marriage contract of the spouses stipulates otherwise. The surviving spouse, however, shall lose the right of succession to the estate of the deceased spouse.

Article 3.78. Mutual maintenance of the spouses

1. When issuing a separation order, the court may order the spouse at fault for the separation to pay maintenance to the other spouse in need of it unless the maintenance matters are settled in the agreement of the spouses.

2. When making a maintenance order and determining the amount, the court must take into consideration the duration of the marriage, the need for maintenance, the financial position of both spouses, their state of health, age as well as their earning capacity, the unemployed spouse’s chances of finding employment and other important circumstances.

3. The court may rule that the spouse under the obligation to pay maintenance to other spouse must provide a security that the obligation will be fulfilled.

4. Maintenance may be ordered as a lump sum of a certain amount or periodical monthly payments or property transfer.

5. The maintenance order shall be the basis for the statutory pledge of the respondent's assets. If a spouse defaults on his or her obligation to provide maintenance, his or her assets may be used to make payments in the procedure laid down by the law.

6. Where maintenance has been ordered in the form of periodical payments, a fundamental change in the circumstances referred to in paragraph 2 of this Article, either spouse may claim an increase, reduction or termination of the payments. Periodical payments shall be indexed annually in the procedure laid down by the Government.

Article 3.79. End of a separation

1. A separation shall end when the spouses start living together again and their life together proves their intention to live together permanently. A separation shall end when, on the joint application of the spouses, the court makes a judgement to end the separation, which revokes its former separation order.

2. On the resumption of their life together, the spouses shall remain separate as to property until they make a new marriage contract and set a new matrimonial regime.

3. The end of separation shall produce effects for third parties only if the spouses make a new marriage contract and register it in the procedure provided for in Article 3.103 hereof.

4. Where the spouses are separated for more than a year after the date when the court judgement became *res judicata*, either spouse may seek divorce on the basis provided for in point 1 paragraph 1 Article 3.55 hereof.

Article 3.80. Mandatory participation of the state institution for the protection of the child's rights

Where the spouses have children of minor age, the state institution for the protection of the child's rights must participate in the proceedings and present its conclusion on the possible violation of the children's rights in taking decisions on separation matters.

PART III
RIGHTS AND DUTIES OF THE SPOUSES IN PROPERTY

CHAPTER VI
LEGAL REGIME OF PROPERTY OF SPOUSES

SECTION ONE
GENERAL PROVISIONS

Article 3.81. Kinds of legal regime of property of spouses

1. There shall be statutory and contractual legal regime of the property of spouses.

2. The statutory legal regime of the property of spouses shall be governed by Articles 3.87 to 3.100 hereof.

3. The contractual regime of the property of spouses shall be governed by Articles 3.101 to 3.108 hereof.

Article 3.82. Application of Statutory Legal Regime of Property

Where the spouses have not made a marriage contract, their property shall be subject to the statutory regime.

Article 3.83. The right of the spouses to fix their matrimonial regime in their marriage contract

1. When making a marriage contract, the spouses shall have a right to determine their matrimonial regime as they think fit.

2. Provisions of a marriage contract inconsistent with good morality or public order shall be null and void.

Article 3.84. Family assets

1. Any assets referred to in paragraph 2 of this Article owned by either spouse before or during the marriage shall be considered to be family assets. Family assets may be used only to meet the needs of the family.
2. The following assets owned by one or both spouses shall be family assets:
   1) the family dwelling ;
   2) movables intended for the use in the household including furniture.
3. Family assets shall include the right to use the family dwelling .
4. Assets referred to in paragraphs 2 and 3 of this Article shall acquire the legal status of family assets on the date of the registration of marriage, but the spouses may use this fact in respect of third parties in good faith only if an immovable is registered in the public register as a family asset.

Article 3.85. Legal regime of family assets

1. Assets referred to in paragraph 2 Article 3.84 hereof, which are the personal property of one of the spouses, may be used, managed or disposed of only in accordance with this Article.
2. The spouse who is the owner of an immovable considered to be a family asset, may transfer ownership rights to it, charge it or encumber the rights to it in any other way only with the written consent of the other spouse. Where the spouses have children of minor age, transactions in respect of an immovable considered to be a family asset require a judicial authorisation.
3. Family assets may not be used against a creditor if the creditor knew or should have known that the transaction is not related to meeting the needs of the family and is contrary to the interests of the family.
4. The legal regime of family assets or the composition of the family assets may not be changed by an agreement of the spouses.

Article 3.86. End of the legal regime of family assets

1. The legal regime of family assets shall end on divorce, declaration of the nullity of marriage or separation of the spouses.
2. The court may award the right to use family assets or a certain part of them (usufruct) to the spouse with whom the minor children of the marriage will live. The usufruct shall be valid until the children attain majority.
3. Where the spouses rent a family dwelling , the court may transfer the lessee rights to the spouse with whom the children will live or the spouse who lacks earning capacity.
4. The court may award the chattels intended for the use in the household to the spouse who stays in the family dwelling together with the minor children.

SECTION TWO
STATUTORY LEGAL REGIME OF PROPERTY OF SPOUSES

Article 3.87. Definition of the fundamentals of the legal regime of property

1. Under the legal regime the property acquired by the spouses after the commencement of their marriage shall be their joint community property.
2. The property of spouses constitute their joint community property until their separation as to property or until the extinguishment of the joint community property rights in some other way.

Article 3.88. Joint community property

1. Joint community property shall be:
   1) property acquired after the formation of marriage in the name of one or both of the spouses;

2) the income and fruits collected from the individual property of a spouse;

3) income derived from the joint activities of the spouses, and income derived from the activities of one of the spouses except for the funds required for that spouse's occupation;

4) an enterprise and the income derived from the operations of the enterprise or any other business provided that the spouses took up such business activities after the commencement of the marriage. Where the enterprise was owned by one of the spouses before the marriage, the joint community property shall include the income derived from the operations of the enterprise or any other business and the increase of the enterprise (business) after the formation of the marriage;

5) income from the work or intellectual activities, dividends, pensions, benefits or other payments collected by both spouses or one of them after the commencement of the marriage except for payments received for specific purposes (such as damages for moral or corporal injury, support, allowance or other benefits paid specifically to only one of the spouses, etc.).

2. All property shall be presumed to be joint community property unless it is established that it is the individual property of one of them.

3. Both spouses must be registered as the owners of the joint community property in the public register. Where the property is registered in the name of one of the spouses, it shall be considered to be joint community property provided it is registered as joint community property.

4. On divorce, a spouse shall have the right to claim one half of the funds accumulated in a private pension fund from the joint financial sources of the spouses.

Article 3.89. Individual property of the spouses

1. The individual property of each spouse shall consist of:

1) property acquired separately by each spouse before the commencement of the marriage;

2) property devolved to a spouse by succession or gift during the marriage unless the will or donation agreement indicates that the property is devolved as joint community property;

3) a spouse's personas effects (footwear, clothing, instruments required for the spouse's occupation);

4) the rights to intellectual or industrial property except for the income derived from those rights;

5) funds and chattels required for the personal business of one of the spouses other than the funds and chattels used in the business conducted jointly by both spouses;

6) damages and compensation payments received by one of the spouses for non-pecuniary damage or personal injury, payments as financial aid for specific purposes and other benefits related specifically to only one of the spouses, rights that may not be transferred;

6) property acquired with the separate funds or proceeds from the sale of a separate property with the express intention of the spouse at the time of the acquisition to acquire it as a separate property.

2. The fact of property being a separate individual property of one of the spouses may be proved only by written documents (evidence) except in cases where the law allows to accept the testimony of witnesses or the nature of the property is sufficient proof of it being a separate property of one of the spouses.

3. Individual property that one of the spouses transfers to the temporary possession of the other spouse to meet the latter's personal needs shall remain a separate property of the transferor.

Article 3.90. Declaration of individual property to be joint community property

1. The court may declare a individual property of one of the spouses to be joint community property if it is established that during the marriage the property was fundamentally improved with the joint funds of the spouses or with the funds of or due to the work of the other spouse (capital investments, reconstruction, etc.).

2. Where a spouse used both his or her separate funds and the funds owned jointly with the other spouse to acquire a property for his or her own personal needs, the court may declare the property so acquired to be joint community property provided the value of the joint community funds used to acquire such property exceeded the value of the separate funds of the spouse so expended.

Article 3.91. Enterprise (farm, business)

Property required for the operation of an enterprise (farm, business) established by one of the spouses after the formation of the marriage as well as the income of the enterprise (farm, business) established by one of the spouses before the formation of the marriage other than the funds required for the operation of the spouse's personal enterprise (farm, business) shall be joint community property provided that property exists at the moment of divorce.

Article 3.92. Management, use and disposal of joint community property

1. Joint community property shall be used, managed and disposed of by the mutual agreement of the spouses.

2. The consent of the other spouse shall not be required for:

1) the acceptance or rejection of succession to estate;

2) the refusal to enter a contract;

3) urgent measures to protect the community property;

4) bringing an action to protect the joint community property;

5) bringing an action to protect one's rights related to community property or one's personal rights unrelated to the interests of the family.

3. When making transactions a spouse shall be presumed to have the consent of the other spouse except in cases where entering into a transaction requires the written consent of the other spouse. In exceptional cases where delay would cause serious damage to the interests of the family while the other spouse is unable to express his or her will because of illness or some other objective reasons, a spouse may enter into a transaction without the consent of the other spouse in accordance with the procedure laid down in Paragraph 2 Article 3.32 hereof.

4. Transactions related to the disposal or encumbrance of a jointly co-owned immovable or the rights to it, also transactions on the alienation of a jointly co-owned enterprise or securities or the encumbrance of the rights to them may be made only by both spouses except where one of the spouses has been given the power of attorney by the other spouse to enter into such a transaction.

5. Each spouse shall have a right to open a bank account in his or her name without the consent of the other spouse and to dispose freely of the funds on the account unless those funds have been made joint community property.

6. Where a transaction has been made without the consent of the other spouse, that other spouse may ratify the transaction within a month of the date when he or she learnt about the transaction. Before its ratification the other party may withdraw from the transaction. If the other spouse does not ratify the transaction within a month, the transaction shall be declared as having been made without the consent of the other spouse. If the other party to the transaction knew that the person with whom it was entering into the transaction was married, it can withdraw from the transaction only if the spouse misrepresented the existence of the other spouse's consent.

Article 3.93. Consent to enter into a transaction

1. Where a spouse does not give the other spouse consent required to enter into a transaction, the interested spouse may seek leave to enter into the transaction in court.

2. The court shall award leave to enter into a transaction only if the interested spouse can prove that the transaction is necessary to meet the needs of the family or the needs of their jointly co-owned business.

Article 3.94. Power of attorney to manage property

1. A spouse may give a power of attorney to the other spouse to manage, use and dispose of their joint community property.

2. Where one of the spouses is away or cannot participate in the management of the community property for important reasons, the other spouse may apply to the court to be authorised to manage such property alone.

3. If the spouse is negligent or unreasonable in managing joint community property alone, he or she shall be liable for the losses sustained through his or her fault and shall compensate for them against his or her separate property.

4. Management of property shall be governed *mutatis mutandis* by the rules of Book Four hereof regulating the management of property owned by another person.

Article 3.95. Challenging the competence of managing joint community property

1. Where a spouse is unable to manage community property or does that in a way that incurs losses, the other spouse may apply to have the court remove the spouse from managing the property. The court shall grant the requested removal if the applicant can prove that it is necessary to ensure the needs of the family or those of their joint business.

2. Once the grounds for removal disappear, the removed spouse may request the court to allow him or her to manage the community property again.

Article 3.96. Avoidance of transactions

1. Transactions made without the consent of the other spouse and not ratified by him or her later, may be avoided in an action brought by that spouse within a year of the date when he or she learnt about the transaction provided it is proved that the other party to the transaction was in bad faith.

2. Transactions that should have been made with a written consent of the other spouse or could only have been made jointly by both the spouses (Paragraph 4 Article 3.92 hereof) may be declared void irrespective of the other party to the transaction being in good or bad faith except in cases where one or both of the spouses used fraud in making the transaction or made misrepresentations to institutions in charge of public registers or to any other institutions or officials. In such cases the transaction may be declared void only if the other party to the transaction was in bad faith.

Article 3.97. Management of the individual property of a spouse

1. A spouse shall use, manage or dispose of his or her individual property at his or her own discretion. Management, use or disposal of property defined herein as family assets shall be subject to the restrictions laid down in this Book.

2. Where a spouse manages his or her individual property in such a negligent or unreasonable way that it endangers the interests of the family because the property may be lost or substantially reduced, the other spouse shall have a right to seek in court the appointment of an administrator for the management of such property. The court may appoint the applicant to be the administrator.

3. After the circumstances which caused the appointment of an administrator disappear, either spouse may apply to the court to have the appointment of an administrator revoked.

4. A spouse may grant a power of attorney to the other spouse to manage his or her individual property. In such a case the mutual relations of the spouses in property shall be governed by the rules of Book Two hereof on the regulation of legal agency relations.

5. Where a spouse cannot manage alone his or her individual property and contribute to the needs of the household due an illness or any other objective reason, the other spouse shall have a right to use the individual funds and assets of the spouse incapable of managing alone his or her property for the needs of the household. The rule shall not be applied in cases where the spouses are separated or an administrator has been appointed for the individual property of the spouse unable to manage it alone and make a contribution towards meeting the needs of the household.

Article 3.98. Right to compensation

1. Where the value of the joint community property is increased by adding the individual property of one of the spouses, the spouse the addition of whose property has increased the value of the joint community property shall be entitled to compensation against the community property.

2. A spouse shall be entitled to compensation also in cases when his or her individual funds have been used for the acquisition of joint community property.

3. Each of the spouses must compensate for the reduction of the joint community property if he or she has used it for purposes unrelated to the duties referred to in Article 3.109 hereof, except in cases where he or she can prove that the property has been used to satisfy the needs of the family.

4. The compensations referred to in this Article shall be paid when the spouse's joint co-ownership ends.

Article 3.99. Gifts of the spouses

1. Spouses shall have a right to make gifts of assets to each other in accordance with the rules of Book Six hereof, regulating gift agreements.

2. An agreement on a gift of an immovable shall give rise to legal consequences for the creditors of the donor only if the agreement has been recorded in a public register.

3. The beneficiary spouse shall be liable to the creditors of the donor for the obligations of the donor that existed at the time the gift agreement was made to the extent of the value of the gift. Where the gift is lost through no fault of the beneficiary, his or her liability for the obligations of the donor shall be extinguished.

Article 3.100. Grounds for termination of joint co-ownership of the spouses

Joint co-ownership rights of the spouses shall end on:

1) the death of one of the spouses;
2) presumption of the death of one of the spouses or the judicial declaration of one of the spouses as missing;
3) the declaration of the nullity of the marriage;
4) divorce;
5) separation;
6) the judicial partitioning of the community property;
7) the change of the legal regime of property in accordance with the mutual agreement of the spouses;
8) in other cases laid down by the law.

SECTION THREE
CONTRACTUAL LEGAL REGIME OF PROPERTY OF SPOUSES

Article 3.101. Marriage -contract

A marriage contract shall mean an agreement of the spouses defining their property rights and duties during the marriage as well as on divorce or separation.

Article 3.102. Making a marriage -contract

1. A marriage contract may be made before the registration of the marriage (pre-nuptial contract) or at any time after the registration of the marriage (post-nuptial contract).
2. A marriage contract made before the registration of the marriage shall come into effect on the day of the registration of the marriage. A post-nuptial contract shall come into force on the date on which it is made unless the agreement stipulates otherwise.
3. A minor may enter into a marriage settlement only after the registration of the marriage.
4. A spouse declared by the court as having limited active capacity may enter into a marriage contract only with a written consent of his or her custodian . If the custodian refuses to give consent, the spouse may apply to the court for leave to enter into a marriage contract .

Article 3.103. The form of a marriage contract

1. A marriage contract must be entered into before the notary public. .
2. A marriage contract as well as its subsequent amendments must be registered in the register of marriage contracts maintained by mortgage institutions in the procedure laid down by the rules of the register. A marriage contract may be amendment only with leave of the court. In no case may the amendments of a marriage contract be retroactive.
3. A marriage contract and its amendments may be used against third parties provided the settlement and its amendments have been registered in the register of marriage contracts . This rule shall not apply if at the time of the transaction the third parties knew of the marriage contract and its amendments.

Article 3.104. Content of a marriage contract

1. Spouses shall have a right to stipulate in the marriage contract that:
   1) property acquired both before and during the marriage shall be the individual property of each spouse;
   2) individual property acquired by a spouse before the marriage shall become ~~joint~~ community property after the registration of the marriage;
   3) property acquired during the marriage shall be joint community property.
2. In their marriage contract the spouses may stipulate that one of the matrimonial legal regimes referred to in Paragraph 1 of his Article shall be applied to their entire property or only to its certain part or to specified chattels.
3. In their marriage contract the spouses may define a matrimonial legal regime both in respect of their existing and future property.
4. A marriage contract may contain the stipulation of rights and duties related to the management of property, mutual maintenance, participation in the provision for family needs and expenses as well as the procedure for partitioning property on divorce and other matters related to the spouse's mutual relations in property.
5. The rights and duties of the spouses provided for in their marriage contract may be limited in time, or the emergence or termination of rights and duties may be related to the fulfilment or omission of a certain condition stipulated in the marriage contract.

Article 3.105. Nullity of conditions in a marriage contract

Conditions stipulated in a marriage contract shall be null and void if they:

1) contradict the mandatory legislative rules, good morality and public order;

2) change the legal regime in respect of the individual property of one of the spouses or in respect of their joint community property (Articles 3.88 and 3.89) where the matrimonial legal regime the spouses have chosen provides for joint community property;
3) prejudice the principle of equal parts in joint community property enshrined in Article 3.117 hereof;
4) restrict the passive or active legal capacity of the spouses;
5) regulate the personal relations of the spouses unrelated to property;
6) establish or change the personal rights and duties of the spouses towards their children;
7) limit or annul the right of one (or both) of the spouses to maintenance;
8) limit or annul the right of one (or both) of the spouses to bring legal proceedings in court;
9) change the procedure and conditions of succession in property.

Article 3.106. Amendments and termination of a marriage contract

1. A marriage contract may be amended or terminated by the mutual agreement of the spouses at any time in the same form as that laid down for its formation.

2. An amendment to a marriage contract or its termination may be used against third parties provided the amendment or termination of the marriage contract has been registered in the register of marriage contracts settlements. This rule shall not be applied if at the time of the transaction the third parties knew of the amendment or termination of the marriage contract .

3. At the request of one of the spouses a marriage contract may be amended or terminated by the judgement of the court on the grounds provided for in Book Six hereof for the amendment or termination of a marriage contract.

4. The creditors of one or both of the spouses whose rights have been prejudiced by the amendment or termination of the marriage contract may, within a year of becoming aware of the amendment or termination, challenge in court such an amendment or termination and require the restoration of their rights.

Article 3.107. Termination of a marriage contract

A marriage contract shall terminate on divorce or on separation except in respect of the duties which under the agreement remain in force on divorce or separation. The termination of a marriage contract shall be registered in the register of marriage contracts.

Article 3.108. Nullity of a marriage contract

1. In addition to the grounds provided for in Article 3.105 hereof, a marriage contract may be declared null and void, wholly or in part, on the grounds for the nullity of transactions provided for in Book One hereof.

2. The court may declare a marriage contract null and void at the request of one of the spouses if the agreement is in serious breach of the principle of equality or is especially unfavourable for one of the spouses.

3. The creditors of one or both of the spouses shall have a right to demand that the agreement be declared null and void because it is fictitious.

CHAPTER VII
CIVIL LIABILITY OF SPOUSES FOR OBLIGATIONS IN PROPERTY

Article 3.109. Obligations discharged from community property

1. The following obligations shall be discharged from the community property of spouses:

1) obligations related to the encumbrances of property acquired in co-ownership that existed at the time of acquisition or were created later;

2) obligations related to the costs of managing community property;

3) obligations related to the maintenance of the household;

4) obligations related to legal expenses where the action is related to community property or the interests of the family;

5) obligations arising from transactions made by one of the spouses with the consent of the other spouse or ratified by the latter subsequently as well as obligations arising from transactions for which no consent of the other spouse was required provided that the transactions were made in the interests of the family;

6) joint and several obligations of the spouses.

2. Either spouse shall have a right to enter into transactions necessary to maintain the family and to secure the upbringing and education of the children. Both spouses shall be jointly and severally liable for the obligations arising from such transactions whatever their matrimonial regime may be except in cases where the price of the transactions is clearly too high and unreasonable.

3. Joint and several liability of the spouses shall not be created where one of the spouses takes a loan or acquires goods under credit purchase , which is not necessary for the needs of the family, without the consent of the other spouse.

4. In creating and discharging obligations related to the needs of the family the spouses shall be as prudent and careful as in creating and discharging their own personal obligations .

Article 3.110. Liability of spouses for obligations created before the registration of marriage

1. Community property may not be used to discharge the obligations of spouses created before the registration of marriage except those charged against the relevant spouse's share in community property.

2. The claims of the spouses' common creditors to be discharged from community property shall take precedence over the claims of the separate creditors of each spouse. This rule shall not apply to mortgage creditors.

Article 3.111. Obligations arising from gift agreements or succession

Where one of the spouses receives a gift or comes into inheritance, the obligations arising therefrom may not be paid from community property unless the gift or the inheritance has been received as community property.

Article 3.112. Liability for the obligations of one of the spouses

1. Claims arising from the transactions made after the registration of marriage by one of the spouses without the consent of the other spouse may be discharged from community property if the individual property of the spouse is not sufficient to meet the claims of the creditors.

2. Legal expenses shall be discharged from the individual property of a spouse if the lawsuit is not related to community property or the interests of the family.

Article 3.113. Enforcement against the individual property of spouses

Where the community property is not sufficient to meet the joint and several claims of creditors, the claims shall be discharged met from the individual property of the spouses.

Article 3.114. Separation of the liability of spouses

1. If the marriage contract stipulates that property acquired both before and during marriage is to be treated as the individual property of one and the other spouse, the spouses shall be liable for their obligations only by their individual properties. In such cases the spouses shall be jointly and severally liable for their joint obligations and the obligations in the interests of the family.

Spouses shall not be held to be each other's guarantors or surety in obligations arising in the management or disposal of property that is a individual property of one and the other spouse.

Article 3.115. Entitlement to compensation

1. The spouse whose fines for breaches of law or damages incurred through his or her actions have been paid from the joint community property shall be obliged to compensate for the reduction of the joint community property.

2. If a transaction was made to meet the personal needs of only one of the spouses by using joint community property, that spouse shall be obliged to compensate for the reduction of the joint community property.

CHAPTER VIII
DIVISION OF JOINT COMMUNITY PROPERTY

Article 3.116. Ways of division

1. On the application of one of the spouses or their creditors, joint community property may be divided by the mutual agreement of the spouses or by a court judgement during marriage and on divorce or separation.

2. The rules of this Chapter shall be applicable where the spouses have not made a marriage contract.

Article 3.117. Shares of the spouses in joint community property

1. The shares of the spouses in joint community property shall be presumed to be equal.

2. Departure from the principle of the equality of the shares of the spouses in joint community property shall be permitted only in cases provided for herein.

3. Where the value of the property awarded by the court to one of the spouses is greater than his or her share in the joint community property, that spouse shall be obliged to pay a compensation to the other spouse. Upon the presentation of an adequate security for this liability, the court may defer the payment of the compensation for no longer than two years.

4. On the death of one of the spouses, his or her share in the joint community property shall be inherited ~~on the heirs~~ according to the rules of Book Five hereof.

Article 3.118. Balance of property

1. Before partitioning the joint community property of the spouses, first the community property and the respective individual property of the spouses shall be established.

2. The community property shall first be used to pay (award) the debts that have fallen due and are payable from this property. Where the time limit for meeting the liabilities from the community property has not expired or the liabilities are disputed, the value of the community property to be partitioned shall be reduced by the amount of these liabilities (debts).

3. After establishing the individual property of the spouses and deducing their personal debts from it, a balance sheet of compensations shall be drawn up indicating the amounts one or the other spouse must pay by way of compensating for the community property or receive from the community property.

4. Where the balance of community property is positive it is divided equally between the spouses, except in cases provided for herein.

Article 3.119. Assessment of the value of property

The value of the community property to be partitioned shall be established at its market value on the date of the termination of the joint community property of the spouses.

Article 3.120. Property not to be partitioned

1. Property to be partitioned shall not include chattels intended for the needs of the minor children of the marriage or the spouses' clothing, personal effects, personal property interests and non-property rights related only to that particular spouse.

2. Property intended to meet the needs of the minor children referred to in Paragraph 1 shall go, without deducing any compensations, to the spouse with whom the minor children are to live, while the remaining part of the property of personal nature goes to one and the other spouse.

Article 3.121. Attribution of individual property to joint community property

1. By the mutual consent of the spouses, property defined as the individual property of the spouses in the marriage contract may be attributed to the joint community property subject to partitioning.

2. Arrangements referred to in Paragraph 1 shall be prohibited if they can cause damage to the creditors of the spouse. Where due to such arrangements the claims of the creditor cannot be fully covered from the individual property of a spouse, the debt shall be charged against the spouse's share in the community property.

Article 3.122. Security for the claims to a share in the community property

At the request of one of the spouses or a spouse's creditors, the court may seize the joint community property of the spouses or to appoint an administrator for the property if that is necessary to protect the interests of the spouses in the community property or the rights of their creditors. These measures shall not be applicable where the other spouse submits an adequate security for the claims of the spouse requesting the seizure of the property or the appointment of an administrator or for the claims of the creditors.

Article 3.123. Departure from the principle of the equality of the shares of the spouses in the community property

1. Having regard to the interests of the minor children, the health state or the financial position of one of the spouses or other important circumstances, the court may depart from the principle of the equality of the spouse's shares in the community property and award one of the spouses a greater portion of the property. These criteria must also be taken into consideration by the court in deciding on the way of partitioning community property.

2. The share of the spouse obliged to make maintenance payments to the other spouse may be reduced by the amount of the maintenance if it is to be paid by a lump sum or certain property given in payment.

3. Where, less than a year before the institution of the action for the partitioning of the property, one of the spouses reduced the value of the community property without the consent of the other spouse by donating some of it or by using it to increase his or her own individual property, the portion of this spouse in the community property may be reduced while establishing the respective portions of the spouses in the community property by the value of the lost community property.

4. The share of one of the spouses in the community property may also be reduced by the amount of income unrealised due to the spouse's negligence or because he or she concealed the income from the family and used it for his or her personal needs. The period for which such unrealised income is calculated should not exceed five years before the institution of the lawsuit for the division of property.

Article 3.124. Division of property by the court judgement without divorce

Where one of the spouses has been declared incapable or of limited active capacity or where one of the spouses manages community property in a loss-making way or by his or her actions jeopardises the joint community property of the spouses or the interests of the family or without any justified reason fails to contribute to the needs of the family, the other spouse shall have a right to bring an action seeking a division of the property.

Article 3.125. Registration of division of property

The agreement of the parties or the judgement of the court under which the joint community property of the spouses is divided must be registered with the mortgage office that has registered the marriage contract or the division of property by making a relevant entry in the register of marriage contracts .

Article 3.126. Guarantees of the rights of the creditors

1. The creditors of one or both of the spouses shall have a right to participate as third parties in the lawsuit for the division of joint community property and present their own individual claims.

2. In his or her application–the spouse who institutes proceedings for the division of property must indicate the creditors of one or both of the spouses he or she is aware of and notify the creditors of the institution of proceedings by sending them a copy of the application.

Article 3.127. Property to be divided

1. The court shall divide the property the spouses acquired as joint community property before the institution of the proceedings or before the day the court hands down its judgement.

2. On the application of one of the spouses the court may decide to divide only the property acquired before the separation of the spouses.

3. If possible, the property is divided in kind having regard to its value and the share of each spouse in the community property. If the property cannot be divided in kind, it is awarded in kind to one of the spouses, who is ordered to compensate for the other spouse's share in money. The decision on the way the property is to be divided and the actual division of property in kind is taken having regard to the interests of the minor children, the state of health and the financial situation of one of the spouses as well as to other important circumstances.

Article 3.128. Mutual obligations of spouses after the division of property without divorce

1. The spouse on whose application the property has been divided must, to the extent of his or her possibilities, contribute to the maintenance of the household and the upbringing and education of the children.

2. Where for objective reasons the other spouse cannot contribute to the maintenance of the household or the upbringing and education of the children, all such expenses must be covered by the spouse on whose application the property has been divided.

3. When dividing the property, the court may award an amount of money from one spouse to the other to be used for the repayment of the outstanding debts of the marriage to the third parties.

Article 3.129. Limitations

Claims for the division of joint community property, except for immovables, may be made within five years of the date of the separation of the spouses.

PART **IV**
MUTUAL RIGHTS AND DUTIES OF CHILDREN AND PARENTS

CHAPTER IX
CONSANGUINITY AND AFFINITY

Article 3.130. Concept of consanguinity

1. Consanguinity is relationship by blood of persons descended from the same stock or common ancestor.

2. Consanguinity shall give rise to legal consequences only in cases provided for by the law.

3. Relationship between adopted children (and their descendants) and their adoptive parents (and their kindred) shall be treated as consanguinity.

Article 3.131. Lines of consanguinity

Two lines of consanguinity – direct and collateral consanguinity – shall be distinguished.

Article 3.132. Direct consanguinity

1. Direct consanguinity is that which subsists between the ancestor and the descendants in the direct line from one of the other (great-grandparents, grandparents, parents, children, grandchildren, great-grandchildren, etc.)
2. Consanguinity upward from the descendant to the ancestor is the direct ascending line (grandchildren, children, parents, grandparents, etc.)
3. Consanguinity downward from the ancestor to the descendant is the direct descending line (grandparents, parents, children, grandchildren, etc.)

Article 3.133. Collateral consanguinity

Collateral consanguinity is that which subsists between persons who have the same ancestors, but who do not descend one from the other (siblings, cousins, uncles or aunts, nephews and nieces, etc.)

Article 3.134. Degree of consanguinity

1. A degree of relationship is measured by the number of related births other than the birth of the ancestor (ancestors).
2. Only the degrees of relationship laid down by the law shall give rise to legal consequences.

Article 3.135. Close relatives

Close relatives shall embrace persons related by direct consanguinity up to the second degree of consanguinity inclusively (parents and children, grandparents and grandchildren) and persons related in the second degree of kinship by collateral consanguinity (siblings).

Article 3.136. Affinity

1. Affinity is the connection, in consequence of a marriage, between one of the spouses and the kindred of the other spouse (stepson, stepdaughter, stepfather, stepmother, father-in-law, mother-in-law, daughter-in-law, etc.) as well as between the kindred of both spouses (the husband's brother or sister and the wife's brother or sister, the husband's father and mother and the wife's father or mother, etc.)
2. Affinity shall give rise to legal consequences only in cases provided for by the law.

CHAPTER X
FILIATION

SECTION ONE
GENERAL BASIS FOR FILIATION

Article 3.137. Legitimate filiation of a Child

1. Legitimate filiation of a child shall be confirmed in the procedure laid down in Articles 3.138 to 3.140 hereof.
2. The mutual rights and duties of the child and his or her parents shall be based on the legitimate filiation of the child.
3. A child's legitimate filiation from the parents shall be confirmed from the date of birth and shall create the respective rights and duties laid down by the law from that date.

Article 3.138. Proof of legitimate filiation

The parents of a child shall be proved by the record of birth in the Registrar's Office and by the certificate of birth issued on the basis thereof.

Article 3.139. Maternal affiliation

1. A woman shall be entered as a child's mother in the records of a Registrar's Office on the basis of the certificate of the child's birth issued by a hospital.
2. Where the child is born not in a hospital, the certificate of the child's birth shall be issued by a medical centre that makes a postnatal examination of the mother's and the baby's health.
3. If the child is born not in a hospital and no postnatal examination of the mother's and the baby's health is made, the certificate of the child's birth shall be issued by a consulting commission of doctors in the procedure laid down by the Government. According to such a certificate the mother of the baby is the woman in respect of whom the consulting commission of doctors have no doubt that it was she who gave birth to the baby.
4. If the record of the child's birth contains no data on the child's mother or if the maternity of the child has been successfully contested, the child's mother may be established by the court in an action filed by the woman who considers herself to be the child's mother, by the adult child, by the child's father or guardian/curator or by the state institution for the protection of the child's rights.

Article 3.140. Paternal affiliation

1. Where a married woman gives birth to a baby, although the baby may have been conceived before the marriage, the man identified as the spouse of the baby's mother in the marriage record or the marriage certificate issued on the basis thereof shall be identified as the baby's father in the record of the baby's birth.
2. Where a child is born within three hundred days of the date of separation or the annulment of the marriage or divorce or the death of the husband, the ex-spouse of the mother shall be recognised as the child's father.
3. Where a mother who contracted a new marriage within less than three hundred days of the dissolution of her previous marriage gives birth to a baby, the new spouse of the mother shall be considered to be the baby's father.
4. Where an unmarried woman gives birth to a baby after more than three hundred days have elapsed from the dissolution of her previous marriage, the man who has acknowledged his paternity in the procedure established in this Book or whose paternity has been established by a judicial judgement may be identified as the baby's father in the record of the baby's birth.
5. Where a divorced mother gives birth to a baby within less than three hundred days of the divorce, the baby's mother, her ex-husband and the man who acknowledges his paternity of the child shall have a right to file a joint application seeking that the man who acknowledges his paternity of the child be identified as the baby's father. After the court approves such a joint application, the man who acknowledges his paternity of the child rather than the ex-husband of the baby's mother shall be entered in the record as the baby's father.

SECTION TWO
ACKNOWLEDGEMENT OF PATERNITY

Article 3.141. Conditions for the acknowledgement of paternity

1. Where the record of the baby's birth contains no data on the baby's father, the paternity of the baby may be determined on the basis of the application of the man who considers himself father of the baby.
2. Where a baby is born to a married mother or the baby is born within less than three hundred days of the dissolution of the marriage, the paternity of the baby may be determined on

the basis of an application provided the paternity of the present or former spouse of the mother has been successfully contested.

3. If the adjudication of paternity on the basis of an application acknowledging paternity has been contested, determination of paternity on another application acknowledging paternity is inadmissible.

4. There shall be no period of limitation applicable to acknowledgement of paternity.

Article 3.142. Procedure for acknowledging paternity

1. The man considering himself the father of a child shall have a right to file an application of a standard form certified by a notary public with the Registrar's Office seeking to be recognised as the father of the child.

2. Where the child has attained the age of 10, the Registrar's Office may accept an application for the recognition of the child's paternity only with a written consent of the child.

3. Where the man acknowledging his paternity of a child is a minor, the filing of an application for the recognition of paternity with the Registrar's Office requires the written consent of the minor's parents, guardians or curators or care institutions. If the parents, guardians or curators or care institutions refuse to give their consent, such a leave may be handed down by the court at the minor's request.

Article 3.143. Acknowledging paternity before the child's birth

1. If there are circumstances that will bar the filing of an application acknowledging the paternity of a child after the birth of the baby, the man considering himself the father of the child conceived but not yet born may file a joint application with the child's mother for the recognition of his paternity for the period of pregnancy with the Registrar's Office of the district where the child's mother resides.

2. The application acknowledging the paternity of a child before the child's birth shall be accompanied with the certificate of pregnancy issued by a medical centre.

3. Where before the child's birth the child's mother marries the man who has filed an application acknowledging his paternity of the child, or another man, the paternity of the child may not be confirmed after the birth of the child on the basis of that application.

4. Where the child's mother or the man who has filed an application acknowledging the paternity of the child before the birth of the child withdraws the application before the birth of the child has been recorded with the Registrar's Office, the child's paternity on the basis of that application shall not be registered.

Article 3.144. Acknowledging paternity without the consent of the child's mother

1. Where the child's mother is dead, incompetent or cannot, for other reasons, file a joint application with the child's father for the recognition of his paternity, or the parents or guardian/curator of the man who considers himself the father of the child, but who is a minor or of limited legal competence, refuse to recognise his paternity or the child of 10 or over does not give his or her written consent, the application acknowledging paternity may be considered a valid basis for the registration of paternity if the court approves the application.

2. In examining an application acknowledging paternity where the child's mother is dead, incompetent or cannot, for other reasons, file a joint application with the man acknowledging to be the child's father, the court must require that the child's father adduce evidence corroborating his paternity of the child.

3. The application acknowledging the paternity of a child may not be registered without the consent of the child who is of full age.

Article 3.145. Examination of the application for the approval of the acknowledgement of paternity

1. The court shall examine applications for the approval of the acknowledgement of paternity in a simplified procedure.

2. The *res judicata* judgement on the approval of the application acknowledging a child's paternity shall be sent to the Registrar's Office that has registered the birth of the child within three business days.

~~3.~~ Where the application for the approval of the acknowledgement of a child's paternity is contested by the parents or guardians/curators of the minor or the person of limited legal capacity who considers himself the father of the child, the application shall be submitted to the court to be examined by contentious proceedings

SECTION THREE
PATERNITY AFFILIATION

Article 3.146. Conditions for paternity affiliation

1. Where the child is born out of wedlock, and in the absence of paternal acknowledgement, paternity affiliation may be determined by the court.

2. Where a child is born to a married woman or the child's paternity has been ascertained on the basis of an application acknowledging the child's paternity, paternity affiliation is possible only after a successful contesting of the data concerning the child's father contained in the record of the child's birth.

3. The paternity of a dead person may be ascertained only if the person had offspring.

Article 3.147. Persons entitled to petition for Paternity Affiliation

1. Where a child is born out of wedlock or the data on the father contained in the record of the child's birth have been successfully contested , an action for the paternity affiliation may be filed by the man considering himself the father of the child. The child and the child's mother shall act as defendants in such an action.

2. If a child's father refuses to acknowledge his paternity by an application for the approval of his acknowledgement of the child's paternity or if a child's father is dead, the action for paternity affiliation may be filed by the child's mother or the child after having attained full active capacity or the child's guardian or curator or the state institution for the protection of the child's rights or the descendants of a child who is dead.

3. Having determined a child's paternity, the court shall send its res judicata judgement to the Registrar's Office that has registered the child's birth within three business days.

Article 3.148. Grounds for paternity affiliation

1. Grounds for paternity affiliation shall be scientific evidence (conclusions of expert examinations on consanguinity determination) and other means of proof provided for in the Code of Civil Procedure. If the parties refuse to undergo expert examination, the child's paternity may be adjudicated on the basis of facts that have a sufficient evidential value, such as the child's mother's and the putative father's life together, their joint participation in the upbringing and maintenance of the child and other evidence.

2. If the defendant refuses expert examination, the court having regard to the circumstances of the case may treat such a refusal as proof of the defendant's paternity of the child.

SECTION FOUR
CONTESTING PATERNITY (MATERNITY)

Article 3.149. Conditions for contesting paternity (maternity)

1. Data on the mother or father of a child contained in the record of the child's birth may be contested only in court.

2. Data on the mother or father of a child entered in the record of the child's birth on the basis of a *res judicata* judicial decision may not be contested.

Article 3.150. Grounds for contesting paternity (maternity)

1. The paternity of a child born to a married couple or within three hundred days of the dissolution of marriage may be contested only by proving that the person cannot be the father of the child.

2. The maternity or paternity of a child adjudicated on the basis of an application acknowledging parentage may be contested by proving that the child's mother or father not the biological parent of the child.

Article 3.151. Persons entitled to file an action for contesting paternity (maternity)

1. Actions for contesting paternity or maternity may be filed by the person entered in the record of the child's birth as the child's mother or father, or the person who, although not recorded as the child's mother or father in the record of the child's birth, considers himself the mother or the father of the child, or the parents or guardians/ curators of the minor entered in the record of the child's birth as the child's father, or the child on attaining majority, or a minor on attaining full active capacity.

2. Where the child's mother or father is legally incapable or of limited active capacity, an action for contesting maternity or paternity may be filed by his or her guardians or curators.

3. An action for contesting the paternity of a man who is dead may be filed by his descendants if the person recorded as the child's father died within the limitation period provided for in Article 3.152 hereof.

Article 3.152. Limitation period for proceedings

1. The limitation period for filing a suit for contesting paternity (maternity) shall be one year as from the day when the plaintiff became aware of the disputed data in the record of the child's birth or of certain circumstances giving reason to believe that the data are not truthful.

2. Where the persons recorded in the record of the child's birth as a child's mother or father became aware of such a record at the time when they were minors or legally incapable, the one-year limit shall be calculated from the day they attained majority or full active capacity..

3. The res judicta court judgement on the annulment of paternity (maternity) shall be sent to the Registrar's Office that registered the child's birth within three business days of its effective date.

Article 3.153. Mandatory participation of the agency for the protection of the child's rights

In adjudicating paternity or disputes over paternity the participation of the agency for the protection of the child's rights shall be mandatory.

SECTION FIVE
ARTIFICIAL INSEMINATION

Article 3.154. Legal regulation of artificial insemination

The conditions, mode, procedures of artificial insemination as well as matters related to the paternity (maternity) of a child born from artificial insemination shall be regulated by other laws.

CHAPTER XI
PARENTAL RIGHTS AND DUTIES IN RESPECT OF THEIR CHILDREN

SECTION ONE
PARENTAL AUTHORITY

Article 3.155. Substance of paternal authority

1. Until they attain majority or emancipation, children shall be cared for by their parents.
2. Parents shall have a right and a duty to properly educate and bring up their children, care for their health and, having regard to their physical and mental state, to create favourable conditions for their full and harmonious development so that the child should be ready for an independent life in society.

Article 3.156. Equality of paternal authority

1. The father and the mother shall have equal rights and duties in respect of their children.
2. Parents shall have equal rights and duties by their children irrespective of whether the child was born to a married or unmarried couple, after divorce or judicial nullity of the marriage or separation.

Article 3.157. Representation of children

1. Legally incapable children shall be represented by their parents under the law, except where the parents have been declared legally incapable by a court judgement.
2. Parents shall represent their children on the presentation of the child's birth certificate.

Article 3.158. Authority of minor-aged parents

1. Minor parents with full active capacity shall have all personal rights and duties in respect of their children.
2. Minor parents who are legally incapable or of limited active capacity shall have a right to live to together with their child and participate in the child's education. In such cases a guardian/foster person shall be appointed to the child in the procedure provided for in this Book hereof.
3. On attaining majority or full active capacity, the parents shall acquire all the rights and duties in respect of their children.

Article 3.159. Mandatory exercise of parental authority

1. A father's or mother's surrender of the rights and duties by his or her underage children shall be null and void.
2. Parents shall be jointly and severally responsible for the care and education of their children.
3. Parental authority may not be used contrary to the interests of the child.
4. Failure to exercise parental authority shall be subject to legal responsibility under the law.

Article 3.160. End of parental authority

1. Parental rights and duties shall end when the child attains majority or full active capacity.
2. In certain cases considered in the light of the child's interests, parental authority may be limited on a temporary or permanent basis or the child may be separated from the parents in the procedure laid down in this Book hereof.

SECTION TWO
CHILDREN'S RIGHTS AND DUTIES

Article 3.161. Children's rights

1. Every child shall have an inalienable right to life, healthy development and a name and surname from birth.

2. A child shall have a right to know his or her parents unless that prejudices his or her interests or the law provides for otherwise.

3. A child shall have a right to live with his or her parents, be brought up and cared for in his or her parents' family, have contact with his or her parents no matter whether the parents live together or separately, have contact with his or her relatives, unless that is prejudicial to the child's interests.

4. Children shall have no ownership rights to the property of their parents and the parents shall have no ownership rights to the property of their children. Children's property rights are defined in this and the other Books hereof.

5. Children born within or outside marriage shall have equal rights.

6. Children's rights shall not be affected by their parents' divorce, separation or nullity of marriage.

Article 3.162. Children's duties

Children shall owe respect to their parents and perform their duties by their parents diligently.

Article 3.163. Assurance of children's rights

1. The rights of minor-aged children shall be assured by the parents.

2. The rights of children deprived of parental care shall be assured by the guardian/curator according to the rules laid down in this Book.

3. After a minor attains full active capacity, the protection of his or her rights shall be his or her own responsibility.

4. If the parents or guardians/curators abuse their children's rights, measures to defend the children's rights may be taken by the state institution for the protection of the child's rights or a prosecutor.

Article 3.164. Involvement of a minor in the assurance of his or her rights

1. In considering any question related to a child, the child, if capable of formulating his or her views, must be heard directly or, where that is impossible, through a representative. Any decisions on such a question must be taken with regard to the child's wishes unless they are contrary to the child's interests. In making a decision on the appointment of a child's guardian/curator or on a child's adoption, the child's wishes shall be given paramount consideration.

2. If a child considers that his or her parents abuse his or her rights, the child shall have a right to apply to a state institution for the protection of the child's rights or, on attaining the age of 14, to bring the matter before the court.

SECTION THREE
PERSONAL PARENTAL RIGHTS AND DUTIES

Article 3.165. Substance of personal parental rights and duties

1. Parents shall have a right and duty to bring up their children; they shall be responsible for their children's education and development, their health and spiritual and moral guidance. In performing these duties, parents shall have a priority right over the rights of other persons.

2. Parents must create conditions for their children to learn during their compulsory school age.

3. All questions related to the education of their children parents shall decide by mutual agreement. In the event of the lack of agreement, the disputed matter shall be resolved by the court.

Article 3.166. Giving a child a name

1. Every child shall be given a name by his or her parents.
2. A child may be given two names.
3. A child shall be given a name by the mutual agreement of the parents. Where the child's mother and father cannot agree on the name, the child shall be given a name by a judicial order.
4. While registering the birth of a child whose parents' identity is not known, the child shall be given a name by the state institution for the protection of the child's rights.

Article 3.167. Giving a child a surname

1. Every child shall be given his or her parents' surname.
2. Where the surnames of the child's parents are different, the child shall be given the mother's or the father's surname by the mutual agreement of the parents. If the parents cannot agree, the child shall be given the surname of one of the parents by a judicial order.
3. While registering the birth of a child whose parents' identity is not known, the child shall be given a surname by the state institution for the protection of the child's rights.
4. The grounds and procedures for changing a child's name or surname shall be subject to the Rules of the Registration of Civil Status approved by the Minister of Justice.

Article 3.168. A child's residence

1. An underage child's residence shall be determined in accordance with the rules of Book Two hereof.
2. A child may not be separated from his or her parents against his or her will, except in cases provided for in this Book.
3. Parents shall have a right to demand the return of their children from any person who keeps them against the law or a court judgement.

Article 3.169. A child's residence where the parents are separated

1. Where the parents are separated, the child's residence shall be decided by the mutual agreement of the parents.
2. In the event of a dispute over the child's residence, the child's residence shall be determined by a residence order awarded by the court in favour of one of the parents.
3. If the circumstances change or if the parent with whom the child was to live lets the other parent live with and bring up the child, the other parent may file a second suit for the determination of the child's residence.

Article 3.170. The right of the separated parent to have contact with the child and be involved in the child's education

1. The father or the mother who lives separately from the child shall have a right to have contact with the child and be involved in the child's education.
2. A child whose parents are separated shall have a right to have constant and direct contact with both the parents irrespective of their residence.
3. The father or the mother with whom the child resides may not interfere with the other parent's contacts with the child or involvement in the child's education.
4. Where the parents cannot agree as to the involvement of the separated father or mother in the education of and association with the child, the procedure of the separated parent's association with the child and involvement in the child's education shall be determined by the court.
5. The separated father or mother shall have a right to receive information about the child from all the institutions and authorities concerned with the child's education, training, health

care, protection of the child's rights, etc. Such information may be denied only in cases where the child's life or health is imperilled by the mother or the father and in cases provided for by the law.

6. The refusal of authorities, organisations, institutions or natural persons to provide information to the parents about their children may be brought before the court.

Article 3.171. Contact with the child and involvement in the child's education in special circumstances

Parents shall maintain contact and be involved in the education of the child who is placed in a special situation (detention, arrest, imprisonment, in-patient clinic, etc.) in the procedure laid down by the law.

Article 3.172. Contact of other relatives with the child

Parents (or guardians/curators if there are no parents) shall be obliged to create conditions for the children to associate with their next of kin provided that it is consistent with the children's interests.

SECTION FOUR
DISPUTES OVER CHILDREN

Article 3.173. Disputes over the name or surname of the child

1. If a child's parents cannot agree on a name or surname to be given to the child, the child's father, mother or the parents (guardians/curators) of the child's legally incapable minor-aged parents shall have a right to petition to the court for an order giving the child a name or a surname.

2. The court shall deal with a petition for an order giving a child a name or a surname in the simplified procedure and, having heard the parents or having received their written explanations, shall hand down such an order.

Article 3.174. Disputes over a child's residence

1. Petitions for the determination of a child's residence may be filed by the child's father, mother, also by the parents or guardians/curators of the child's minor-aged parents of limited active capacity.

2. The court shall resolve the dispute having regard to the interests of the child and the child's wishes. The child's wishes may be disregarded only if they are contrary to the best interests of the child.

Article 3.175. Disputes of separated parents over contact with the child or involvement in the education of the child

1. Petitions for contact or involvement in the child's education orders may be filed by the child's father, mother or the parents (guardians/curators) of the child's legally incapable minor-aged parents.

2. The court shall determine the procedure for the separated parent's contact with the child by taking into consideration the child's interests and by creating a possibility for the separated parent to be involved in the education of the child to the greatest extent possible. Minimal contact with the child may be ordered only in cases where constant maximal contact is prejudicial to the child's interests.

Article 3.176. Disputes over the child's contact with his or her close relatives

1. If the parents refuse to create conditions for their children to have contact with their close relatives, the state institution for the protection of the child's rights shall obligate the parents to create such conditions.

2. The state institution for the protection of the child's rights may refuse to obligate the parents to create conditions for their child's contact with his or her next of kin if such contact is contrary to the child's interests.

3. If the parents fail to comply with the obligation of the institution for the protection of the child's rights or the child's next of kin do not agree with the decision of the state institution for the protection of the child's rights refusing to oblige the child's parents to create conditions for their contact with the child, the child's next of kin may bring the matter before the court.

4. The court having regard to the child's interests may oblige the parents to create conditions for their child's contact with the close relatives provided it is not contrary to the child's interests.

Article 3.177. The child's right to express his or her views

When adjudicating on disputes over children, the court must hear the child capable of expressing his or her views and ascertain the wishes of the child.

Article 3.178. Mandatory participation of the state institution for the protection of the child's rights

1. The state institution for the protection of the child's rights must participate in the examination of disputes over children.

2. Having investigated the conditions in the family environment, the state institution for the protection of the child's rights shall present its opinion to the court. In adjudicating the dispute, the court shall take into consideration not only the opinion, but also the wishes of the child and the evidence adduced by the other parties.

SECTION FIVE
RESTRICTION OF PARENTAL AUTHORITY

Article 3.179. Separation of parents and children

1. Where the parents (the father or the mother) do not live together with the child for objective reasons (illness, etc.) and the court has to decide where the child is to live, the court may decide to separate the child from the parents (the father or the mother). Where only one of the parents is affected by unfavourable circumstances while the other parent can live and bring up the child, the child shall be separated only from that parent.

2. The child separated from the parents shall retain all the personal and property rights and duties based on consanguinity.

3. When a child is separated from the parents (the father or the mother), the parents lose their right to live together with the child or demand the return of the child from other persons. The parents may exercise their other rights in so far as that is possible without living together with the child.

Article 3.180. Conditions, methods and consequences of the restriction of parental authority

1. Where the parents (the father or the mother) fail in their duties to bring up their children or abuse their parental authority or treat their children cruelly or produce a harmful effect on their children by their immoral behaviour or do not care for their children, the court may make a judgement for a temporary or unlimited restriction of parental power (that of the father or the mother.)

2. The court shall make judgements for temporary or unlimited indefinite restriction of parental authority (that of the father or the mother) by having regard to the circumstances of the case that require a restriction of parental authority. Parental authority may be restricted unlimitedly only where the court makes the conclusion that the parents (the father or the mother) do very great harm to the development of the child or do not care for the child and no change in the situation is forthcoming.

3. Temporary or unlimited restriction of parental authority involves the suspension of the personal and property rights of the parents based on consanguinity and under the law. The parents, however, shall retain the right of visitation, except where that is contrary to the child's interests. Where parental authority is restricted unlimitedly, the child may be adopted without the consent of the parents.

4. Restriction of parental authority shall extend only to the children and to the parent in respect of whom the court has made the judgement.

Article 3.181. Cancellation of the restriction of parental authority or the replacement of the kind of limitation with another kind of limitation

1. The separation of a child from the parents (the father or the mother) may be revoked after the disappearance of the circumstances that caused the order for separation.

2. A temporary or unlimited restriction of parental authority may be revoked on the proof that the parents (the father or the mother) have changed their conduct and can bring up their child and if the cancellation of the restriction is not contrary to the interests of the child.

3. Where the circumstances have changed, but the grounds for a complete cancellation of the unlimited restriction of parental authority are insufficient, the indefinite limitation of parental authority may be replaced with a temporary restriction of parental authority.

4. If it transpires that the circumstances why the child may not live together with the parents remain after the cancellation of the temporary or unlimited restriction of parental authority, the temporary or unlimited restriction of parental authority may be replaced with an order for the separation of the child from the parents.

5. Where the parents (the father or the mother) separated from their children exercise their parental authority contrary to the interests of the children, their parental authority may be subject to temporary or unlimited restriction.

6. Restriction of parental authority may be revoked only if the child has not been adopted.

Article 3.182. Persons entitled to seek restriction of parental authority or the cancellation of the limitation of parental authority

1. An application for the separation of a child from the parents (the father or the mother) may be filed by the child's parents or close relatives or the state institution for the protection of the child's rights or a public prosecutor.

2. An action for a temporary or unlimited restriction of parental authority may be brought by one of the parents or close relatives or the state institution for the protection of the child's rights or a public prosecutor or the guardian/curator of the child.

3. An action for the cancellation of the restriction of parental authority may be brought by the parents (the father or the mother) to whose parental authority the restriction has been applied.

4. An application for the cancellation of the order on the separation of the child from the parents (the father or the mother) may be filed by the parents or one of the parents, or the guardian/curator or close relatives of the child or the state institution for the protection of the child's rights or a public prosecutor.

Article 3.183. Examination of application for the restriction of parental authority

1. Applications for the separation of children from the parents shall be examined in a simplified procedure. If it transpires that there is a ground for temporary or unlimited restriction of parental authority, the application shall be referred to the court to be adjudicated in contentious proceedings.

2. In examining actions for the restriction of parental authority or applications for the separation of a child from the parents referred to it for adjudication in contentious proceedings, the

court shall not be bound by the subject matter of the action and shall pass a judgement by taking account of the situation in hand and the interests of the child.

3. The court shall hear the child capable of expressing his or her views and take such views into account.

4. Having made a judgement to restrict parental authority, the court shall simultaneously place the child under guardianship (curatorship) and determine the residence of the child by the same judgement..

Article 3.184. Mandatory participation of the state institution for the protection of the child's rights

1. The state institution for the protection of the child's rights must participate in the examination of cases for the restriction of parental authority.

2. Having investigated the conditions of the family, the state institution for the protection of the child's rights shall present its opinion to the court. The court shall take the opinion into consideration together with the evidence adduced in the case.

CHAPTER XII
MUTUAL PROPERTY RIGHTS AND DUTIES OF PARENTS AND CHILDREN

SECTION ONE
PARENTAL RIGHTS AND DUTIES RELATED TO THE PROPERTY OWNED BY THE CHILDREN

Article 3.185 Management of the property owned by underage children

1. Property owned by underage children shall be managed by the parents under right of usufruct. The parents' right of usufruct may not be pledged or sold or assigned- or encumbered in any way, no execution may be made against it.

2. Parents shall manage the property that belongs to their underage child by mutual agreement. In the event of a dispute over the management of the child's property, either parent may petition for a judicial order establishing the procedure for the management of the property.

3. Where the parents, or one of the parents, cause harm to the child's interests by mismanaging their underage child's property, the state institution for the protection of the child's rights or a public prosecutor may apply to the court for the removal of the parents from the management of the property that belongs to their underage child. Where warranted, the court shall remove the parents from the management of their underage child's property, revoke their right of usufruct to the child's property and appoint another person an administrator of the minor's property. Where the grounds for the removal are no longer existent, the court may allow the parents to resume the management of their underage children's property under right of usufruct.

Article 3.186. The duties of the parents in managing their underage children's property

1. Parents must manage their underage children's property by giving paramount consideration to the interests of the children.

2. The parents may use the fruits and income derived from their underage child's property to meet the needs of the family by taking account of the child's interests.

3. In managing the property of their underage child, the parents have no right to acquire, directly or through intermediaries, this property or any rights to it. This rule shall also be applicable to auctioning a minor's property or interests in it. An action to have such transactions declared null and void may be brought by the child or the child's successors.

4. The parents of an underage child may not enter into a contract of -assignment of claim under which they would acquire the right of claim to their underage child's property or the child's rights to it.

Article 3.187. Property of minors not subject to the right of usufruct

Parents shall have no right to manage the property under right of usufruct if that property

1) has been acquired for the money earned by the child;
2) is intended for the purposes of the child's education, hobbies or leisure;
3) has been devolved to the child by donation or succession on condition that it will not be made subject to usufruct.

Article 3.188. Transactions relating to an underage child's property

1. Without the prior leave of the court parents shall have no right to:
   1) alienate or charge their underage children's property or encumber the rights to it in any other way;
   2) accept or decline to accept inheritance on behalf of their underage children;
   3) enter into a lease agreement in respect of their underage children's property for a longer than a five-year term;
   4) enter into a an arbitration agreement on behalf of their underage children;
   5) enter into a loan agreement on behalf of their underage children for an amount exceeding four minimal monthly wages;
   6) invest the funds of their underage children in excess of ten minimal monthly wages.
2. If a transaction causes a conflict of interests between the underage children of the same parents or between an underage child and the child's parents, the court, on the application of either of the parents, shall appoint an ad hoc guardian as to the transaction.
3. Where there is a conflict of interests between an underage child and one of the child's parents, the child's interests shall be represented and transactions shall be made by the parent whose interests do not conflict with those of the child.
4. A breach of the rules laid down in Paragraphs 1, 2 and 3 may cause the court to declare the transaction null and void in an action brought by the child, one of the child's parents or their successors.

Article 3.189. Prohibition to assign or encumber the right of usufruct

1. Parents who manage their underage children's property under right of usufruct may not assign or pledge or encumber the right of usufruct in any way.
2. The claims of the creditors of underage children's parents may not be –executed against the property of the underage children or against the right of usufruct of their parents.

Article 3.190. Right of usufruct where the property is managed by one of the parents

1. Where parental authority is exercised only by one of the parents of a minor, the minor's property shall be managed only by that parent. Where the parents are divorced or separated, the right to manage the minor's property shall belong to the parent with whom the child is to live.
2. If the father (mother) of an underage child enters into a new marriage, he or she shall retain the right of usufruct in respect of the underage child's property, but shall be obliged to transfer all the fruits and income derived from the property to the minor's bank account and to maintain separate accounts for the fruits in excess of the expenses for the child's education (training, education, maintenance). If the new spouse of the child's father (mother) adopts the child, he or she shall also acquire the right to manage the underage child's property.

Article 3.191. End of the property management and right of usufruct

1. Parents shall lose the right to manage their underage children's property under right of usufruct, when:
   1) the minor is emancipated under the law;
   2) the minor contracts a marriage in the procedure laid down by the law;

3) the minor reaches majority;

4) the court makes an order for the removal of the parents from the management of their underage child's property;

5) the court separates the children from the parents or limits their parental authority.

2. Where the parents (or one of the parents with whom the child lives) continue to use the child's property after the end of the right of usufruct, they shall be obliged to return the property and all the income and fruits derived from the child's property to the child from the moment when the child or the child's representative demands it.

SECTION TWO
MUTUAL MAINTENANCE DUTIES OF PARENTS AND CHILDREN

Article 3.192. Parents' duty to maintain their children

1. Parents shall be obliged to maintain their underage children. The procedure and form of maintenance shall be determined by the mutual agreement of the parents.

2. The amount for maintenance must be commensurate with the needs of the children and the financial situation of their parents; it must ensure the existence of conditions necessary for the child's development.

3. Both parents must provide maintenance to their underage children in accordance with their financial situation.

Article 3.193. Parental agreement on the maintenance of their underage children

1. On divorce by mutual agreement (Article 3.51 hereof) or on separation (Article 3.73 hereof) spouses shall make an agreement providing for their mutual duties in maintaining their underage children as well as the procedure, amount and form of such maintenance. The agreement shall be approved by the court (Article 3.53 hereof).

2. Parents of underage children may conclude an agreement on the maintenance of their children also when their divorce is based on other grounds.

~~3.~~ If one of the parents does not comply with the agreement on the maintenance of their underage children approved by the court, the other parent shall be have a right to apply to the court for the issuance of the writ of execution.

Article 3.194. Maintenance orders

1. If the parents (or one of the parents) fail in the duty to maintain their underage children, the court may issue a maintenance order in an action brought by one of the parents or the child's guardian (curator) or the state institution for the protection of the child's rights.

2. A maintenance order may also be issued if on divorce or on separation the parents did not agree on the maintenance of their underage children in the procedure provided for in this Book.

3. The court shall issue a maintenance order until the child attains majority except in cases where the child lacks capacity for work due to a disability determined before the age of majority.

4. The enforcement of the maintenance order shall be terminated when the child:

1) is emancipated;

2) attains majority;

3) is adopted;

4) dies.

5. If the person obliged to pay maintenance dies, the duty of maintenance shall pass to his or her successors within the limits of the inherited property irrespective of the way the estate is accepted under the rules of Book Five hereof.

Article 3.195. Maintenance duty when the children are separated from their parents

The parents' duty to maintain their underage children shall be retained after the separation of the children from their parents or the limitation of parental authority except in cases where the child is adopted.

Article 3.196. The form and amount of maintenance

1. The court may issue a maintenance order obligating the parents (one of the parents) who fail in their duty to maintain their children to provide maintenance to their children in the following ways:
   1) periodical monthly payments:
   2) a certain lump sum;
   3) award of certain property.
2. Pending the outcome of the case, the court may give a ruling on the provisional payment of maintenance.

Article 3.197. Judicial pledge (hypothec)

If necessary, in making a maintenance order the court may institute pledge (hypothec) against the property of the parents (one of the parents). If the court judgement on the enforcement of the maintenance order is not executed , the maintenance shall be paid against the property subject to the pledge (hypothec).

Article 3.198. Maintenance orders in respect of two or more children

1. In making a maintenance order in respect of two or more children, the court shall determine a payment amount sufficient to meet at least the minimal needs of all the children.
2. The maintenance amount shall be used equally for all the children except in cases where objective reasons (illness, etc.) demand a departure from the principle of equality.

Article 3.199. Kinds of income against which maintenance payments shall be made

Maintenance payments for children shall be made against the wages and all the other kinds of income of the parent obliged to pay maintenance.

Article 3.200. The date on which a maintenance order becomes operative

A maintenance order shall take effect from the date on which the right to maintenance becomes operative; the arrears in maintenance payments, however, may not be enforced for a period exceeding three years from the date of the petition for action.

Article 3.201. Changing the amount and form of maintenance

1. In an action brought by the child, the child's parent, the state institution for the protection of the child's rights or a public prosecutor the court may reduce or increase the amount of maintenance if, after the award of the maintenance order, the financial situation of the parties has undergone a fundamental change.
2. An increase in the amount of maintenance may be ordered if there are additional expenses related to the care for the child (illness, injury, need for nursing or permanent attendance). If necessary, the court may issue an order for covering the future expenses related to the treatment of the child.
3. At the request of the persons referred to in Paragraph 1 the court may change the previously established form in which maintenance must be provided.

Article 3.202. Enforcement of maintenance to a child placed under guardianship/ (curatorship)

1. If a child is placed under guardianship/(curatorship), maintenance shall be paid to the guardian who shall use it exclusively for the interests of the child.

2. If a child receiving maintenance under a judicial order lives in an institution for the care of children , the maintenance shall be paid to the institution for the care of children . In such a case, the institution for the care of children opens a bank account for every child receiving maintenance with a credit institution controlled by the State. The funds on the bank account may be used, in the procedure established by the law, only by the child for its own needs or the child's guardian (curator) in the child's interests.

Article 3.203. Use of maintenance

1. The maintenance payments meant for the child shall be used only for the child's needs.

2. Maintenance used by the child's parents, guardians (curators) for other purposes shall be recovered against the assets of the person who has used the child's maintenance not for the needs of the child under a judicial order issued in an action brought by the representatives of the child, the state institution for the protection of the child's rights or a public prosecutor.

Article 3.204. Children maintained by the State

1. The State shall maintain underage children receiving no maintenance from their parents or adult close relatives who are in a position to maintain the child.

2. The amount, procedure and conditions of such maintenance shall be established by the Government.

3. After providing maintenance to an underage child under this Article, the State shall have the right of recourse to recover the maintenance provided to the child from the child's parents or his other adult close relatives provided the court declared the reasons why they failed to provide maintenance to the child to be insufficient.

Article 3.205. The duty of adult children to maintain their parents

1. Adult children shall be obliged to maintain their parents who have lost earning capacity and are in need of support.

2. Maintenance shall be paid according to a mutual agreement between the children and parents or on the basis of the court order issued in an action brought by the parents.

3. Maintenance shall be provided in monthly payments of an established amount.

4. The amount of maintenance shall be determined by the court having regard to the financial situation of the children's family and that of the parents as well as the other important circumstances of the case. In establishing the amount of the maintenance, the court shall have regard to the duty of all the adult children of the parent(s) to maintain their parent(s) irrespective of whether the action for maintenance has been brought against all the children or only one of them.

Article 3.206. Rejection of the parent's claims to maintenance

1. The court may relieve adult children of their duty to maintain their parents who have lost earning capacity if it establishes that the parents had failed in their duties in respect of their minor children.

2. Where the children had been separated permanently from their parents through the fault of the parents, such parents shall have no right to maintenance.

Article 3.207. Compensation for additional expenses of parents who have lost earning capacity

1. If adult children do not care for their parents who have lost earning capacity, the court may issue an order, in an action brought by the parents, for the compensation of the additional expenses the parents sustained due to illness, injury or indispensable attendance performed by strangers for a consideration.

2. In adjudicating on the compensation for such additional expenses, the court shall have regard to the financial situation of the children's family and of the parents as well as the other important circumstances of the case.

Article 3.208. Indexation of maintenance

1. Where the maintenance is to be made in periodical payments, the maintenance amount shall be indexed annually in accordance with the inflation rates in the procedure established by the Government.

PART V
ADOPTION

CHAPTER XIII
CONDITIONS AND PROCEDURES OF ADOPTION

Article 3.209. Children allowed to be adopted

1. Adoption should be possible exclusively for the interests of the child.
2. Only the children who have been included on the list of children offered for adoption may be adopted except in cases where a spouse adopts the other spouse's child or the child lives in the family of the adopter.
3. Only children over the age of three months may be adopted.
4. Adoption of one's own children, sisters or brother shall be prohibited.
5. An adopted child may be adopted only by the stepfather's (stepmother's) spouse.
6. Separation of siblings through adoption shall be allowed in exceptional cases where it is impossible to ensure their life together for health reasons or where the siblings have already been separated due to other circumstances and there are no possibilities to ensure their life together.

Article 3.210. Persons entitled to adopt a child

1. The adopter must be an adult woman or man under the age of 50 duly prepared for adopting a child. In exceptional cases the court may give leave for older persons to adopt a child.
2. The right to adopt a child may be exercised by married couples. In exceptional cases, an unmarried person or one of the spouses may be allowed to adopt a child.
3. Unmarried persons may not adopt the same child.
4. Persons declared legally incapable or of limited active capacity by the court, persons whose parental authority has been restricted the former guardians (curators) whose guardianship/curatorship has been cancelled through their fault shall not be allowed to adopt a child.
5. Persons who wish to adopt a child (except a parent's spouse or the relatives) must be listed in the list of prospective adopters managed by the State institution for adoption.
6. Where several adopters wish to adopt one and the same child, priority shall be given, having regard to the child's interests, to:
   1) relatives;
   2) spouses;
   3) persons who adopt all the siblings together;
   4) citizens of the Republic of Lithuania;
   5) persons who adopt the children or adopted children of their spouses;
   6) persons in whose family the child to be adopted lives and is maintained.

Article 3.211. Adopter-child age differential

1. The difference in the age of the adopter and the child to be adopted must be no less than eighteen years.

2. Where a person adopts the children or adopted children of his or her spouse, the age differential referred to in Paragraph 1 may be reduced to fifteen years.

Article 3.212. Consent of the parents to adoption

1. Adoption may be effected only with the written consent of the parents confirmed by the court.

2. Where the child's parents are minors or legally incapable , adoption may be effected only with the written consent of their parents or guardians (curators) confirmed by the court. If the child to be adopted has a legal guardian (curator)/ (except for a State care institution), his adoption may be effected with the written consent of the guardian/ curator confirmed by the court.

3. The child's parents may give their consent for the adoption of the child by a specific person only if that person is a relative.

4. Having confirmed the parents' (guardians', curators') written consent to adoption, the court shall give a ruling in which it shall explicate to the parents (guardians, curators) the consequences of adoption referred to in Article 3.227 hereof and their right to revoke their consent to adoption.

5. Within three business days the court shall send a copy of the *res judicata* order confirming the consent to adoption to the State institution for adoption.

Article 3.213. Revocation of the parents' consent to adoption

1. The parents may revoke their consent to adoption before a court judgement is made on the adoption of the child.

2. The application for the revocation of the consent to adoption must be filed with the State institution for adoption. If the child has already been adopted, the State institution for adoption shall notify the parents of the fact without disclosing the identity of the adopters. If the application is filed before the day scheduled for the court's consideration of the application for adoption, the State institution for adoption shall notify the respective court of the revocation of the consent and refer the application for the revocation of the consent for the consideration of the court that confirmed the consent. The examination of the application for adoption shall be put on hold until the issue of the revocation of the consent is resolved.

3. The court shall not approve of the revocation of the consent to adoption if a year has elapsed since the limitation of the parental authority, which has not been lifted, or if the court ascertains that the parents try to revoke their consent to adoption only for material gain.

Article 3.214. Adoption without the consent of the parents

The consent of the parents of the child to be adopted shall not be required, if the identity of the parents is not known or if they are dead or if the parents' authority has been restricted for an unlimited period or if the parents are legally incapable or declared dead.

Article 3.215. The consent of the child to be adopted

1. Where the child to be adopted has already reached the age of 10, the child's consent to the adoption shall be required. The child shall file his or her consent with the court; adoption without such a consent shall not be permitted.

2. Where the child is under 10, he must be heard by the court if he or she is capable of expressing his or her views. In taking the decision, the court shall take account of the child's wishes if those wishes are not contrary to the child's interests.

Article 3.216. The consent of the adopter's spouse

1. Where a child is adopted by one of the spouses, the written consent of the other spouse shall be required.

2. The consent of the other spouse shall not be required if the spouses are legally separated by a court judgement or if the other spouse has been declared by the court missing or legally incapable.

Article 3.217. Verification of the readiness for adoption

1. Certified social workers of the State institution for adoption shall ascertain if there are any bars referred to in Book Three hereof for the prospective adoptive parents to adopt the child, investigate their living conditions, collect information on the status of their health and submit a conclusion on the preparedness of the prospective adopters to adopt the child. The list of medical contraindications to adoption shall be approved by the Government or an institution authorised by the Government.

2. If the prospective adoptive parents do not agree with the conclusion of the social worker on their preparedness to adoption, they may appeal against it in court.

3. The final decision on the suitability of conditions and preparedness for adoption shall be taken by the court examining the application for adoption.

4. The conclusion on the legal bars and the suitability and preparedness of the prospective adoptive parents for the adoption of a child in another country shall be approved by a ruling of the Regional Court of Vilnius.

Article 3.218. Provision of data on the child to be adopted

1. The State institution for adoption shall submit to the court data on the origin, development, state of health and family of the child to be adopted.

2. Before an application for the child's adoption is submitted to the court, the State institution for adoption shall provide the data on the child offered for adoption to all the persons included in the list of prospective adoptive parents.

Article 3.219. Registration of adoptions

1. The registration of prospective adoptive parents and children offered for adoption shall be administered by the State institution for adoption; the statutes of the institution for adoption shall be approved by the Government.

2. Having taken a decision on the unlimited restriction of parental authority or having confirmed a written consent of the parents to the adoption of their child, the court shall send its *res judicata* order to the State institution for adoption within three business days.

3. After a year since the temporary restriction of parental authority, the State institution for adoption shall ascertain if the limitation of parental authority has been lifted. If the limitation of parental authority has not been lifted, the child shall be entered in the list of children offered for adoption.

Article 3.220. Examination of applications for adoption

1. Applications for adoption submitted by citizens of the Republic of Lithuania shall be examined by the district courts of the applicant's or the child's domicile in the presence of the applicants and a representative of the public institution for adoption.

2. Applications for the adoption of a citizen of the Republic of Lithuania residing in the Republic of Lithuania or in another country shall be examined by the Regional Court of Vilnius.

3. Applications for adoption shall be examined under non-contentious procedure. Within three business days the court shall send the *res judicata* judgement to the Register Office which registered the birth of the child.

Article 3.221. Confidentiality of adoption

1. Adoption case shall be heard at the court in a closed hearing.

2. Until the child attains majority, data on the child's adoption may not be disclosed without the consent of the adoptive parents.

3. Information on a child's adoption may be provided to the child from the age of 14, the child's former close relatives (according to blood relationship) or to other persons with the leave of the court which examined the suit for adoption provided that the information is required for the considerations of the child's health or the health of the child's close relatives or of other persons as well as for other important reasons.

Article 3.222. Transfer of the child to the adoptive family before adoption

1. At the request of the State institution for adoption or at its own discretion the court may order a probationary period of six to twelve months and transfer the child to be brought up and cared for in the family of the prospective adoptive parents. If the court order is taken to transfer the child to the family of the prospective adoptive parents, the hearing of the adoption case shall be postponed.

2. The probationary period may be ordered taking into consideration the psychological preparedness of the child and the prospective adoptive parents for adoption, the duration of contact between the child and the prospective adoptive parents before the application for adoption, and other circumstances which may give rise to doubts whether the child can become adapted to the family of the adoptive parents.

3. After the child is transferred to the family by a court order before adoption, the mutual rights and duties, except those of succession, of the child and the prospective adoptive parents shall be treated as the mutual rights and duties of children and natural parents.

~~4.~~ After the adoption of the child, the adoptive parents shall be treated as the child's parents under the law from the day on which the court order to transfer the child to their family became *res judicata*. The court shall specify this fact in its judgement.

Article 3.223. Priority for adoption

1. If there are several persons who wish to adopt one and the same child, the priority shall be determined in the following order:

1) persons adopting their spouse's children and adopted children;
2) relatives;
3) persons adopting siblings together;
4) spouses.

2. If the persons who wish to adopt a child are attributable to one and the same category, priority shall be given to the person who was the first to be registered in the list of prospective adoptive parents.

Article 3.224. Adoption where the adopter is a citizen of a foreign country

1. Provisions of Articles 3.209-3.221 hereof shall be applicable to adopters who are citizens of a foreign country.

2. In addition to the provisions of Articles 3.209-3.221 hereof, a citizen of a foreign country may adopt a child if:

1) during six months from the registration of the child in the list of children offered for adoption no application has been received from citizens of the Republic of Lithuania to adopt the child or place the child under guardianship or in curatorship;

2) the parents of the family where the child is brought up and maintained present to the court their written consent for the adoption of the child;

3) the guardian (or curator) presents to the court a written consent for the adoption of the child;

3. The court, having regard to the interests of the child, shall have the right to decide on the adoption of the child without the consent of the parents of the family, guardian/curator.

4. Where the child is adopted in another country, all the necessary measures must be taken to prevent persons related to the settlement of the child in another country from gaining any unjustified material gain.

5. In adjudicating on the adoption of a child by a citizen of another country, consideration must be given to the hereditary continuity of the child's education, the child's ethnic origin, religious and cultural adherence and mother tongue, as well as the compliance of the legislation of the recipient country with the requirements of the 29 May 1993 Hague Convention on the Protection of Children and Co-operation in the Field of International Adoption.

Article 3.225. Recognition of adoption executed in another country

Adoption executed in another country shall be recognised in the procedure and in accordance with the terms and conditions laid down in international treaties and agreements and Book One hereof.

Article 3.226. Adoption of children who are citizens of a foreign country

1. Children who are citizens of a foreign country residing in the Republic of Lithuania shall be adopted in the procedure laid down in this Chapter unless provided for otherwise in an international treaty or agreement between the respective foreign country and the Republic of Lithuania.

2. Applications of foreign citizens for adoption shall be examined by the Regional Court of Vilnius.

CHAPTER XIV
LEGAL CONSEQUENCES OF ADOPTION

Article 3.227. Consequences of adoption

1. Adoption shall invalidated the mutual personal and property rights and duties of the natural parents and children and their relatives while creating mutual personal and property rights for the adoptive parents, their relatives kindred and the adopted children and their descendants as relatives by blood.

2. The adoptive parents shall be treated as the child's parents under the law from the on which court judgement on the adoption became *res judicata* except for the exception provided for in paragraph 4 of Article 3.222 hereof.

Article 3.228. The name and surname of the adopted child

1. The adopted child is given the surname of the adoptive parents by a court judgement ; the child's name may be changed with the consent of the child capable of expressing his or her views.

2. At the request of the adoptive parents and the adopted child capable of expressing his or her views, the child may be allowed to retain the surname of his or her natural parents.

3. When there is a dispute between the adoptive parents or the adoptive parents and the adopted child over the change of the child's surname or name, the dispute shall be resolved by the court taking account of the child's interests.

PART VI
RIGHTS AND DUTIES OF OTHER MEMBERS OF THE FAMILY

CHAPTER XV
LIVING TOGETHER OF PERSONS NOT LEGALLY MARRIED (COHABITATION)

Article 3.229. Scope

The provisions of this Chapter shall regulate the relations in property of a man and a woman who, after registering their partnership in the procedure laid down by the law, have been cohabiting at least for a year with the aim of creating family relations without having registered their union as a marriage (cohabitees).

Article 3.230. Assets subject to the legal regime set in this Chapter

1. The provisions of this Chapter shall regulate the legal regime of the assets referred to in this Chapter provided the assets have been acquired and used jointly by the cohabitees.

2. The community property of cohabitees shall include:

1) a dwelling house or a flat acquired and used together by cohabitees for their life together;

2) the rental, usufruct or any other right of one of the cohabitees to use the dwelling house or the flat which the cohabitees use for their life together;

3) immovable property related to the dwelling house or flat used and acquired together provided the immovable is used by the cohabitees together;

4) furniture and other household utensils acquired and used together by the cohabitees except for the chattels which the cohabitees use separately.

3. The provisions of this Chapter shall not be applicable to assets which the cohabitees use for recreation (garden, summer cottage, etc.).

Article 3.231. Legal regime of assets used by the cohabitees together

1. Where the immovables or the rights to the immovables referred to in Article 3.230 hereof are registered in the name of one of the cohabitees, both cohabitees may require, by submitting a joint application to the public register, the addition of a record to the effect that the cohabitees use these immovables or the rights to these immovable together. The signatures of the cohabitees adduced to such an application must be certified by a notary public.

2. Cohabitees shall have a right to make an agreement by a notarial deed on how the assets acquired and used together should be divided after their life together ends. Provisions of Articles 3.101-3.108 hereof shall be applicable to such agreements *mutatis mutandis*.

Article 3.232. Division of assets acquired and used together

At the request of one of the cohabitees the court may divide all the assets, acquired and used by the cohabitees together, after the death of one of the cohabitees or at the end of their life together provided the cohabitees had not made an agreement on the division of assets certified by a notary public.

Article 3.233. Limitations of the right to dispose of the assets used together

1. Without the written consent of the other cohabitee, a cohabitee shall have no right to sell, donate or alienate in any other way, lease or charge the assets acquired and used together or to encumber the rights to such assets in any other way.

2. Paragraph 1 of this Article shall not be applicable if a cohabitee is incapable of giving such a consent due to incompetence or the consent of the other cohabitee is unavailable due to other important reasons. In such a case the permission to make a transaction may be granted by the court at the request of the other cohabitee.

3. Transaction made in violation of the rules set in paragraphs 1 and 2 may be declared null and void in an action brought by the cohabitee who has not given his or her consent to the transaction except in cases where a third party recipient of the assets sold, charged or leased was in good faith. The time limit for bringing an action for the avoidance of such a transaction shall be one year from the day when the cohabitee knew or should have known about the transaction.

Article 3.234. Division of assets used together

1. To divide assets acquired and used by cohabitees together in cases referred to in Article 3.232 the court shall first establish the assets acquired and used together and the separate assets of each cohabitee. Debts contracted by the cohabitees together and outstanding at the end of their life together shall be deducted from the assets acquired and used together by the cohabitees.

2. The assets acquired and used together remaining after the deduction of the joint outstanding debts of the cohabitees shall be divided into two equal shares except in cases provided for in this Article.

3. The court shall have a right to depart from the principle of equal shares if it is just and reasonable to award one of the cohabitees a bigger share of the assets taking account of the interests of their minor children, the duration of their life together, their age, health, financial situation, personal contribution to the community property and other important circumstances.

4. A dwelling house or a flat may be awarded to the cohabitee who is in greater need of a residence place taking into consideration his or her age, health, financial situation, the interests of his or her minor children and other important circumstances. In such cases the share of this cohabitee in other community assets shall be reduced. Where the value of the dwelling house or the flat exceeds the value of the cohabitee's share in the assets, he or she must compensated in money to the other cohabitee for the difference in the value.

5. The dwelling house or the flat which belonged to one of the cohabitees before their life together can be left to the other cohabitee under right of usufruct if he or she has underage children born to the cohabitation or due to health, age or other important reasons does not have his or her own dwelling place.

6. Assets other than those referred to Article 3.230 hereof acquired and maintained by using the funds of both cohabitees, shall be divided in accordance with the rules of shared community property.

Article 3.235. Right to use a dwelling place

1. Having regard to the duration of cohabitation, the interests of the minor children of the cohabitees, the age, health, financial situation of the cohabitees and other important circumstances, the court shall have a right to award the use of the rented dwelling place to the cohabitee who is in greater need of the dwelling place.

2. Having regard to the circumstances of the case, the court may obligate the cohabitee who has been awarded the right to use the rented dwelling place to pay compensation to the other cohabitee for the expenses related to the search for and movement to another dwelling place.

CHAPTER XVI
DUTIES OF OTHER FAMILY MEMBERS RELATED TO MUTUAL MAINTENANCE

Article 3.236. The duty of an adult brother (sister) to maintain his (her) minor brother (sister)

1. Circumstances permitting, an adult brother (sister) must maintain his (her) minor sibling who is in need of support and deprived of parents or their maintenance.

2. Provisions of Section Two Chapter XII of this Book shall be applicable *mutatis mutandis* to the procedures of maintenance.

Article 3.37. Mutual maintenance of grandchildren and grandparents

1. Circumstances permitting, adult grandchildren shall maintain their grandparents not fit for work and in need of support.

2. Circumstances permitting, grandparents shall maintain their minor grandchildren deprived of parents or of their maintenance.

3. Provisions of Section Two Chapter XII of this Book shall be applicable *mutatis mutand*is to the procedures of maintenance.

PART VII
GUARDIANSHIP AND CURATORSHIP

CHAPTER XVII

GENERAL PROVISIONS

Article 3.238. Guardianship

1. Guardianship shall be established with the aim of exercising, protecting and defending the rights and interests of a legally incapable person.

2. Guardianship of a person subsumes guardianship of the person's property, but if necessary, an administrator may be designated to manage the person's property.

Article 3.239. Curatorship

1. Curatorship shall be established with the aim of protecting and defending the rights and interests of a person of limited active capacity.

2. Curatorship of a person subsumes curatorship of the person's property, but if necessary, an administrator may be designated to manage the person's property.

Article 3.240. Legal position of the guardian or curator

1. The guardian and the curator shall represent their wards under law and shall defend the rights and interests of legally incapable persons or persons of limited active capacity without any special authorisation.

2. The guardian shall be entitled to enter into all the necessary transactions in the interests and in behalf of the represented legally incapable ward.

3. The curator shall give consent for the ward of limited active capacity to enter into a transaction the ward would not be permitted to enter into independently and shall also help the ward of limited competence to exercise his or her other rights and duties as well as protect his or her interests against third parties.

Article 3.241. Institutions of guardianship and curatorship

1. Institutions of guardianship and curatorship are municipal or regional institutions concerned with the supervision and control of the actions of guardians and curators.

2. The functions of guardianship and curatorship in respect of the inmates of medical, educational or guardianship (curator) institutions who have been declared legally incapable or of limited active capacity by the court shall be performed by the respective medical educational or guardianship (curator) institution until a permanent guardian or curator is appointed.

3. Institutions for the guardianship and curatorship of minors shall include the State institution for the protection of the child's rights and other institutions referred to as such in this Book.

Article 3.242. Designation of a guardian or a curator

1. Having declared a person legally incapable or of limited active capacity , the court shall designate the person's guardian or curator without delay.

2. The guardian or curator of a minor shall be designated in the procedure established by the rules of Chapter XVIII of this Book.

3. Only a legally capable natural person may be designated a guardian or a curator provided he or she gives a written consent to that effect. While designating a guardian or curator account must be taken of the person's moral and other qualities, his or her capability of performing the functions of a guardian or curator, relations with the ward, the guardian's or curator's preferences and other relevant circumstances.

4. The provisions of this Article shall not be applicable to cases where the guardian or curator of an legally incapable person or a person of limited active capacity is the medical, educational or guardianship (curatorship) institution in which the ward is placed.

Article 3.243. Performance of the duties of a guardian or a curator

1. A guardian who is the ward's parent or any other close relative shall perform his or her functions as a guardian without any remuneration. In other cases the guardian shall be entitled to recover necessary expenses related to his or her duties as a guardian against the assets of the incompetent person. The amount to be recovered and the procedure of recovery shall be established by the court on the application of the guardian.

2. A curator who is the parent or any other close relative of the person of limited active capacity shall perform these duties without any remuneration. In other cases the curator shall be entitled to recover necessary expenses related to his or her duties as a curator from the assets of the person of limited active capacity. The amount to be recovered and the procedure of recovery shall be established by the court on the application of the curator.

3. This Article shall not be applicable to cases where the functions of guardianship or curatorship are performed by a medical, educational or guardianship/curatorship institution.

4. The guardians and curators s of a minor must live together with the minor. After the ward attains the age of 16, the curator may live separately provided the State institution for the protection of the child's rights gives its consent.

5. Guardians and curators shall be obliged to notify the institution of guardianship/curatorship of a change in their residence place.

6. After the circumstances responsible for the declaration of the ward's legal incapability or limited active capacity disappear , the guardian or curator shall apply to the court for the cancellation of guardianship or curatorship. Institutions of guardianship and curatorship as well as prosecutors shall also have a right to apply to the court for the cancellation of guardianship or curatorship.

Article 3.244. Use of the assets and income of the legally incapable ward or the ward of limited active capacity

1. The guardian or the curator shall use the assets and the income generated by the assets of the legally incapable ward or the ward of limited active capacity exclusively in the interests of the legally incapable ward or the ward of limited active capacity.

2. Transactions exceeding five thousand litas shall require a prior leave of the court.

3. A prior leave of the court shall be required in all cases where the guardian intends to sell, donate or alienate in any other way the immovable assets or property rights of the ward, to lease them, transfer for use without remuneration, charge or encumber in any way the rights to immovable property or property rights, or to make any other transaction which would cause a reduction in the ward's assets or the property rights of the ward would be assigned transferred or encumbered. These rules shall be applicable also in cases where the curator intends to give his or her consent for the ward of limited active capacity to enter into a similar transaction.

4. A guardian, curator or their close relatives may not enter into a transaction with the ward, except in cases where assets are donated or transferred to the ward for use without remuneration, provided the transaction is consistent with the interests of the ward.

Article 3.245. Administration of the assets owned by an legally incapable person or person of limited active capacity

1. In cases where an legally incapable person or a person of limited active capacity has movable or immovable property in need of constant care (an enterprise, land, facility, etc.), the court shall issue an order for the appointment of an administrator of the property. The administrator may be the guardian/curator or any other person. The administrator of the property shall be subject to the rules hereof on the limitation of the actions of the guardian or the curator. .

2. The powers of the administrator shall come to an end with the end of the guardianship or curatorship , also on the issue of the court order relieving the administrator of the relevant functions.

Article 3.246. Relieving the guardian and curator of their duties

1. The court may relieve the guardian or curator of a minor of the duties of a guardian or curator if the minor is returned to his or her parents or adoptive parents.

2. The court may relieve the guardian or curator of a minor of his or her duties if he or she is unable to perform these duties due to his or her illness or the illness of his or her close relatives, his or her financial situation or other important reasons.

3. If the guardian or curator is negligent in his or her duties, fails to ensure the protection of the rights and interests of the ward, uses his or her rights for personal gain, the court may remove such a guardian or the curator. . If the actions of the guardian or curator cause damage to the legally incapable person or the person of limited active capacity , the guardian or curator shall be obliged to make good the damage. Institutions of guardianship/curatorship shall have the right to apply to the court for the removal of the guardian or curator. .

Article 3.247. End of guardianship curatorship

1. Guardianship and curatorship shall end when the court judgement declaring the person legally incapable or the end of the limitations of active capacity becomes *res judicata.*

2. When a minor attains the age of 14, his or her guardianship comes to an end, while the guardian of the minor becomes a curator without any additional judgement of the court.

3. Curatorship comes to an end when the minor attains the age of 18 or when the minor acquires full active capacity before the age of 18 in cases provided for by the law.

CHAPTER XVIII
GUARDIANSHIP AND CURATORSHIP OF MINORS

Article 3.248. The purpose and objectives of child guardianship/curatorship

1. The purpose of child guardianship/curatorship is to ensure the child's upbringing and care in an environment which would facilitate the child's growing up, development and progress.

2. Objectives of child guardianship/curatorship :

1) to appoint for the child a guardian whose duty it will be to take care of the child, bring him up, represent the child and protect his rights and legitimate interests;

2) to provide the child with living conditions which would be adequate for his age, state of health and development level;

3) to prepare the child for independent life in a family and in the society.

Article 3.249. Principles of establishing child guardianship/curatorship

1. The establishment of child guardianship/curatorship shall be governed by the following principles:

1) first consideration must be given to the interests of the child;

2) priority in becoming the child's guardians (curators) must be accorded to his close relatives, provided this is in the child's best interests;

3) the child's guardianship/curatorship in a family;

4) non-separation of siblings, except when this is contrary to the child's interests.

3. When child guardianship/curatorship is established or ended, or a guardian is appointed to a child capable of expressing his or her views, the child shall be provided an opportunity to be heard and to influence the decision making.

Article 3.250. Determination and registration of children in need of guardianship/curatorship

1. Employees of educational, health care, police and other institutions as well as any person in possession of any knowledge of minors deprived of parental care or of the necessity to protect a minor's rights and interests (cruel treatment of children by their parents, illness, death, departure or disappearance of the parents, failure of the parents to take back their children from educational or health care institutions, etc.) shall be obliged to notify immediately the State

institution for the protection of the child's rights of the child's district of residence or their own district.

2. The State institution for the protection of the child's rights shall be responsible for the determination of children in need of guardianship/curatorship and their registration. The Institution shall place a child under temporary guardianship/curatorship within three days of the receipt of information about the child's need of guardianship/curatorship.

3. The heads and other officials of the institutions referred to in paragraph 1 of this Article shall be responsible under law for any misrepresentations, concealment of a child in need of guardianship/curatorship , creating obstacles for the establishment of guardianship/curatorship or any other violations of the rights and interests of the child.

Article 3.251. Establishment of guardianship and curatorship

1. Guardianship shall be established for children under the age of 14.
2. Curatorship shall be established for children older than 14.

Article 3.252. Kinds and forms of child guardianship/curatorship

1. Kinds of child guardianship/curatorship :
   1) temporary guardianship/curatorship ;
   2) permanent guardianship/curatorship .
2. Forms of child guardianship/curatorship :
   1) family guardianship (curatorship);
   2) social family guardianship/curatorship;
   3) institutional guardianship/curatorship.

Article 3.253. Temporary child guardianship/curatorship

Temporary child guardianship (curatorship) means care for and upbringing of a child temporarily deprived of parental care, also representation and protection of the child's legitimate interests in the family, social family or institution. The purpose of temporary child guardianship (curatorship) is to return the child into the child's natural family.

Article 3.254. Fundamentals of placing a child under temporary child guardianship/curatorship

A child shall be placed under temporary child guardianship/curatorship if the child's:

1) parents or single parent are missing and attempts are made to trace them (pending the court judgement declaring them missing or dead);
2) parents or single parent are temporarily incapable of taking care of the child because of the parents' (the father's or the mother's) illness, arrest, imposed sentence, or due to other compelling reasons;
3) parents or single parent do not take care of the child, neglect him, do not look after him, do not bring him up properly, use physical or psychological violence thereby endangering the child's physical, mental, spiritual or moral development and safety (pending the court order separating the child from the parents).

Article 3.255. End of temporary child guardianship/curatorship

Temporary child guardianship (curatorship) shall end when the child:

1) is returned into his family;
2) attains majority or emancipation;
3) permanent guardianship/curatorship is established for him;
4) is adopted;
4) enters into a marriage.

Article 3.256. Permanent child guardianship/curatorship

Permanent child guardianship/curatorship shall be established for children deprived of parental care who, under the existing conditions, are unable to return into their natural family, and their care, upbringing, representation and protection of their rights and legitimate interests are entrusted to another family, social family or guardianship/curatorship institution.

Article 3.257. Placing a child under permanent guardianship/curatorship

A child shall be placed under permanent guardianship (curatorship) when:

1) both parents or single parent of the child are dead;
2) both parents of the child or his single parent have been declared missing or dead by a court judgement;
3) the child has been separated from the parents in accordance with the procedure established by law;
4) the child's parents or close relatives are not identified within a 3-month period after the child's birth;
5) both parents or the single parent of the child are declared legally incapable in accordance with the procedure established by law.

Article 3.258. End of permanent child guardianship/curatorship

Permanent child guardianship/curatorship shall end when the child:

1) attains majority or emancipation;
2) is returned to his or her parents;
3) is adopted;
4) enters into a marriage.

Article 3.259. A child's guardianship/curatorship in a family

1. Child guardianship (curatorship) in a family shall involve no more than 5 children placed under guardianship in the environment of a natural family (the total number of children in the family including the parents' natural children may not exceed 5).

2. The total number of children may exceed the number specified in paragraph 1 hereof where that is due to keeping siblings together.

3. When appointing a guardian of the child, priority shall be given to the child's close relatives provided they have adequate living conditions and do not belong to the persons or the group of persons listed in Article 23 hereof.

Article 3.260. A child's guardianship in a social family

1. A child's guardianship/curatorship in a social family is the form of guardianship where a legal person (social family) has under its guardianship or curatorship 6 or more children (the total number of children in a social family including the parents' natural children may not exceed 12) in a family environment.

2. The total number of children may exceed the number specified in paragraph 1 hereof where that is due to keeping siblings together, or the total number of children may be less where one of the children under guardianship/curatorship is disabled.

3. Child guardianship/curatorship in a social family shall be established by the laws of the Republic of Lithuania, the Social Family Regulations approved by the Government or its authorised institution, and other legal acts.

4. The wage and other conditions of remuneration for work of the child's guardian/curator who has set up a social family shall be established based on the laws of the Republic of Lithuania, Government resolutions and other legal acts.

Article 3.261. Child guardianship/curatorship in public and non-governmental guardianship institutions

1. A child deprived of parental care shall be placed in a public or non-government child guardianship institution where there is no possibility of placing the child under guardianship/curatorship in a family or a social family.

2. Institutional child guardianship/curatorship shall be established by the laws and other legal acts of the Republic of Lithuania.

Article 3.262. Placing a child under temporary guardianship/curatorship

1. A child shall be placed under temporary guardianship/curatorship on the decision (ordinance) of the municipal board (the mayor) at the recommendation of the institution for the protection of the child's rights as of the day of the registration of the application with the regional (city) local government.

2. Temporary child guardianship/curatorship shall be organised in accordance with the Regulations of Temporary Child Guardianship/Curatorship approved by the Government of its authorised public institution.

Article 3.263. Placing a child under permanent guardianship/curatorship

A child shall be placed under permanent guardianship/curatorship on the basis of a court order taken at the application of the regional (city) institution for the protection of the child's rights or a public prosecutor.

Article 3.264. Designation of a child's guardian/curator

1. Where a child is placed under temporary guardianship/curatorship , the child's guardian/ curator shall be appointed by the decision of the regional (city) municipal board (the mayor) on the recommendation of the institution for the protection of the child's rights of the respective region (city). Recommendations for the appointment of a guardian may be presented to the institution for the protection of the child's rights by public or non-government organisations related to the protection of the child's rights.

2. The decision (ordinance) of the regional (city) municipal board (the mayor) on the appointment of a guardian for the child's shall specify: the name of the institution which adopted the decision, the date of the decision, the kind of guardianship the child is placed under, the guardian of the child, the child under guardianship, the place of guardianship, the institution responsible for the protection of assets owned by the child, other important circumstances which affect the guardianship of the child and the establishment thereof.

3. Where a child is placed under permanent guardianship/curatorship , the guardian/curator of the child shall be appointed by the court order on the application of the institution for the protection of the child's rights of the region (city).

4. The guardianship/curatorship of the child shall be established taking into consideration the wish of the child's dead parents (adoptive parents) expressed in their will regarding the appointment of the child's guardian/curator provided it is in conformity with Article 3.269 hereof.

Article 3.265. Place of guardianship/curatorship

The place of guardianship/curatorship of the child may be:

1) the guardian's (curator's) place of residence;

2) the child's place of residence;

3) an institution of child guardianship.

Article 3.266. Organising child guardianship/curatorship

1. The institution for the protection of the child's rights of the region (city) shall be responsible for organising the placement of a child under guardianship/curatorship .

2. When organising the placement of a child under guardianship (curatorship), the regional (city) institution for the protection of the child's rights of the district (city) municipality shall co-operate with other local authorities and non-government institutions and organisations related to the protection of the child's rights.

3. The procedure for organising the guardianship/curatorship of a child pursuant to this Book hereof shall be established by the Regulations for the Organisation of Child Guardianship approved by the Government.

Article 3.267. Supervision of child guardianship/curatorship

1. The guardianship/curatorship of a child in a family, social family or institution shall be supervised by the regional (city) Child's Rights Protection Institution.

2. In supervising child guardianship/curatorship, the regional (city) Child's Rights Protection Institution shall co-operate with other institutions related to the protection of the child's rights.

Article 3.268. The procedure for the selection of the guardian/curator for a child

1. A child's guardian (curator) shall be selected by taking into consideration his or her personal qualities, state of health, abilities to function as a guardian/(curator) , relations with the child deprived of parental care, and the interests of the child.

2. The prospective guardian/curator of the child shall file the following documents with the regional (city) Child's Rights Protection Institution:

1) an application specifying the number of children he or she wishes to assume the guardianship and upbringing of, their age and the kind of guardianship;

2) a health certificate in the format established by the institution authorised by the Government;

3) the written consent of persons over 16 living together with the applicant.

Article 3.269. Persons which may not be appointed guardians (curators) of a child

The following persons may not be appointed guardians (curators) of a child:

1) a person under 21 unless it is a close relative who wishes to assume the guardianship of the child;

2) a person declared legally incapable or of limited active capacity ;

3) a person from whom the child has been separated;

4) former adoptive father (adoptive mother) if his (her) parental authority has been restricted because of the adoptive father's (adoptive mother's) failure to duly fulfil his (her) duties or if he (she) has been separated from the child;

5) if the person's authority as the child's guardian/curator has been terminated on the basis of paragraph 2 Article 3.246 hereof;

6) a person who has a record of convictions for wilful offences;

7) a person of 65 and over, except for a close relative if he or she wishes to assume temporary guardianship of a child under 10 years of age;

8) a person suffering from chronic alcoholism, drug addiction, mental or other diseases included in the list approved by the Government.

Article 3.270. Preparation for child guardianship/curatorship

The child guardian's (curator's) preparation for guardianship/curatorship shall be organised and co-ordinated by regional (city) Child's Rights Protection Institutions, other organisations and agencies with relevant work experience.

Article 3.271. Duties of a child's guardian/curator

A child's guardian/curator shall be obliged to:

1) ensure the child's physical and mental safety;

2) take care of the child's health and schooling;
3) educate the child;
4) decide issues related to the child's interests in co-operation with the interested central and local government institutions;
5) create no obstacles for the child's contact with his or her biological parents provided this is not detrimental to the child's interests;
6) maintain contact with the child's parents, inform the child's parents and close relatives, if they so request, about the child's development, health, studies and other important issues;
7) organise the child's leisure activities, taking into account the child's age, development level and inclinations;
8) prepare the child for independent life and work in the family, civic society and the State.

Article 3.272. The rights of a child's guardian/curator

1. A child's guardian/curator shall be the child's statutory representative and shall defend the child's rights and legitimate interests.
2. A child's guardian (curator) shall have the right to demand in court the return of the child from any person who keeps the child unlawfully.

Article 3.273. Liability of a child's guardian/curator

1. A child's guardian/curator shall be held liable under law for the damage inflicted by the child.
2. A child's guardian (curator) shall be held liable under law for failure to fulfil his or her duties or their improper fulfilment

Article 3.274. Maintenance of a child ward

Maintenance of a child under guardianship in a family, social family or non-government guardianship institution shall be regulated by law.

Article 3.275. Management of the child ward's income

Funds intended for the maintenance of the child under guardianship shall be managed by the child's guardian/curator exclusively in the interests of the child in accordance with the rules of Book Four hereof on the regulation of asset administration.

Article 3.276. Relations between the child and the child's guardian (curator)in property

1. The child under guardianship shall acquire no property rights to the assets of his or her guardian/curator.
2. A child's guardian/curator shall acquire no property rights to the assets owned by the child under guardianship.

CHAPTER XIX
GUARDIANSHIP AND CURATORSHIP OF ADULT PERSONS

Article 3.277. Placing under guardianship or curatorship

1. An adult person declared legally incapable by the court shall be placed under guardianship by a court judgement.
2. An adult person declared by the court to be of limited active capacity shall be placed under curatorship .

Article 3.278. Monitoring of the guardian's or the curator's activities

1. Guardianship and curatorship institutions shall be obliged to monitor if the guardian/curator fulfils his or her duties properly.

2. The duties of the guardian/curator related to the administration of the ward's assets shall be established by the rules of Book Four hereof on the regulation of asset administration.

Article 3.279. Curatorship of a person of Full Active Capacity

1. At the request of a natural person of full active capacity incapable of exercising his or her rights or of performing his or her duties due to health reasons may be placed under curatorship.

2. The curator of a person of full active capacity shall be appointed by a court order at the request of the person of full active capacity or on the application of a guardianship/curatorship institution.

3. A curator may be appointed only with his or her written consent. The competent person and the curator shall conclude an agency agreement or an agreement on the management of assets in trust setting forth the rights and duties of the curator related to the management, use and disposal of the assets of the person of full active capacity.

4. Curatorship shall be cancelled by a court order at the request of the person of full active capacity.

5. In cases provided for in this Article, Article 3.244 hereof shall be applicable to the extent in which it is compatible with the agreement concluded between the curator and the person of full active capacity.

PART VIII
REGISTRATION OF CIVIL STATUS ACTS

CHAPTER XX
GENERAL PROVISIONS

Article 3.280. Agencies registering civil status acts and their competence

1. City and regional register offices shall register births, acknowledgements and determinations of paternity, divorces, adoptions, changes of names, surnames and nationality, and deaths.

2. In towns which do not have register offices the heads of local district councils (except for the local district of the municipality centre) shall have the right to register deaths.

3. Consular Offices of the Republic of Lithuania shall have the right to register the birth, marriage and death of the citizens of the Republic of Lithuania.

Article 3.281. Rules for the registration of civil status acts

Civil status acts shall be registered, restored, changed, supplemented and corrected subject to the Regulations on Civil Registration approved by the Minister of Justice.

Article 3.282. Language of the records of civil status acts

The records of civil status acts shall be made in Lithuanian. The name, surname and place names shall be spelled in accordance with the rules of the Lithuanian language.

Article 3.283. Prohibition to make records of civil status acts for oneself and for one's relatives

It shall be prohibited to make records of civil status for oneself, one's spouse, parents, children, and siblings.

Article 3.284. Documents filed for the record of civil status

Making a record of a civil status act requires the presentation of identity documents and the acts to be registered in the register office.

Article 3.285. Making records of civil status acts

Each record of a civil status act shall be legible to the applicants, it shall be signed by the official making the record and stamped with the stamp of the institution registering civil status acts. Applicants for the registration of births, marriages, divorces, changes of names, surnames and nationality and deaths shall be issued respective certificates.

Article 3.286. Challenging and cancelling records of civil status acts

1. Records of civil status acts may be challenged only in court.
2. After the primary records are discovered, the restored records of civil status acts shall be destroyed by the decision of the head of the register office.

Article 3.287. Supervision of the legitimacy of records of civil status acts

The legitimacy of records of civil status acts made by register offices and local district authorities shall be supervised by the Ministry of Justice following the procedure established in its regulations.

Article 3.288. Charges for the registration of civil status acts

Registration of civil status acts in register offices as well as correction and modification of the records of such acts shall be subject to a charge in the procedure established by law.

CHAPTER XXI
REGSITRATION OF BIRTHS

Article 3.289. Registration of births

1. The birth of a child shall be registered with the register office of the child's residence place or one of the parents' residence place.
2. At the request of the parents of the child, the register office shall make the registration of the child's birth a solemn occasion.

Article 3.290. Notification of births

1. A birth shall be notified, orally or in writing, by the parents or one of the parents; if the parents are sick, dead or cannot do that for other reasons, the birth shall be notified by relatives, neighbours, the administration of the maternity home where the child was born or the state institution for the protection of the child's rights.
2. The birth of a foundling shall be registered on the application of the person who found the child or the state institution for the protection of the child's rights.

Article 3.291. Time limits for the registration of birth

1. The birth of a child shall be notified and registered within three months of the date of the child's birth; in cases of a stillborn baby – within three days from the time of its birth.
2. An application for the registration of a foundling shall be filed within three days of the moment when the child was found.

Article 3.292. Record of birth

1. The record of birth shall include the name, surname and nationality of the child as well as data on the child's parents in accordance with the rules set in Articles 3.139, 3.140, 3.166 and 3.167 hereof.
2. Where the paternity of the child has not been ascertained, data on the child's father shall not be entered.
3. The name and surname of a child whose parents are not known shall be recorded on the instructions of the state institution for the protection of the child's rights.

4. The registration of the child's birth shall be followed by the issuance of the birth certificate.

CHAPTER XXII
REGISTRATION OF THE ACKNOWLEDGEMENT AND DETERMINATION OF PATERNITY

Article 3.293. Registration of the acknowledgement of paternity

1. Acknowledgement of paternity shall be registered in the register office of the child's mother's residence on the basis of the applications of the child's mother and father for the confirmation of the acknowledgement of paternity. Where the paternity is acknowledged after the registration of the child's birth, the acknowledgement of paternity shall be registered in the register office where the child's birth was registered.

2. In cases provided for in paragraph 5 Article 3.140 and Article 3.144, the acknowledgement of paternity shall be registered on the presentation of the application for the confirmation of the acknowledgement of paternity approved by the court.

Article 3.294. Registration of paternity affiliation

Paternity affiliation shall be registered in the register office where the child's birth was registered on the basis of the court order on the determination of paternity.

Article 3.295. Data on the father in the record of the child's birth

On the basis of the application on the acknowledgement of paternity or the court order on the determination of paternity, the register office shall record data on the child's father in the record of the child's birth and shall issue a new birth certificate.

CHAPTER XXIII
REGISTRATION OF ADOPTIONS

Article 3.296. Place of registration of an adoption

Adoption shall be registered in the register office where the child's register was registered on the basis of the court order on adoption.

Article 3.297. Data in the birth record of an adopted child

1. Where on the basis of a court judgement the adopted child is given a new name or the surname of the adoptive parents, these data are changed accordingly in the child's birth record.

2. In the birth record of the adopted child the data on the child's parents shall be replaced by the data on the child's adoptive parents.

3. Where a child has been adopted only by a man or a woman, the data on the other parent of the child shall be deleted from the record and shall not be replaced by new data.

4. The change of data in the child's birth record shall be followed by the issuance of a new birth certificate.

CHAPTER XXIV
REGISTRATION OF MARRIAGES

Article 3.298. Place of registration of marriage

Marriages shall be registered in the register office of the residence of one of the spouses or their parents as well as in the consular posts of the Republic of Lithuania.

Article 3.299. Application for the registration of marriage

1. Future spouses shall file an application of a standard format with the registration office of the residence of one of them or, at their own discretion, of that of their parents.

2. In their application future spouses shall confirm that all the conditions for contracting a marriage set forth in Articles 3.12-3.17 have been complied with; each of them shall indicate the number of their previous marriages and the number of their children.

3. The application for the registration of marriage shall be cancelled if at least one of the applicants fail to appear to register the marriage at the set time or withdraws his or her application.

Article 3.300. Documents to be presented together with the application for the registration of marriage

1. Together with their application for the registration of marriage, the future spouses shall present their birth certificate and passport or any other identification document.

2. A divorcee shall also present his or her divorce certificate.

3. The application of foreign nationals for the registration of marriage shall be accompanied with a document issued by a competent authority of their State confirming that there are no obstacles for the marriage.

Article 3.301. Time of registration of marriage

1. The marriage shall be registered no sooner than after a month from the day of filing the application for the registration of marriage.

2. At the request of the future spouses and in the event of important reasons, the head of the register office shall have a right to permit the registration of the marriage earlier than a month after the day of filing the application.

Article 3.302. Public announcement of an application for the registration of marriage

1. The filing of an application for the registration of marriage shall be publicly announced in the register office no later than two weeks before the registration day.

2. The announcement shall indicate the names, surnames and birth dates of the future spouses and the date of the registration of the marriage.

Article 3.303. Registration of marriage

1. Marriages shall be registered in the presence of both the future spouses and two witnesses.

2. Before the registration of a marriage, the official of the register office shall be obliged to check once more if all the conditions set in Articles 3.12-3.17 for contracting a marriage have been fulfilled.

3. The making of the marriage record shall be followed by the issuance of a marriage certificate.

4. The fact of the registration of marriage shall be entered in the passports or any other identity documents of the spouses by indicating the name, surname and birth date of the other spouse, the place and date of the registration of the marriage.

Article 3.304. Registration of religious marriages

1. Within ten days of the religious marriage the person authorised by the respective religious organisation shall be obliged to present to the local register office a notification of the religious marriage solemnised in the procedure set by the Church (confession).

2. Having received a notification of a religious marriage, the register office shall make a record of the marriage and issue a marriage certificate in accordance with the rules of paragraphs 2, 3 and 4 Article 3.303 hereof provided the requirements of Articles 3.12-3.17 hereof have been complied with. In such a case the marriage shall be considered to be contracted on the day of its registration in the procedure set by the Church.

3. If the registration of a marriage in the procedure set by the Church is not notified within the time limit set in paragraph 1 hereof, the marriage shall be held to have been contracted on the day when it was registered in the register office.

CHAPTER XXV
REGSITRATION OF DIVORCE

Article 3.305. Registration place of divorce

Divorce shall be registered in the register office of the district of the court that has rendered the divorce decision.

Article 3.306. Procedure for the registration of divorce

1. On receiving a court judgement on divorce, the register office shall make a record of divorce, issue divorce certificates to both the former spouses and make a record of divorce in their passports or any other identity document.
2. Having registered a divorce, the register office shall send a standard notification of the divorce to the register office that registered the marriage, while the latter shall make respective changes in its record of marriage registration.

CHAPTER XXVI
REGISTRATION OF THE CHANGE OF A NAME, SURNAME OR NATIONALITY

Article 3.307. Procedure for the registration of the change of a name, surname or nationality

The change of a name, surname or nationality shall be registered in the register office of the applicant's residence with the permission of the Ministry of Justice.

Article 3.308. Making changes in the records of civil status in respect of the change of a name, surname or nationality

If there is a permission of the Ministry of Justice to change a name, surname or nationality, the register office shall make the respective changes in the records of birth, marriage and divorce and shall issue a certificate on the change of the name, surname or nationality and new birth, marriage and divorce certificates.

CHAPTER XXVII
REGISTRATION OF DEATH

Article 3.309. Procedure for the registration of death

1. Death shall be registered in the offices or one of the offices referred to in Article 3.280 of the residence of the deceased on the basis of the medical certificate of death.
2. On the basis of a court decision on the assumption of death or on the determination of the fact of death, death shall be registered in the register office of the location of the court which has taken the decision.

Article 3.310. Notification of death

Death shall be registered upon the application of the relatives or neighbours of the deceased or of the owner of the home where the deceased person lived, as well as on the notification by the administration of the medical centre where the person died or the police commissariat.

Article 3.311. Time limit for the registration of death

Death shall be notified and registered within three days of the death or the time when the dead body was discovered.

Article 3.312. Death record

While registering death, the register office referred to in Article 3.280 hereof shall make a death record and issue a death certificate.

CHAPTER XXVIII
RESTORATION, SUPPLEMENTATION OR CORRECTION OF CIVIL STATUS RECORDS

Article 3.313. Procedure for the restoration, supplementation or correction of civil status records

1. Civil status records shall be restored, supplemented or corrected by a register office provided the restoration, supplementation or correction has a justified reason and is not disputed by interested parties.

2. In case of a dispute between the interested parties, civil status records shall be restored, supplemented or corrected by a court decision.

Chapter XXIX
KEEPING CIVIL STATUS RECORDS AND DOCUMENTS ON THEIR CHANGES

The procedure for filing and keeping civil status records and documents on their changes shall be established by the Ministry of Justice in conjunction with the Archives Department of Lithuania.

BOOK FOUR

MATERIAL LAW
PART I
THINGS

CHAPTER I
GENERAL PROVISIONS

Article 4.1 Definition of things

Things are objects of the material world obtained from nature or manufactured.

Article 4.2 Movable and immovable things

1. Immovable things are things immovable by nature and things movable by nature but considered immovable by law.

2. Immovable things are parcel of land and things related thereto, which cannot be moved from one place to another without altering their essence and without significantly reducing their value.

3. Movable things are things that can be moved from one place to another without altering their essence and without significantly reducing their value.

4. A movable thing incorporated with an immovable thing that has lost its individual characteristics, shall be deemed a part of an immovable thing.

5. A movable thing that is physically fastened or else attached to an immovable thing, also making part thereof, but without losing its individual characteristics, shall not be considered an immovable thing.

6. Consistent parts of an immovable thing separated therefrom temporarily maintain their properties of an immovable thing if these parts are to be restored thereto.

7. Rules established for immovable things may be applied to movable things and vice versa, provided this is established by law or by agreement between parties on condition such agreement does not contradict the law.

Article 4.3 Fungible and non- fungible things

1. Fungible things are those for which only the properties of the kind are taken into consideration, which do not possess individual characteristics.
2. Non-fungible things are those that possess individual characteristics.

Article 4.4. Things with individual characteristics and things with properties of a kind

1. Things shall be deemed to have individual characteristics when they are distinguishable from other things of the same kind by some characteristics or other.
2. Things shall be considered to have properties of a kind when they have characteristics common to a kind of things.

Article 4.5. Consumable and non-consumable things

1. Consumable things are such as once used according to their destination are immediately destroyed, lost or undergo an essential change.
2. Non- consumable things are such as once used according to their destination remain without essential changes in terms of their value and purpose for a long time.

Article 4.6 Divisible and indivisible things

1. Divisible things are such as may be divided physically without changing their essential properties and where each part thereof may be used as a self-contained unit.
2. Indivisible things are such as once divided physically change their essence, as well as things divisible by nature that are recognised indivisible by law.
3. Divisible things by nature may be recognised as indivisible if the parties so agree.

Article 4.7. Things taken out of circulation, things in limited circulation and things remaining in circulation

1. Each person may own any things provided these are not taken out of circulation or are not in limited circulation.
2. Things out of circulation shall be the exclusive property of the State.
3. Things in limited circulation are things with certain properties whose circulation is limited due to safety, health concerns, or other public needs.

Article 4.8. Household things

Household things are all things used in household activities such as movable things, furniture, decorative items, with the exception of book collections (libraries), collections of art works and other valuable collections, as well as items of scientific or historic value.

Article 4.9. Encumbrances of Real Rights

1. Encumbrances of real rights are obligations related to the thing.
2. Encumbrances of real rights shall pass on to the new owner together with the thing. When the encumbrances of real rights have to be registered, only the registered encumbrances shall be passed on to the new owner with the thing. In cases established by law or by mutual consent of the persons involved, encumbrances of real rights together with the thing may be transferred on to another person.
3. When immovable thing is partitioned or joined with another immovable thing, real rights and encumbrances registered in the public register shall remain unless otherwise stipulated by law.

Article 4.10. Thing expenses

1. Thing expenses fall into common and extraordinary.
2. Common thing expenses are those necessary for the security of the thing and in order to protect the thing from destruction or marked deterioration.
3. Extraordinary expenses are such as used for thing melioration or in order to increase income from such thing.

Article 4.11. Things by value

1. By their value things fall into those with common value, those with special value and those that have a value based on personal considerations.
2. The common value of a thing shall depend on the usefulness of the thing.
3. The special value of a thing shall depend on the use that a person obtains possessing, using or disposing of the thing.
4. The value based on personal considerations shall depend on the qualities that a person attributes to the thing due to his exclusive relationship with the said thing, irrespective of the use that may be usually recovered from the said thing.

SECTION TWO
PRINCIPAL AND AUXILIARY THINGS

Article 4.12. Principal things

Principal things are such as may be an independent objects of legal relationships.

Article 4.13. Auxiliary things

1. Auxiliary things are such as exist only in conjunction with principal things or belonging to principal things, or otherwise associated thereto.
2. Auxiliary things fall into essential parts of principal things, fruit obtained from principal things, product and income, and appurtenances of principal things.

Article 4.14. Treatment of auxiliary things

1. Auxiliary things shall be treated in the same way as principal things, unless otherwise provided by law.
2. When during the process of transferring a principal thing to another owner a dispute arises regarding an auxiliary thing, the auxiliary thing shall be transferred to another owner together with the principal thing, unless proven that the opposite should apply.

Article 4.15. Essential parts of a principal thing

Essential parts of a principal thing are such as are inseparably connected to and incorporated into the principal thing, so that without these the principal thing could not be used according to its essence or would be recognised as incomplete.

Article 4.16. Fruit

Fruit are things which are bound to separate, separate or are separated from the principal thing as the latter matures organically, without damaging the integrity and purpose of the principal thing.

Article 4.17. Output

Output is work- created things that are produced as a result of a manufacturing process that uses principal things.

Article 4.18 Income

1. Income obtained from a thing is money and other material goods which are obtained by using the principal thing in civilian turnover.

2. Income may also be all things that may be obtained by using the principal thing in various modes. In this sense, income is not only things as described in paragraph 1 of this Article but also fruit and output.

Article 4.19. Appurtenances

1. Appurtenances are independent secondary things meant for serving the principal thing, which are constantly linked to the principal thing by their qualities.

2. The putting together of two or more things does not render one of these things an appurtenance if there are no characteristics described in paragraph 1 hereof.

PART TWO
REAL RIGHTS

CHAPTER III
GENERAL PROVISIONS

Article 4.20. Definition of real rights

Real right is an absolute right that manifests itself by the right of the owner to implement the right of possessing, using, disposing or by some of these rights.

Article 4.21. Legal regime of real rights

A legal regime established for immovable things shall be applied to real rights regarding immovable things, and legal regime established for movable things shall be applied to real rights to movable things, unless otherwise stipulated by law.

CHAPTER IV
POSSESSION
SECTION I
GENERAL PROVISIONS

Article 4.22. Possession

1. Possession as an independent real right to things which is the basis for acquiring property right according to acquisitive prescription, is the actual holding of a thing with a purpose to have it as one's own.

2. Possession is not considered an independent real right to a thing when the actual holder of a thing recognises another person as the possessor or owner.

Article 4.23. Legal and illegal possession

1. Possession of a thing may be legal and illegal.

2. Possession of a thing shall be considered legal when the thing is acquired on the same basis as property right. Possession shall be considered legal unless the opposite is proven.

3. Illegal possession is such as exercised by force, in a clandestine manner, or by violating other legal acts.

Article 4.24. Object of possession

Any thing that may be the subject-matter object of real right shall be a subject-matter object of possession.

SECTION TWO
ACQUISITION AND IMPLEMENTATION OF POSSESSION

Article 4.25. Acquisition of possession

1. Possession may initiate by taking over a thing, or by transferring on or inheriting the right of possession.

2. Possession shall initiate by taking over a thing physically, when the person who has taken over may affect the thing as he wishes. Also, by taking over a thing the person must express one's will to have the thing as one' own.

3. A person may possess a thing without a direct or indirect physical contact between himself and the thing.

Article 4.26. Acquisition of possession in good faith and in bad faith

1. Possession may be acquired in good faith and in bad faith.

2. Possession shall be deemed in good faith until the opposite is proven.

3. Possession shall be deemed to be in good faith when the person who takes possession is convinced that nobody has more rights to the thing that he is taking over than himself.

4. Possession shall be deemed to be in bad faith when the possessor knew or had to know that he had no right to acquire possession of the thing or that another person had more rights to the said thing.

Article 4.27. Acquisition of possession of immovable thing

1. Possession of immovable thing may initiate by taking over the thing physically and when the person relinquishing the immovable thing indicates that the thing has been relinquished, provided no impediments exist to accede to the thing or to possess it physically in some other way.

2. Possession of immovable thing shall initiate as of the moment of the registration of possession in public register.

3. Possession cannot be registered in public register if –real right to this thing has already been registered.

Article 4.28. Acquisition of possession of movable thing

Acquisition of possession of movable - thing shall start:

1) when the person desiring to acquire the possession of movable thing takes the thing into his hands,

2) when the person desiring to acquire possession of movable thing has started safekeeping the thing or safekeeping is being carried out upon his instruction;

3) when upon the instruction of the person desiring to acquire possession of a thing the latter is given to a person nominated by him;

4) when a thing is placed in a premise owned by the person desiring to acquire possession of the thing,

5) when the person desiring to acquire possession of the thing is given the keys to a premise containing the thing,

6) when a person desiring to acquire possession marks nobody's thing accordingly;

7) when a thing to be captured entered a trap, a net etc.,

8) upon completion of other acts expressing a person's will to acquire possession of a thing.

Article 4.29. Acquisition of possession through another person

If a person relinquishing the possession of a thing through another person had the intention to relinquish such thing to a concrete person, possession of a thing so relinquished starts also if the person through whom the thing is relinquished would like to acquire the thing for himself or for yet another person.

Article 4.30. Actual possession through another person

The possessor may possess a thing through another person who must obey the instructions of the possessor.

SECTION THREE
PROVISIONS REGARDING THE TERMINATION OF POSSESSION

Article 4.31. Termination of possession

1. Possession shall be terminated when the possessor relinquishes his as possessor's rights to the thing, i.e. when he relinquishes the actual possession of a thing or keeping it as his own, and in other cases provided by law.
2. Relinquishing of possession shall be clearly expressed or implied.
3. The possessor's non-use of an immovable -thing does not indicate that he relinquishes possession thereof if his wish to relinquish possession may not be implied from other circumstances.

Article 4.32. Termination of possession of movable thing

Possession of movable thing shall terminate upon the possessor's losing the ability to affect the thing as he wishes, when:

1. the thing's possession is taken over by another person, even if in a clandestine manner or by force,
2. the possessor has lost the thing and fails to find it,
3. the possessor may not have the thing for other reasons.

Article 4.33. Termination of possession of immovable thing

1. Possession of immovable thing shall be terminated when the possessor not only loses the ability to affect the thing as he wishes, but when he undertakes no means to restore such ability.
2. Possession of immovable thing shall terminate when the efforts of the possessor to restore the effect upon the thing have been unsuccessful.
3. Possession of immovable thing shall terminate as of the moment the registration of possession in the public register is cancelled.

SECTION FOUR
PROTECTION OF POSSESSION

Article 4.34. Protection of possession

1. Each possessor is entitled to defend his current possession and to retake the possession that has been taken away forcefully.
2. The possessor may demand remuneration by a court order not only of the protection of possession but also of the losses incurred due to breach of possession.
3. A possessor in good faith may be remunerated for the expenses incurred due to the holding of possession, with the exception of cases when these are indemnified by the income received from the possession. A possessor in good faith shall also have the right to keep the parts that have been added to meliorate the possession, provided their removal does not cause damage to the possession. If these parts cannot be separated, a possessor in good faith shall have the right to demand compensation for the expenses incurred due to the melioration, but no higher than the increase in the value of the possession.

Article 4.35. Violation of possession

1. Possession may be violated by taking or attempting at taking the possession or a part thereof, as well as the rights thereto or by impeding the possession. Violation of possession may be expressed by threats that cause real danger to the possession.

2. Actions coinciding formally with the description given in paragraph 1 of this Article shall not be considered violations of possession provided the person indicated as the violator of possession proves that the possession by the plaintiff has originated from him illegally.

3. The claim by the person indicated as the violator of the possession that the possession by the plaintiff originated illegally from a third person shall not be considered the reason to recognise that the person indicated as violator of possession has not violated the possession.

Article 4.36. Disputes regarding possession

1. If a dispute regarding possession arises when two or more persons claim to be the possessors of the same thing and when they furnish facts proving that heir possession continues, the possession of the person that proves that he is the legitimate possessor of a thing shall be defended.

2. If none of the persons involved in a dispute manage to prove this, the possession by the person that was the first to enter in possession shall be defended.

CHAPTER V
RIGHT OF OWNERSHIP

SECTION ONE
GENERAL PROVISIONS

Article 4.37. Definition of ownership right

1. Ownership right is the right to manage, possess, use and dispose of a object of ownership right at one's volition, without violating the laws and the rights and interests of other persons.

2. The owner shall enjoy the right to pass the entire object of ownership rights or a part thereof to another person, or only specific rights stipulated in paragraph 1 of this Article.

Article 4.38. Object of ownership right

The subject-matter object of ownership right may be things and other property.

Article 4.39. Limitation of ownership right

1. Right of ownership may be limited by the will of the owner, by law, or by court judgement .

2. If doubts regarding the limitation of right of ownership arise, it shall be considered in all cases that the right of ownership is not limited.

Article 4.40. Content of the rights of owners of a land parcel

1. The owner of a land parcel shall have as his ownership the upper layer of the soil of the parcel, the buildings and the appurtenances constructed on the parcel, as well as other immovable things, if the law does not provide otherwise.

2. The owner of a land parcel shall enjoy such rights to the space above his parcel as do not contradict the law and as necessary for the intended use of the parcel.

3. The owner of a land parcel shall have ownership right to the topsoil of the parcel and to the minerals in the soil in so far as this does not contradict the law and as is necessary for the intended use of the parcel.

Article 4.41. Content of ownership right of animals

The owner of animals, in realising the ownership right, must follow the laws governing the protection and keeping of animals, and other requirements stipulated by legal acts.

Article 4.42. Right to parts of trees, bushes, and other vegetation of neighbouring parcels and their fruit

1. The owner of a land parcel shall have the right to cut off and take such roots and branches of trees, bushes, and other vegetation growing in a neighbouring parcel as grow on his parcel, when he has requested in advance the owner of the neighbouring parcel that such removal should be carried out, establishing the timeframe for their removal and seeing the failure to remove them in the timeframe established.

2. This right shall not pertain to the owner of a land parcel if the roots and branches of trees, shrubs and other vegetation growing in a neighbouring parcel do not impede the cultivation of the land parcel.

3. In all cases the owner of a land parcel acquires ownership right to fruit received from the branches of trees, shrubs and other vegetation growing on the neighbouring parcel that extend on to his parcel, and to fruit obtained from the stalks, twigs and roots of other plants growing on a neighbouring parcel that extend to his parcel.

Article 4.43. Temporary use of land parcel of another's ownership for transport

1. The owner of a land parcel that has lost access to a public road, necessary for the intended use of his land parcel, may demand from the owners or users of neighbouring parcels that these should allow him, for transport purpose, to use their parcels until the obstacle that has interrupted transport, shall be removed. Disputes regarding the direction of a temporary road and the right to use it, if necessary, shall be decided in court.

2. The owners of neighbouring parcels over which a temporary road is made, shall be compensated for the losses incurred due to the making of the road in advance.

Article 4.44. Impossibility to use temporarily another's land parcel for transport

The owner of a land parcel which has lost access to a public road, necessary for the intended use of the parcel, may not demand from his neighbours temporary access across their parcels if his own intentional acts have interrupted access from his parcel to the public road.

Article 4.45. Delimitation of land parcel

1. When the owners of land parcels fail to agree on the disputed limits of their parcels and these are not clear from the existing documents, the parcels shall be delimited by the court on the basis of pertinent documents, the limits of the actual parcels, and other evidence. If the limits cannot be established, each parcel shall be given an equal part of the plot under dispute, but none of the parcel formed in such manner can differ in size from the existing legally established parcel.

2. The expenses of parcel delimitation shall be borne by both parties in equal parts, unless otherwise provided by agreements governing their mutual relations or established by court.

Article 4.46. Right to immovable things marking the limits of a land parcel

1. Owners whose parcels are separated by a fence, trees, shrubs, wall or other immovable things that serves both parcels and marks the limits of these parcels, shall have the right to jointly use the objects, if it cannot be established that these objects belong to one specific owner.

2. The owner that jointly uses immovable things marking the limits of his land parcel, shall have the right to use it according to its purpose in so far as this use does not interfere with the owner of the neighbouring parcel. Expenses related to the maintenance and protection of such objects shall be paid in equal parts, unless decided otherwise.

3. The owner of one parcel cannot remove or alter the jointly used immovable things marking the limits of the land parcel without the agreement of the other owner.

4. Other legal relations between the owners of neighbouring land parcels regarding the immovable things marking the limits of the parcels shall be established by provisions of joint ownership.

SECTION TWO
PROVISIONS REGARDING ACQUISITION AND LOSS OF OWNERSHIP RIGHT

Article 4.47. Provisions regarding the acquisition of ownership right

Ownership right may be acquired in the following way:

1) by contract,
2) by inheritance,
3) by appropriating fruit and income,
4) by producing a new thing,
5) by appropriating a owner-less thing,
6) by appropriating wild animals, wild and domestic bees,
7) by appropriating stray and guardian-less domestic animals,
8) by appropriating a find or a treasure,
9) by obtaining, upon compensation, inappropriately kept public cultural values and other items (property),
10) by confiscation or else alienating things (property) as a retribution for violation of the laws,
11) by acquisitive prescription,
12) as else described by law.

Article 4.48. Acquisition of ownership right by transfer

1. The right of ownership may be transferred to another person only by the owner of a thing or by a person given such powers by the owner.

2. The new owner acquires such rights and obligations regarding the transferred thing (property) as had the former owner of the thing (property), if the laws and the contract do not stipulate otherwise.

Article 4.49. The moment from which the acquirer of the thing by contract acquires ownership right

1.The acquirer of a thing (property) acquires the ownership right to the thing (property) as of the moment these are transferred to him, provided the laws or the contract does not stipulate otherwise.

2.The right of ownership to an immovable thing by contract is acquired as of the moment established by law.

3.The contract may stipulate that the ownership right shall pass to the acquirer only after the latter shall have carried out a condition established in the contract.

4.Ownership right to a future thing, with the exception of a thing subject to registration, may be transferred by contract in advance.

Article 4.50. Transfer of property to the acquirer

1. The transfer of a thing gives the acquirer the opportunity to use the thing transferred according to its purpose, with due regard to the condition of the thing and to its legal status.

2. The transfer is the passing into ownership of a thing to the acquirer, as well as the passing over of a thing, given without the duty to deliver to the destination, to a transport company for delivery to the acquirer and delivery by post to the acquirer, if the laws and the contract do not provide for differently.

3. Transfer of a bill of lading or another document testifying to the disposal thereof equals to the transfer of the thing.

Article 4.51. Acquisition of things having a special import

Things having a special import to the economy of the Republic of Lithuania, to the public or to national security, or for other reasons (weapons, heavily poisonous substances, etc.) may be acquired only upon special permission. Such things and the order of obtaining permits necessary to acquire them shall be established by law.

Article 4.52. The risk of accidental perish or damage of a transferred thing

1. The risk of accidental perish or damage of a thing being transferred shall pass to the acquirer at the moment that he acquires the ownership rights, unless otherwise stipulated by law or by contract.

2. If the transferor misses the deadline to transfer the thing or the acquirer misses the deadline to receive the thing, the risk of accidental perish or damage of the thing shall be upon the party that has missed the deadline, unless otherwise stipulated by law or by contract.

Article 4.53. Ownership right to fruit and income

1. The fruit borne by a thing and increase in animal stock belong to their owner unless the law or the contract establish otherwise.

2. The results of economic use of a thing- output or income- belong to the owner of the thing unless the law or the contract establish otherwise.

Article 4.54. Things arising from joining movable things

1. When movable things which are property of several owners join to form a new thing and there is no possibility to return them to their original state by partitioning them, or if the partitioning is fraught with excessive costs, when the owners have not agreed specifically upon joining the things, the new movable property arising therefrom shall be considered joint property whose parts belong to each of the co-owners in proportion to the value of the property so joined.

2. If movable things belonging to different owners were joined without the consent and knowledge of one of these (others) and if there is a possibility to partition them and return them to their original state, this shall be done at the expense of the person that joined them.

Article 4.55 Making of a thing from another's material

1. A person who has made a new thing from another's material becomes its owner, if the value of the work is larger than the value of the material and if the person did not and could not know that the material is somebody else' ownership. In such case the person who has used another's material shall recompense its value to the owner.

2. If the value of the material is greater than the value of producing the thing, the owner of the material shall be owner of the thing. He shall have the right to keep the thing and recompense the value of its making, or renounce the thing in favour of the maker and claim compensation from the latter.

Article 4.56. Making of a thing from own and another's material

1. A person who has produced a new thing from his own and another's material shall become the owner of the thing if the value of the work and that of the own material is greater than the value of another's material and if such person did not and could not know that the material was another's ownership. In such case the person who made use of another's material shall repay to the owner the value of the material used.

2. If the value of another's material is higher than that of the work and own material, the owner of such material shall be considered the owner of the thing. He shall have the right to keep

the thing and to pay for the making and for the other share of the material to the maker or renounce the thing in favour of the maker and claim compensation from the latter.

Article 4.57. Thing without owner

1. A thing that does not have an owner or whose owner is unknown shall be considered an ownerless thing.

2. A thing acquired in good faith and legally possessed shall not be considered ownerless when the possessor has not yet acquired the right to such thing by prescription.

3. Movable ownerless things includes animals and inanimate movable things which have not been anybody's property or which have been renounced by the owner, or which have been lost or hidden (find), including a treasure trove.

Article 4.58. Acquisition of ownership right to an ownerless thing

1. An ownerless thing may be given as ownership only to the State or to municipalities by a court judgement, adopted on the basis of an application by a financial, control or municipal institution. The application shall be submitted a year from the day the thing was included in the register, unless the law stipulates otherwise.

2. The procedure of disclosure of and accounting for an ownerless thing shall be established by the Government.

3. Ownership of an ownerless thing may not be acquired if this is prohibited by law or if the appropriation of such a thing violates another individual's right to appropriate the thing (right to a treasure trove etc.).

4. Movable things which had no owner or which have been relinquished by the owner by a direct statement to the effect or by discarding the thing, become ownership of a person that started possessing them.

Article 4.59. Wild animals

Wild animals in a state of freedom which have been caught or shot as provided by law, become property of the person that caught or shot them, unless the law provides otherwise.

Article 4.60. Wild and domestic bees

1. A swarm of wild bees shall be considered ownership of a person on whose land parcel it was caught.

2. The owner of bees shall enjoy the right to pursue a swarm of bees on another person's territory provided he indemnifies the damage caused by such pursuit.

3. The owner of a swarm of bees shall lose ownership right thereto if he has not pursued the bees within 24 hours as of the moment the bees were adopted by another person or when the bees have settled on another person's land.

4. If a swarm of bees joins the bee hive of another bee keeper, the owner of arriving bees loses ownership thereof.

Article 4.61. Untended and stray domestic animals

1.A person that catches an untended or stray domestic animal shall immediately inform thereof the owner of the animal and restitute such animal to him, or, if he does not know the owner of such animal or his address, shall inform the police or a municipal office within three days of the capture of the animal.

2.Police or municipal institution shall take measures to find the owner of the domestic animal and, in keeping with veterinary rules, during this period shall entrust the animal for keeping and using to its finder or shall entrust it for keeping and using to the nearest person engaged in agriculture and capable of duly tending to the animal, when the finder of the domestic animal does not engage in agriculture or does not have adequate conditions for keeping the animal.

3.If the owner of untended and stray working domestic animals (and their offspring) is found after one month, and that of domestic animals (and their offspring) within two weeks since the day they were given for keeping and using, such animal shall be returned to the owner. The owner shall repay the expenses of keeping the animal to the person that has tended the animal in the meantime, including the profit borne by it.

4.If the owner of the animal is not found in such time, he shall lose the right of ownership to such animal. In such case the animal shall remain, without recompense, to the person who has tended it.

Article 4.62. Finds

1. A find is a lost thing whose owner is unknown.
2. A person who has found a find shall restitute it to the owner if such is know. If such person is not known, the finder shall bring the find to the police within a week of the act of finding, and submit it to the police, if he cannot or shall not keep the thing himself.
3. The finder or the police shall keep the find for six months. Using the find during this period is prohibited. If in this time the owner of the thing is found, the thing is restored to the owner, with prior compensation by the owner of the expenses of keeping the thing and other expenses related thereto. If during the given term the owner is not found, the thing gratuitously becomes ownership of the finder, on condition that the finder agrees to cover the expenses of keeping and other related expenses when the find was stored elsewhere. If the finder does not agree to cover the expenses, the find shall become ownership of the State, gratuitously, while the finder shall be recompensed the expenses related to the find.
4. Legal acts may establish other legal provisions regarding finds.

Article 4.63. Perishable ownerless goods and finds

1. When an ownerless find may perish due to long storage or lose a part of its inherent qualities, the police, financial, supervisory or municipal institution shall take measures to sell the thing, when that is possible, while keeping the money received from selling for the person who has lost the thing. When the thing cannot be sold, it shall be destroyed.
2. If the owner of the thing is found after the thing was sold, the owner shall receive the amount of money recovered for the thing, less the amount for storing, selling and notifying about the find.
3. When the owner of a perishable find is not found within the term established by paragraph 1 of Article 4.58, the money received from selling such thing shall be transferred to the State as established by law.
4. If a person who had lost the thing which was sold as perishable, is not found in six months since the day of finding such thing, the money received from selling the thing shall be given to the finder, less the amount used for storage and selling of and notification about the find.

Article 4.64. Compensation for the find

1. The person who has found a thing and restored it to the owner or submitted it to the police in the order established by law, shall have the right to compensation from the owner of the lost thing for expenses related to the storage of the find and to pass on the recompense and pay for the find. The owner who has lost a thing shall pay the finder a fee of five per cent from the value of the found, if the owner has not promised a higher recompense for the find or if he has not agreed upon a higher pay with the finder.
2. A fee for finding a thing shall not be paid when the finder has not informed about the find in due time and due order or if he, when asked, concealed the fact of finding.

Article 4.65. Treasure trove

1. A treasure is money or valuables dug in the ground or otherwise hidden, whose owner cannot be established, mostly because a considerable period of time has passed since the concealment.

2. A person who has found a treasure trove in his own land or in another thing owned by the person, shall become owner of the finder.

3. It is prohibited to search for treasure trove in another person's land or property. A person who violates this rule shall not receive a part of the treasure trove, and the entire treasure trove shall become ownership of the person in whose land or other property the treasure trove was found.

4. The person who found a treasure trove in another person's land or other property by chance or with the permission of the owner to look for a treasure trove, shall receive one-fourth of the treasure trove, while three-fourths shall be given to the owner of the land or other property where the treasure trove was found, unless they have agreed otherwise. The agreement shall be made in writing.

5. If the digging of or search for valuables is part of the job description of the person, such person shall not acquire right of ownership to the treasure trove or a part thereof.

6. If a treasure trove has a historic, cultural, or archeological value and is appropriated, by law, for public benefit, the persons that have the right to recompense as stipulated in this article, shall be duly recompensed.

Article 4.66. Improper keeping of cultural heritage

1. When a person keeps improperly a property that has public value due to its historic, artistic or other properties, the public institution whose role is to protect such heritage, shall warn the owner about the improper keeping of such items. If the owner fails to fulfill the requirements, such property may be taken from him following a claim by relevant institution. Such taken things shall become state property. The person shall be recompensed for the value of the things taken, upon establishing such value by agreement between the former owner and the relevant institution, or, in case of a dispute, by court.

2. In case of urgency, a claim regarding the appropriation of indicated property may be submitted without warning.

Article 4.67. Expropriation of a thing

The State may expropriate a thing from an owner for the benefit of the public good, with due recompense, or without recompense, as a sanction for violation of the law, only in cases and in the order established by law.

SECTION THREE
ACQUISITIVE PRESCRIPTION

Article 4.68. Definition of acquisitive prescription

1. A physical or juridical person who is not the owner of a thing but as acquired the thing in good faith and has possessed it in good faith, legitimately, openly, continuously as his own an immovable thing for at least ten years, and movable thing for at least three years, when during the entire such period the owner of the thing had the legal possibility to implement his rights to the thing but has not used them once, shall acquire ownership right to such thing.

2. The fact of acquisition of ownership by acquisitive prescription shall be established by court.

Article 4.69. Things acquired by acquisitive prescription

1. Such things may be acquired in ownership by acquisitive prescription that may be subject object of private ownership .

2. Ownership by acquisitive prescription shall not apply to things obtained by force or in a clandestine manner, irrespectively of whether the person who has obtained the thing by force or in a clandestine manner way himself or somebody else seeks to acquire ownership right in this manner.

3. Acquisitive prescription shall not apply to ownership right to things that are property of the State of a municipality, or things registered on another person's (not the possessor's) name.

Article 4.70. Property acquired and possessed in good faith

1. A person acquiring property by acquisitive prescription must act not only in good faith, that is, by possessing the thing he must be convinced that nobody else has more rights to the thing he is, but he must also remain a possessor in good faith during the entire period of acquired prescription, and even upon acquiring the thing in ownership he must not know about impediments that hinder his acquiring the said ownership, if such impediments existed.

2. A possession in bad faith of a part of a thing or several parts thereof does not prevent the possessor from acquiring by acquisitive prescription and in good faith other parts thereof.

3. If the right to possession is acquired through a representative, good faith is required from both the agent and the principal.

Article 4.71. Continuous possession

1.Possession of a thing shall be deemed continuous when a person has possessed the thing uninterruptedly from the moment of acquiring the right of possession to the moment of acquiring the thing by acquisitive prescription.

2.If during the period of acquisitive prescription the possession of a thing passed on to several persons and the possession of each of these persons met the requirements indicated in Article 4.68 of this Code, then the time of possession of these persons shall be calculated together.

3.Acquisitive prescription shall not be interrupted by the loss of a thing without the volition of the possessor, provided the possession was restored within a year.

4.If the owner of the thing to which acquisitive prescription applies did not have a legal opportunity to implement his right to the thing, the counting of acquisitive prescription shall be suspended for the period that such impediment exists.

SECTION FOUR
CO-OWNERSHIP RIGHT

Article 4.72. Definition of common ownership and its subjects

1. Co-ownership right is the right of two or several owners to possess, use, and dispose of the object of the right of ownership held by them as common.

2. A co-owner may be any person that can be the subject of property relations.

Article 4.73. Kinds of co-ownership

1. Common partial ownership is ownership when shares of each co-owner are established in the co-ownership, while common joint ownership right is ownership when such shares are not established.

2. Common ownership right shall be deemed partial, unless the laws provide otherwise.

3. When the size of specific shares of each co-owner is not established, it is assumed that these shares are equal.

Article 4.74. Object of common ownership right

Any thing or other property may be the object of co-ownership right, unless otherwise provided by law.

Article 4.75. Implementation of co-ownership rights

1. The object subject to common partial ownership is possessed, used and disposed of by a common agreement of co-owners. In case of disputes, the order of possession, use or disposal is established by a judicial procedure on the basis of a claim by one of the co-owners.

2. If a object of common partial ownership was directly possessed, used and disposed of not by all co-owners, then the other co-owners have the right to receive a respective report annually or immediately after they have ceased to directly possess, use and dispose of the property held in common partial ownership.

Article 4.76. Rights and duties of co- owners in possession and maintenance of common partial ownership

Each of the co-owners in proportion to their respective shares shall have the right to the profits obtained from thing (property), shall be accountable to third persons in relation to duties related to a thing (property), held in co-ownership and shall pay expenses related to its maintenance and preservation, taxes, dues and other payments. If one of the co-owners fails to fulfill the obligation to maintain and take care of thing (property), the other co-owners shall have the right to a compensation for losses thus incurred.

Article 4.77. Change of rights of co-owners due to increase of common partial ownership

1. If a co-owner, in agreement with the other co-owners and in keeping with the rules established by relevant laws, increases the thing owned in common or the value thereof, the share of such co-owner in the common partial ownership and the order of the use of such thing owned in common shall be changed respectively, upon his demand.

2. If a co-owner increases the thing owned in common or the value thereof without the consent of the other co-owners, he shall acquire the right to that increased part, provided it can be partitioned without causing damage to the entire thing. If the increased part of a thing or its value cannot be partitioned from the main body without causing damage to the thing, the shares of all the co-owners shall increase in proportion to their shares of property held in common.

Article 4.78. The right of a co-owner to transfer or encumbrance the right to his share of the thing held in common partial divided ownership

Each co-owner shall have the right to transfer in possession of, lease or otherwise alienate, mortgage or encumbrance in some other way all or a part of his share held in common partial ownership, with the exception where this Code stipulates otherwise.

Article 4.79. Priority right to buy shares held in co-ownership

1. Co-owners shall enjoy the right to buy the share in sale of the commonly owned property at a price at which it is sold, and under the same conditions, with the exception of cases when the sale takes the form of a public auction.

2. The seller of a share commonly owned shall inform the other co-owners in written form about the intention to sell his part to others than the co-owners, indicating the price and other conditions of sale. When a share of an immovable thing commonly owned is sold, such information shall be given through a notary. When the other co-owners renounce their priority right to buy the share or fail to use such right to the immovable thing within one month, and to other thing, within ten days from the day of receipt of such notification, provided the co-owners have not agreed otherwise, the seller shall have the right to sell his share to any person.

3. If the share is sold in violation of priority right to buy it, the other co-owner shall have the right, within three months, to demand through court, the transfer of buyer's rights and obligations to him.

4. The seller and buyer of a share of common property are jointly responsible for the obligations pertaining to the share of the thing on sale, arising from the sale of the thing with regard to the other co-owners.

Article 4.80. Partitioning of common partial divided property

1. Each co-owner shall have the right to demand that his share should be partitioned from the common partial ownership.

2. Provided no agreement is reached regarding the mode of partitioning, the thing shall be divided in kind possibly without disproportionate damage to its destination; in other cases, one or several of the co-owners thus partitioned shall receive compensation in money.

3. A creditor of a co-owner shall have the right to partition the debtor's share, in order to claim it.

4. If one of co-owners is incapable of action or under age, in partitioning his share of co-ownership, a tutor (care) institution shall be present.

Article 4.81. The order of use of houses, flats and other immovable things owned in common

1. Co-owners of a house, flat or other immovable things shall have the right upon common agreement to establish the order for the use of specific parts of isolated spaces of that house, flat or other immovable things , with regard to their respective shares of common partial property.

2. If the agreement as stipulated in this article is certified by a notary and registered in a public register, it shall be obligatory also to a person that acquires a part of the house, flat or other immovable thing held in common partial ownership at a later time.

Article 4.82. Right of common partial divided ownership to flats and other premises

1. Owners of flats and other premises shall have common ownership right to commonly used premises of a house, to carrying constructions, mechanical, electrical, sanitary- technical and other equipment of common use.

2. The owner of a house, flat or other premises shall have no right to transfer his share of the common partial property, as described in paragraph 1 of this Article, or perform other acts due to which that share would be transferred separately from ownership right to the flat or other spaces, with the exception of cases when a part of thing held in common partial ownership, which can be, or will be after restructuring, used as a separate thing, this use being no impediment to the use of flats or other premises according to their destination, is transferred.

3. Owners of flats and other premises shall pay a proportionate share of expenses of the maintenance and protection of the house, as well as of taxes, dues, and other fees, and shall make regular contributions into the renovation fund of the house.

4. The rules stipulated in Article 4.79 of this Code shall also apply when owners of flats and other premises of a house sell to other persons their entire share or a part of their proportionate share of the property held by them in common partial ownership (attic, cellar, etc.). If the share on sale of the thing held in common partial ownership is or can be used to meet the needs not of the entire building but of the owners located in a part thereof (separate stairwell/ entrance etc.), without violating the rights of the owners of premises present in that building, then notification shall be made regarding the sale of that part held in common partial ownership to the owners of premises located in that part of the building, and only these latter shall enjoy priority right to buy it.

5. The share of common partial property owned by the owner of a flat or other premises shall be equal to the proportion between the useful space owned by him and the entire useful space of the building.

Article 4.83. Rights and duties of owners of flats and other premises to use common partial property

1. Owners (users) of flats and other premises shall have the right to use parts of common use of a dwelling according to their function, on condition such use does not violate the rights and rightful interests of other space owners (users).

2. Owner of flats and other premises shall also have the right:

1) to take necessary measures without prior consent of other owners (users) in order to prevent damage and eliminate threats to parts of common use, and demand from the other owners of flats and premises compensation for expenses in proportion to the share of these owners in the common partial property.

2) Demand from other owners (users) of flats and other premises that the possession and use of parts of common use of a dwelling should be in correspondence with the rights and rightful interests of other owners (users). The rightful interests of owners of flats and other premises shall include establishing internal rules of a dwelling, due maintenance and care of parts of common use, preparation of a financial and economic plan for the maintenance of a dwelling, accumulation of renovation funds for parts of common use.

3. Owners (users) of flats and other premises shall possess, duly maintain, repair and otherwise tend to the parts of common use. For the possession of parts of common use of a multi-flat dwelling, owners of flats and other premises shall establish an association of owners of flats and other premises or shall make up an contract on joint activity.

4. Owners (users) of flats and other premises do not have to pay expenses incurred without their consent and which are not related to compulsory requirements regarding the use and care of buildings established by laws and other legal acts, or when there is no decision by the administrator or by a meeting of owners of flats and other premises as established by Articles 4.84 and 4.85 of this Code.

5. Owners (users) of flats and other premises shall allow appointed persons to repair and otherwise put in order the mechanical, electric, technical and other equipment of common use that is situated in their flat or other premises.

6. Owners of flats and other premises shall have the right to income received from parts in common use, in proportion to their share in the common partial divided property.

Article 4.84. Administration of common partial ownership of owners of flats and other premises, when such owners have not formed a condominium or have not made a contract on joint activities (partnership)

1. When owners of flats and other premises have not established an condominium of owners of flats and other spaces of a living house or have not made a contract on joint activities (partnership), also when an condominium has been liquidated or a contract has terminated, an administrator of parts in common use shall be appointed.

2. Such administrator shall be appointed by the mayor (board) of a municipality or his (her) representative. The administrator shall administer the property in accordance with Article 4.240 hereof.

3. The administrator shall act in accordance with regulations endorsed by the mayor (board) of the municipality. Standard regulations on the administration of co-ownership of flats and other spaces shall be approved by the Government or an institution delegated thereby.

4. The expenses of administration shall be covered by owners of flats and other premises in proportion to their share of property in the common partial ownership.

5. Administration shall be terminated as established by Article 4.250 hereof, as well as upon registration of the statutes of an condominium of owners of flats and other premises of a living house, or upon making of a contract on joint activities (partnership).

6. Rules stipulated in Chapter XIV of this Book shall apply, *mutatis mutandis*, to the activities of the administrator.

Article 4.85. Implementation of right of common partial ownership of owners of flats and other premises

1. Decisions regarding the possession and use of parts of common use shall be taken by the majority of votes of the owners of flats and other premises, provided the statutes of the

association of owners of flats and other premises or the contract on joint activities does not establish otherwise. Each owner of a flat or other premises shall have one vote. If a flat and other premises are owned by several owners, they shall be on common accord represented by one person, which shall have that vote.

2. Decisions of owners of flats and other premises shall be taken at the meeting of owners of flats and other premises. The agenda of the meeting shall be notified in public two weeks before the meeting takes place.

Meetings of owners of flats and other premises shall be called by the board (chairman) of the company or by a person delegated by parties to the joint activities contract by owners of flats and other premises, or by administrator of flats and other premises held in common partial property.

3. Decisions by owners of flats and other premises shall be made public and shall be binding to all owners of flats and other premises, as well as to owners who have acquired ownership rights to flats and other premises after such decisions have been taken. Such decisions cannot limit the rights and legitimate interests of owners of flats and other premises and third persons, with the exception of cases established by this Code and other laws.

4. Decisions of owners of flats and other premises may be taken without convening a meeting, upon written notification about their decision. The manner of voting in writing shall be established by the Government or an institution delegated thereby.

Article 4.86. Rights and duties of co-owners in using and maintaining common joint property

1. Co-owners shall have equal rights to income obtained from common thing (property), shall respond to third persons according to the obligations related to the thing (property) co-owned, and shall jointly pay expenses arising from the use and maintenance of the thing, as well as taxes, dues and other fees, provided they have not agreed or the law does not establish otherwise.

2. The right of common joint ownership may arise only in cases established by law.

Article 4.87. Change of rights of co-owners upon increasing common joint property

If a co-owner increases the common thing or its value in keeping with the rules established by law, all co-owners shall have equal rights to the increased thing or its value.

Article 4.88. Right of co-owner to transfer or limit the right to the part held in joint common ownership

1. A thing (property) which is object of common joint ownership is possessed, used and disposed of only upon agreement by co-owners.

2. Agreement of co-owners is necessary in order to transfer the immovable thing to the ownership of another person, to rent or to give for use in some other way, to mortgage or otherwise to encumbrance the right to the thing. If a co-owner is under age, permission may be given by his parents, guardians, or bread-winners.

3. A co-owner shall have no right to transfer to the ownership of another person his share of common joint ownership until that share has not been established in the common thing (property), with the exception of cases where the thing (property) is being inherited, and in other cases established by law.

Article 4.89. Establishing the share of a co-owner in common joint ownership

1. The share of a co-owner in common joint ownership shall be established upon demand of the co-owner or upon expiration of legal relations of common joint ownership, or when the share of the co-owner is claimed as liability in relation to his personal obligations, if the rest of the property owned by such person is not sufficient to reimburse the claims of the creditors.

2. The size of the share of a co-owner in common joint ownership shall be established upon agreement among co-owners. In the event of failure to reach such agreement, the court shall decide.

Article 4.90. Partitioning of common joint ownership

1. Each co-owner shall have the right to partition his share from the common joint ownership.

2. If a dispute arises regarding the manner of partitioning, upon the claim by an alienating co-owner the thing may be divided in kind, without causing disproportionate damage to its function. In a contrary case, the partitioning co-owner shall receive compensation in money.

3. The creditor of a co-owner shall have the right to submit a claim regarding the partitioning of the share of a co-owner and such share itself.

Article 4.91. Payment for common joint property

1. On the basis of contracts made by one of the co-owners, claims can be indemnified from the entire common joint property, if circumstances do not indicate that the contract was made in the personal interest of the person making the contract, and when the law does not establish otherwise.

2. Damage caused by a crime committed by a co-owner may be paid from the common joint ownership if a court decision rules that the thing making the subject-matter of common joint ownership has been acquired by funds received from criminal activity or that its value has increased due to such funds.

Article 4.92. Common joint ownership right of spouses

1. The common joint ownership right of spouses shall be established by the rules stipulated in Book Three of this Code

2. Provided no agreement has been reached on the matter and Book Three of this Code does not stipulate otherwise, common joint ownership of spouses shall also include agricultural implements acquired by the common funds of spouses.

SECTION FIVE
PROTECTION AND DEFENCE OF OWNER'S RIGHTS

Article 4.93. Protection of owner's rights

1. The Republic of Lithuania guarantees equal protection of rights of all owners.
2. Nobody has the right to:
    1) take property by force, with the exception of cases established by law;
    2) demand that an owner against his own will should join property with that of another owner.
3. Property may be taken from owner without recompense only by way of court judgment or verdict.
4. Property may be taken for public needs only upon just recompense.

Article 4.94. Temporary use of a thing against the will of the owner

1. In cases established by law, for public good it is allowed to make temporary use of a thing against the will of the owner.

2. The owner shall be indemnified the expenses incurred as well as the damage caused by such temporary use of a thing arising from paragraph one of this Article.

Article 4.95. Owner's right to vindicate a thing from another's illegal possession

The owner shall have the right to vindicate his thing from another's illegal possession.

Article 4.96. Vindication a thing from an acquirer in good faith

1. If movable thing was acquired upon payment from a person who had no right to transfer this property, and the acquirer did not and could not know this (acquirer in good faith), the

owner shall have the right to vindicate the thing from the acquirer only if the thing belongs to the owner or to a person to whom the owner had given it in possession, if the thing was lost or stolen from one of these, or if it stopped being in their possession against their volition. The owner may vindicate the thing within three years from the moment of the loss of the thing.

2. Immovable thing may not be vindicated from an acquirer in good faith with the exception of cases when the owner had lost such thing due to a crime committed by other persons.

3. If a thing was acquired without recompense from a person who had no right to transfer its ownership, the owner shall have the right to vindicate the thing in all cases. This rule shall apply to movable as well as immovable things.

4. This article shall not apply when a thing was sold or otherwise transferred in compliance with a procedure for the enforcement of court judgments..

Article 4.97. Payments in returning a thing illegally possessed

1. The owner in vindicating a thing as stipulated by Article 4.95 of this Code, shall have the right to demand: from the person who knew or had to know that his possession was illegal (possessor in bad faith), to restitute or recompense all income that such person received or had to receive during the entire period of possession; from an illegal possessor in good faith- all income which such possessor received or had to receive since the time when he found out or had to find out about the possession being illegal or found out about the starting of a civil case regarding the restitution of the thing.

2. Illegal possessor in bad faith in his turn shall have the right to claim from the owner the necessary expenses related to the thing since the moment the owner receives income from such thing.

3. Illegal possessor in good faith shall have the right to claim from the owner recompense for all his expenses caused by the thing that have not been covered by income received from the thing.

4. Illegal possessor in good faith shall have the right to keep the parts that have been added to meliorate the thing, provided these can be partitioned without causing damage to the thing. If the parts added as melioration cannot be partitioned or when the thing was meliorated in a different mode, the illegitimate possessor in good faith shall have the right to claim recompense of expenses arising from such melioration, but not greater than the increase in value of the thing.

Article 4.98. Defence of ownership right from violations unrelated to loss of possession

Owner may claim elimination of all violations to his right, even if unrelated to loss of possession

Article 4.99. Defence of rights of owners of land parcels from possible violations, unrelated to loss of possession

Owner of a land parcel may claim that new constructions should not be built, rebuilt, reconstructed or even maintained unchanged on adjacent land parcels, if a plausible assumption may be made that such construction of new buildings or change of existing ones or even existence and use of unchanged ones will cause negative impermissible impact on his land parcel or if the buildings on his land parcel may lose stability.

Article 4.100. Expropriation of property for public needs

1.A thing or other property belonging to a person as private ownership may be expropriated for public needs only in exclusive cases and only in the order established by law.

2.In cases provided for by paragraph one of this Article the owner of a thing (property) shall be compensated for in money the value of such thing (property) at market prices, and by agreement between parties, by transfer of another thing (property).

3.Disputes on expropriation of property, its value and on losses incurred due to such confiscation shall be decided by court.

4.Ownership right to a movable thing (property) claimed for public needs shall pass to the State as of the moment of payment for such thing (property) to the owner. Ownership right to immovable thing claimed for public needs shall pass to the State since the moment of registering such immovable thing in a public register, however, such thing may be registered in the public register as state property only after payment has been effectuated to the owner of such immovable thing.

Article 4.101. Protection of rights of persons whose land parcels held in their ownership and carrying constructions thereon are claimed for public needs

1. If a land parcel is claimed for public needs belongs to a person as his ownership and has buildings on it, such person shall be recompensed for the land parcel, as well as for building in construction or already constructed thereon belonging to such person as his property , as well as plants thereon, in money at market prices.

2. The value of a land parcel, constructions and plants thereon, the terms of their confiscation, and the losses incurred by the owner due to the expropriation thereof shall be established by a contract between the future user of land and the owner of land, buildings and plants, unless otherwise established by law.

3. Disputes regarding the expropriation of land parcels, constructions and plants thereon, their value and losses incurred by the owner due to such confiscation, shall be decided by court.

Article 4.102. Protection of rights of persons who use land parcels for building purposes without owning them when such land parcels are claimed for public needs

1. If a land parcel that is used for building purposed without owning such land is claimed for public needs, such persons shall be recompensed for the constructions being built or already erected on such land as their ownership as well as for plants thereon in money at market prices.

2. The new land user shall pay for all losses incurred by the owner of buildings and plants due to the expropriation of that land parcel, with the exception of losses that arise due to illegal actions by the owner of such buildings and plants.

3. The value of land, buildings, and plants, the terms of confiscation of land and the losses incurred due to such expropriation shall be established by a contract between the new land user and the owner of the buildings.

4. Disputes on the value of buildings or plants, the terms of expropriation and the losses incurred due to such expropriation shall be decided by court.

Article 4.103. Legal civil consequences of violation of normative technical construction specifications

1. Natural and legal persons that have built, are building or are reconstructing an edifice without a due permit, a duly agreed and approved project or with relevant digressions from the building project, or with obvious violations of normative technical construction specifications, or in possession of a permit issued illegally, shall have no right to use or dispose of such a building (sell, give as gift, lease, etc.)

2. Persons whose rights and interests are violated in cases described by paragraph one hereof shall have the right to appeal to the court regarding violations of the rules on construction or the issue of construction permits.

3. The court by its judgment may;

1) demand that the builder during an established period of time duly approve the project, make due changes therein, receive due permit or eliminate other violations related to due formalities of construction specifications;
2) demand that the builder should remodel the construction within an established period of time (pull down a part of the building, reconstruct, etc.);
3) demand that the builder should pull down the building within a given time frame.

4. If the builder complies with the requirements as stipulated by paragraphs 3.1 and 3.2 of this Article, the institution registering immovable things must register the construction in due form.
5. If the builder fails to comply with the requirements as stipulated by paragraph 3.1 and 3.2 of this Article, the construction (its part) may be pulled down by a court judgment at the expense of the builder.
6. Construction materials remaining after the demolition of such buildings are ownership of the builder.
7. Damage incurred due to violations of the normative construction technical specifications shall be indemnified in the order established by Section Three of Chapter XXII.

Article 4.104. Consequence s of loss of right to use a land parcel

1. When a contract that gave a person right for indefinite period to use or rent a land parcel is determined null and void by a court decisions due to intentional acts by a user or renter or is terminated due to volitional significant violations of the order of the use of land, a person may transfer constructions being built or existing on such land and held as ownership. If all or some of the buildings (their parts) cannot be transferred, such remaining items shall be demolished or by an agreement between the land owner and the owner of such buildings be transferred to the ownership of the land owner, or with the agreements of the owner of the land may be given to a third person.

2. Disputes regarding demolition, or translocation or transfer in favour of the owner of land or a third person shall be decided by court.

Article 4.105. Consequences of loss of right to a land parcel

1. A person who has lost the right to a land parcel by a court judgment shall be recompensed the value of buildings existing on this land and held in his ownership, provided he is not given the right to use such land parcel in another way (by establishing land servitude etc.)

2. If a transaction whereby the land parcel was used is acknowledged null and void by a court without the fault of the owner of the buildings, such owner shall be recompensed in the order and on terms established by Article 4.102 of this Code and by funds of the land owner.

3. If a transaction whereby the land parcel was used, is acknowledged null and void by a court judgment due to the fault of the owner of the buildings and without granting him the right to use in some other legal way the land parcel (by establishing servitude etc.), the owner of the buildings may relocate such buildings. When it is impossible to relocate all or some of these buildings(their parts), upon agreements by the owner of the land the items failing translocation may be transferred to a third person to by agreement between the owner of the land parcel and the owner of the buildings bye transferred to the owner of the land, or demolished.

4. In cases established by paragraph 3 of this article the buildings are relocated or demolished at the expense of their owner, construction materials remaining after the demolition are property of the owner of the buildings, and the owner of the buildings must compensate for all losses incurred due to illegal use and possession of land.

5. Disputes regarding translocation, demolition or transfer of buildings in favour of the owner of the land parcel or a third person shall be decided by court.

CHAPTER VI
RIGHT OF TRUST

Article 4.106 Definition and purpose of right of trust

1. The right of trust of property is the right of the trustee to possess, use and dispose of property in the order and under conditions defined by the trustor.

2. The right of trust is established for personal purposes, for private or public good.

Article 4.107. Subjects of the right of trust

1.The subjects of the right of trust (trustees) in the Republic of Lithuania shall include state or municipal enterprises, offices and organizations, as well as other legal and natural persons.

2.The trustor or several trustors may appoint one or several trustees, as well as establish the procedure of their appointment and replacement.

Article 4.108. Basis for the right of trust

The right of trust may originate from the law, administrative act, contract, will, or court judgment.

Article 4.109. Content of the right of trust

1. State or municipal enterprises, offices, and organizations possess and use property duly entrusted them by the State or municipality, and dispose of it upon terms and conditions established by their statutes (regulations), as well as legal acts governing the activities of state or municipal enterprises, offices, and organizations, without violating the law and other persons' rights and interests.

2. Other legal and natural persons possess and use the property entrusted them by the trustor and dispose of it to the extent and on terms and conditions established in the legislation on trust, contract, will, court judgment or the law.

Article 4.110. Protection of the right of trust

The subject of the right of trust in protecting the property in possession, shall enjoy the rights established by Articles 4.95- 4.99 of this Code.

CHAPTER VII
A SERVITUTE

SECTION ONE
GENERAL PROVISIONS

Article 4.111. Concept of a Servitude

1. A servitude is a right in respect of an immovable thing of another that is granted for the use of that thing (the servient thing) or a restriction of the right of the owner of that thing in order to ensure a proper utilisation of the thing in favour of which the servitude is established (the dominant thing).

2. When the subject of the right of ownership of the servient or dominant thing changes, the established servitude remains due.

Article 4.112. Contents of a Servitude

1. A servitude grants the servitude holder definite rights of use of a definite thing of another or withdraws from the owner of the servient thing definite rights of use of the thing.

2. If doubts arise regarding the contents of a servitude and when possibilities to determine it precisely are lacking, it shall be presumed to be the least.

3. If, at the time of the establishment of a servitude or subsequently, the content of the servitude was not definitely determined, it is conditioned by the needs of use of the dominant thing in accordance to its destination.

4. The establishment of a servitude shall not deny the owner of the servient thing rights of use of the thing constituting the contents of the servitude, provided the exercise of those rights does not interfere with the established servitude.

5. The owner of the servient or dominant thing has the right to apply to the court and to request to modify the contents of the servitude or to cancel the servitude, provided that the

circumstances change essentially or unforeseen circumstances arise whereby it is impossible to exercise the rights granted by a servitude or the exercise becomes very complicated.

Article 4.113. Exercise of Servitude Rights

1. Rights granted by a servitude shall be exercised in accordance to their intended destination in order to cause the least inconvenience to the owner of the servient thing.
2. While exercising the rights granted by a servitude, the servitude holder must not violate rights of other owners.
3. In establishing a servitude, the obligation to build buildings, install plants or perform other works that are necessary for the exercise of servitude rights may be imposed.

Article 4.114. Duty of the Servitude Holder to Maintain the Servient Thing Properly

1. If, in order to exercise the rights granted by a servitude in a normal way it is necessary to renovate or properly maintain the servient thing in any other way, the servitude holder must carry such tasks in a proper way and on time unless otherwise stipulated in the contract.
2. In cases when the owner of the servient thing himself also exercises the rights constituting the contents of the servitude, the obligation to properly maintain the servient thing falls on both subjects in proportion for the use of the thing unless otherwise stipulated in the contract.

Article 4.115. Retaining of a Servitude when the Servient Thing is Divided

Where the servient thing is divided, the previously established servitude remains due for all parts of the servient thing except when, at the time of division, the servitude was valid or was established exclusively in respect of a definite part of the servient thing.

Article 4.116. Retaining of a Servitude when the Dominant Thing is Divided

1. Where the dominant thing is divided, the previously established servitude remains due for all parts of the dominant thing except when, at the time of division, the servitude was valid or was established exclusively in respect of a definite part of the dominant thing.
2. The division of the dominant thing may not further encumber the servient thing (in case of a servitude of right of way, all owners of the divided dominant thing use the same way in respect of which the servitude was established).

Article 4.117. Servitude of Right of Way

By a servitude of right of way the right to use a footpath, a road for land vehicles and a path to drive cattle may be established.

Article 4.118. Servitude of Right of Way Granting the Right to a Footpath

1. When a right to use a footpath is granted by a servitude of right of way without determining any additional possibility to use the footpath for any other purposes and without determining any restrictions on its use, it shall be deemed that pedestrians, bicycles without engines and cattle led on a leash may use a footpath.
2. If in establishing a servitude of right of way that grants the right to a footpath, the width of a path is not stated and it is not possible to define the width following the previous footpath, if such a footpath existed, a footpath of one meter shall be deemed to be used.

Article 4.119. Servitude of Right of Way Granting the Right to Drive Vehicles

1. When a right to drive vehicles is granted by a servitude of right of way without determining any additional possibility to use the road for any other purposes and without determining any restrictions on its use, it shall be deemed that it is possible to drive various vehicles and to use it as a footpath.

2. If, when establishing a servitude of right of way that grants the right to drive vehicles, the width of the road is not stated and it is not possible to determine it on following the former road, if such a road existed, it shall be considered that it is possible to use a four-meter road. In cases when it is likely that such a road may be used to drive specialised vehicles of big dimensions, the owner of the land plot in respect of which the servitude of right of way was established granting the right to drive vehicles has no right to plant trees closer than three meters from the sides of the road.

Article 4.120. Servitude of Right of Way Granting the Right to Drive Cattle

1. When a servitude of right of way grants the right to drive cattle without determining any additional possibility to use it for other purposes and without determining any restrictions on its use, it shall be considered that such a road (path) may only be used to drive cattle and the servitude holder may use it as a footpath.

2. The right to drive cattle granted by a servitude of right of way does not confer the right to graze cattle by the roadside or on the path and along it.

3. If, in establishing a servitude of right of way that grants the right to drive cattle, the width of the road (path) is not stated and it is not possible to define the width following the former road (path), if such a road (path) existed, it shall be considered that a road (path) of one meter may be used.

Article 4.121. Determination of the Location and the Direction of the Road (Path)

When a servitude of right of way grants the right to use a footpath, a road for land vehicles or a path to drive cattle without stating the location and the direction of the road (path), it shall be considered that the right to use the existing road (path) is granted, and if such a road does not exist - the former road (path), and if such a road did not exist or it is not possible to determine its location and direction, the owner of the thing chooses the location and the direction of the road (path), if possible, by following the provision that the location to be chosen as far as possible meets the road (path) requirements.

Article 4.122. Servitude of Buildings

A servitude of buildings may be established granting the right to provide support to the dominant building against the servient thing or to provide attachment to it, to infix hooks or other fastenings into the wall (structure) of the servient building and to use them, to construct and erect parts of buildings pending over the servient plot of land or a building, to forbid the owner of the servient plot of land to construct buildings that obstruct the light or the existing view as well as to perform other acts that are not prohibited by laws or to request that the owner of the servient thing refrains from the execution of definite acts.

Article 4.123. Other Servitudes

Servitudes may be established that grant the right to lay down underground or aboveground communications, servitudes to maintain and use them thereof as well as other servitudes.

SECTION TWO
ESTABLISHMENT OF A SERVITUDE

Article 4.124. Grounds and Time for the Establishment of a Servitude

1. A servitude may be established by laws, transactions and by a court judgement while in cases stipulated by laws – by an administrative act.

2. Rights and obligations arising from a servitude in respect of subjects become effective only after the registration of the servitude except when the servitude is established by laws.

3. In establishing servitudes in all cases the will of the owner of the thing to become the dominant thing must be present except when a servitude is established by laws or by a court judgement.

Article 4.125. Establishment of a Servitude by Transactions

Only the owner of the thing to become the dominant thing has the right to establish servitudes by transactions.

Article 4.126. Establishment of a Servitude by a Court Judgement

1. A servitude is established by a court judgement when owners fail to come to a mutual agreement, whereas without the establishment of a servitude it would be not possible by reasonable expenses to use the thing in accordance to its destination.

2. The owner or the possessor of the thing may apply to the court on the establishment of a servitude by a court judgement.

Article 4.127. Restrictions on the Establishment of a Servitude

1. It is allowed to establish a new servitude provided that the formerly established servitude is not violated whereby.

2. It is allowed to establish a servitude in respect of an immovable thing subject to mortgage only on the consent of all creditors or by a court judgement.

Article 4.128. Things in Respect of which a Servitude May be Established

1. A servitude may be established in respect of an immovable thing that by its permanent characteristics may ensure a proper usage of the dominant thing for an indefinite period.

2. Having established the servitude, things becoming servient and dominant need not necessarily have a common border. Above all, due to the established servitude the thing becoming servient by its permanent characteristics should provide the thing becoming dominant the targeted permanent benefit established by the servitude.

3. If, at the time of the establishment a servitude, a definite part of the thing was not determined in respect of which the servitude is established, it shall be considered that the servitude was established in respect of an entire thing. However, when in accordance with the rights of use granted by the servitude in respect of the servient thing it is possible to use equally well both the entire thing and a part of it and whereby a proper usage of the dominant thing is ensured, the owner of the servient thing has the right to determine part of the thing where rights established by the servitude may be used.

Article 4.129. Compensation of Damages Incurred due to the Establishment of a Servitude

Damages incurred due to the establishment of the servitude are compensated in accordance with the procedure established by laws. The obligation of the owner of the dominant thing to pay a lump sum or instalments to the owner of the servient thing may be established by laws, contracts, a court judgement or an administrative act.

SECTION THREE
EXTINCTION OF A SERVITUDE

Article 4.130. Grounds and Time for the Extinction of a Servitude

1. A servitude is extinguished:
    1) by renunciation;
    2) by the union of the qualities of the owner of the servient and the dominant thing in one person;
    3) by destruction of the servient and the dominant thing;
    4) by deterioration of the condition of the servient thing;

5) through the end of necessity;
6) through prescription.

2. A servitude may be extinguished only on grounds laid down in paragraph 1 of this Article**.**

3. The time of de-registration of the servitude shall be deemed to be the moment of the extinction of the servitude except for cases provided for in paragraphs 1(2) and (3) of this Article.

4. The owner of the servient or the dominant thing may apply to the Public Register on the extinction of the servitude.

Article 4.131. Renunciation of a Servitude

1. The owner of the dominant thing may only renounce the existing servitude for the benefit of the owner of the servient thing.

2. When a servitude grants several rights of use in respect of one and the same thing it is possible to renounce only some of the rights.

3. When the dominant thing belongs to several owners the renunciation of the servitude becomes effective only upon the joint consent of all persons.

4. The renunciation of a servitude possessed shall be done in writing.

5. The owner of the dominant thing must notify the owner of the servient thing about the renunciation of the servitude no later than six months in advance; the owner of the dominant thing must also compensate damages incurred due to the termination of the servitude to the owner of the servient thing.

Article 4.132. Extinction of a Servitude by the Union of the Qualities of the Owner of the Servient and the Dominant Thing in One Person

1. A servitude extinguishes only when the same person becomes the owner of both the entire dominant and the entire servient thing.

2. If the same person becomes the owner of only a part of the dominant and the servient thing, the servitude remains in effect for the rest of the thing.

3. When the servient thing belongs to several persons, a servitude extinguishes only when all owners of the servient thing acquire the dominant thing by ownership rights.

Article 4.133. Extinction of a Servitude when the Dominant and the Servient Thing is Destroyed

A servitude extinguishes when the dominant or the servient thing is lost.

Article 4.134. Extinction of a Servitude when the Condition of the Servient Thing Deteriorates

1. If the servient thing deteriorates to the extent that it cannot perform functions of the servient thing any longer, the servitude also extinguishes.

2. The servitude that extinguished due to the deterioration of the servient thing is renewed if the thing regains properties whereby it may again perform functions of the servient thing. In that event, the fact that within the time period when the deteriorated thing could not perform functions of the servient thing the servitude would be extinguished through prescription is of no importance.

3. The owner of the servient thing and the owner of the dominant thing shall mutually agree on the extinction or renewal of the servitude. In cases of a dispute, the court shall adopt a judgement.

Article 4.135. Extinction of a Servitude through the End of Necessity

1. When circumstances change to such an extent that the dominant thing may be properly used without using the servient thing, rights of the owner of the servient thing to use this thing are not restricted and the servitude extinguishes upon the agreement of the owner of the servient thing and the owner of the dominant thing.

2. Failing the agreement between the owner of the servient thing and the owner of the dominant thing, the court adopts a judgement on the extinction of the servitude.

Article 4.136. Extinction of a Servitude through Prescription

1. A servitude extinguishes through prescription if the person entitled thereto has not voluntary, within a period of ten years, he or through other persons used the rights granted by the servitude.

2. A time period during which rights granted by a servitude were not used due to *force majeure* or due to impediments created by the owner or the possessor of the servient thing is not included into the prescriptive period.

3. If the servitude holder used the rights granted by the servitude within a period of ten years only in respect of a portion of the servient thing, the servitude in respect of the rest of the servient thing terminates.

4. A servitude may not extinguish through prescription, if only part of rights granted by the servitude were used.

5. When the time period of prescription elapses, the servitude of right of way granting the right to use a road or a path leading to a cemetery may not extinguish.

6. A judgement on the extinction of the servitude through prescription is adopted by the court.

Article 4.137. Extinction of a Servitude of Buildings through Prescription

A servitude of buildings extinguishes only when the owner of the dominant thing himself or through other persons failed to use rights granted by the servitude within a time period of ten years and did something to the servient thing that is incompatible with rights granted by the servitude.

Article 4.138. Right of the Servitude Holder to Claim Compensation for Damages

If the owner or the possessor of the servient thing prevents the servitude holder from the exercise of rights granted by the servitude, the servitude holder has the right to claim damages due to this impediment.

Article 4. 139. Protection of Rights of the Owner of the Servient Thing

1. If the servitude holder fails to exercise the rights of use of the servient thing granted by the servitude properly and violates the rights of the owner of the servient thing thereby, the owner of the servient thing has the right to request the elimination of any violations even those not related to the loss of possession.

2. In cases when the servitude restricts the right to a portion of the thing, the owner of the servient thing has the right to request the substitution of the portion of the thing in respect of which the right is restricted thereof by another portion of the thing, if such a substitution assists the owner of the servient thing in avoiding too big losses arising from the servitude.

3. Following the extinction of the servitude, the servitude holder, provided the owner of the servient thing requests so, must restore the thing to its original state that existed before the establishment of the servitude. The servitude holder may not be requested to eliminate alterations of the thing that appeared irrespectively of the existence of the servitude unless the law or the contract provides otherwise.

Article 4.140. Liability in Accordance with Property Obligations arising from a Servitude

1. If the servient or the dominant thing by rights of ownership belongs to several owners, they are solidarily liable in respect of property obligations arising from the servitude.

2. If the servient or the dominant thing is transferred to another person, the transferor and the transferee of the thing shall be solidarily liable in respect of property obligations arising from the servitude before the transfer of the thing.

CHAPTER VIII
USUFRUCT

SECTION ONE
GENERAL PROVISIONS

Article 4.141. Concept of the Usufruct

1. Usufruct is the right (the right of the usufructuary) of use and enjoyment, granted for a period of a person's life or for a certain period that may not be longer than a lifetime of a person, of a thing of another and of its fruits, products and revenues.

2. Usufruct may be established for the benefit of one or several persons (either jointly or severally).

Article 4.142. Object of the Usufruct

1. Each not consumable movable and immovable thing that is the object of the right of ownership may be the object of the usufruct.

2. By acquiring the usufruct in respect to a principal thing, the usufructuary also acquires the usufruct in respect of secondary things unless the contract or laws provide otherwise.

3. The object of the usufruct is transferred to the usufructuary pursuant to the inventory.

4. If the owner of the thing in respect of which the usufruct was established changes, the usufruct remains due.

Article 4.143. Contents of the Usufruct

1. A usufructuary has the right to use the thing as prescribed, or in the absence of requirements, in accordance to its destination as though he was its diligent owner.

2. Fruits, products and revenues produced by the thing while exercising the usufruct belong to the usufructuary unless the contract or laws provide otherwise.

3. The content of the usufruct is established on a case-by-case basis at the establishment of the usufruct. The subject establishing the usufruct may establish only such rights granted by the usufruct that are in compliance with the usage of the thing in accordance to its destination.

4. If the usufruct is established in respect of the thing that is the object of the right of common ownership, the usufructuary enjoys the same rights of possession and use of the thing as though he were its co-owner.

5. The usufructuary has the right to request the performance of obligations arising from the object of the usufruct and to accept contributions.

6. The usufructuary has no right to transfer the usufruct to another person; however, he can transfer the right of use to another person. In that event, both subjects are solidarily liable according to their obligations. The period of time for which the right of use of the usufruct was transferred to another person may be not longer than the time for which the usufruct was established.

7. The usufructuary has no right to remake the object of the usufruct or to change it in essence in some other way without the permission of the owner of the object of the usufruct or in cases prescribed by the law – without a judgement of the court.

8. The usufructuary has no rights in respect of the treasure found in the object of the usufruct or a part thereof that, pursuant to the law, belongs to the owner of the thing.

Article 4.144. Duties of the Usufructuary

1. The usufructuary is bound to maintain and renovate the object of the usufruct so far as it is necessary to ensure its normal condition.

2. In proportion to the possessed rights of use of the object of the usufruct and the revenues produced by it, the usufructuary is bound to pay taxes and other fees in respect of the object of the usufuct unless the contract and laws provide otherwise.

3. If the object of the usufruct is damaged or broken or it is necessary to perform routine improvement and repair works, to protect it from unforeseen risks or when third persons raise claims in respect thereto, the usufructuary must without delay notify the owner.

4. The usufructuary in cases specified in the contract, the will or the law is bound to insure the object of the usufruct. If the usufructuary fails to insure the object of the usufruct, the owner thereof may insure it at the expense of the usufructuary.

5. The usufructuary annually at his own expense is bound to render to the owner of the object of the usufruct a report unless otherwise provided in the usufruct terms.

Article 4.145. Use of the Usufruct in Respect of Land

1. The usufruactuary has no right to fell trees on the land subject to the usufruct except those which have fallen and died naturally. The usufructuary must replace the destroyed trees unless otherwise provided by the usufruct terms.

2. The usufructuary may not extract minerals from the land except when the extraction of minerals constitutes the purpose for the land use.

Article 4.146. Liability of the Usufructuary

1. The usufructuary is liable for the deterioration of the condition of the object of the usufruct due to improper use of the usufruct.

2. If the usufructuary fails to perform principal duties arising from the usufruct, the court on the request of the owner of the object of the usufruct can appoint the administrator of the object of the usufruct.

SECTION TWO
ESTABLISHMENT OF THE USUFRUCT

Article 4. 147. Grounds and Time for the Establishment of the Usufruct

1. Usufruct may be established by laws, court judgements - in the cases prescribed by laws, and by transactions.

2. Rights arising from the usufruct in respect of the thing that must be legally registered and duties in respect of subjects arise only after the registration of the usufruct except when the usufruct is established by law.

3. Usufruct is opened in respect of a movable thing that is not subject to obligatory legal registration from the time of a transfer of the thing unless otherwise provided by the law (when the usufruct is established by law), by a transaction (when the usufruct is established by a transaction), or by a court judgement (when the usufruct is established by a court judgement).

4. At the establishment of the usufruct, the will of the person who will become the usufructuary shall be present except when the usufruct is established by law.

Article 4.148. Establishment of the Usufruct by Transactions

Only the owner of the thing himself has the right to establish the usufruct by transactions.

Article 4.149. Restrictions on the Establishment of the Usufruct

A new usufruct may be established upon things that have already had the usufruct established upon them provided the rights granted by a newly established usufruct do not coincide with the rights previously established by the usufruct and the implementation of rights granted by a new usufruct will not infringe the rights of the existing usufruct.

SECTION THREE
EXTINCTION OF USUFRUCT

Article 4.150. Grounds and Time for the Extinction of Usufruct

1. Usufruct is extinguished:

1) by renunciation;

2) by the death of the usufructuary, by the dissolution of the legal person or by expiry of a term of thirty years from the establishment of the usufruct in respect of the legal person;

3) by expiry of a time period or when a legal fact laid down in the resolutory condition becomes effective;

4) when the usufructuary becomes the owner of the thing subject to usufruct;

5) by destruction of the object of the usufruct;

6) by deterioration of the condition of the thing subject to usufruct;

7) through prescription;

8) by extinguishing the usufruct by a court judgement.

2. Usufruct may be extinguished only on the grounds laid down in paragraph 1 of this Article.

3. Time of extinction of the usufruct is the moment of it's de-registration except for cases laid down in subparagraphs 2, 3, 4 and 5 of paragraph 1 of this Article and when the usufruct need not be registered.

4. The usufruct created for the benefit of several usufructuaries extinguishes by the extinction of the right of the last person unless provided otherwise.

5. When the usufructuary on the grounds of serious reasons cannot perform his duties, the usufruct may be converted to an annuity upon a mutual agreement of the owner of the object of the usufruct and the usufructuary or by a court judgement.

Article 4.151. Renunciation of the Usufruct

1. The usufructuary may renounce the possessed usufruct only in favour of the owner of the object of the usufruct.

2. When the usufruct grants several rights of use in respect of the same thing, some of rights may be renounced.

3. The renunciation of the possessed usufruct shall be done in writing.

Article 4.152. Extinction of the Usufruct by the Death of the Usufructuary, by the Dissolution of the Legal Person or by the Expiry of a Term of Thirty Years from the Establishment of the Usufruct in Respect of the Legal Person

1. When the usufructuary dies, the usufruct extinguishes irrespective whether it was established for a fixed period or a lifetime of a definite person. When the usufruct extinguishes at the death of the usufructuary, assignees are bound to return the thing to the owner.

2. The thing owned by the legal person in the capacity of the usufructuary must be returned to the owner following the decision to liquidate the legal person or after the expiry of thirty years from the establishment of the usufruct in respect of the legal person.

Article 4.153. Extinction of the Usufruct by the Expiry of a Time Period or when a Legal Fact Laid Down in the Resolutory Condition Becomes Effective

1. If at the time of the establishment of the usufruct its extinction date was specified or the termination of the usufruct was related to the resolutory condition, then, at the time of the expiry of the fixed time period or when the resolutory condition becomes effective, the usufruct terminates.

2. If the usufruct was granted until a third person reaches a certain age, it continues until the date he would have reached that age, even if he has died.

3. If the usufruct was granted until conditions related to a third person appear, the usufructuary retains his rights till the end of his life, even if the third person dies before the appearance of the conditions and therefore the conditions foreseen can not appear.

Article 4.154. Extinction of the Usufruct when the Usufructuary Becomes the Owner of the Object of the Usufruct

1. When the usufructuary becomes the owner of the object of the usufruct, the usufruct extinguishes.

2. If the usufructuary becomes the owner of only a part of the object of the usufruct, the usufruct remains in respect of the rest of the thing.

Article 4.155. Extinction of the Usufruct by Destruction of the Object of the Usufruct

When the object of the usufruct is destroyed, the usufruct is extinguished.

Article 4.156. Termination Extinction of the Usufruct when the Condition of the Object of the Usufruct Deteriorates

1. When the condition of the object of the usufruct deteriorates to such an extent that it cannot be used any longer in accordance to its destination, the usufruct extinguishes.

2. The usufruct that extinguished due to the deteriorated condition of the thing is renewed if the object of the usufruct regains properties whereby it can again perform functions of the object of the usufruct. In that event, the fact that within the time period during which the deteriorated object of the usufruct could not be used in accordance to its destination, the usufruct could have been terminated through prescription, is of no importance.

3. A decision on the extinction and the renewal of the usufruct is adopted upon a mutual agreement of the owner of the object of the usufruct and the usufructuary, and failing the agreement – by the court.

Article 4.157. Extinction of the Usufruct through Prescription

1. The usufruct created in respect of an immovable thing extinguishes through prescription if the usufructuary continuously voluntary within ten years himself or through other persons did not use rights granted by the usufruct.

2. The usufruct created in respect of a movable thing t extinguishes through prescription if the usufructuary continuously voluntary within three years himself or through other persons did not use rights granted by the usufruct.

3. A time period during which the rights granted by the usufruct were not used due to *force majeure* or the impediment of the owner (possessor) of the object of the usufruct is not included into the prescriptive period.

4. If the usufructuary used rights granted by the usufruct for 15 years only by using a part of an immovable thing, the usufruct extinguishes for the rest of the thing.

5. The usufruct may not extinguish through prescription if only a part of rights granted by the usufruct were used.

Article 4.158. Return of the Object of the Usufruct following the Extinction of the Usufruct

1. At the end of the usufruct, the usufructuary is bound to return to the owner of the object of the usufruct the thing in the same condition as he received it taking into account regular appreciation unless otherwise agreed at the time of the establishment of the usufruct.

2. The usufructuary has the right to retain parts used for the improvement of the thing, if they can be separated, and if the object of the usufruct whereby is not damaged. If the improved parts cannot be separated or the thing was improved in any other way, the usufructuary has the right to claim the reimbursement of improvement costs but no more than the increase of the value of the thing only on condition that he improved the thing upon the consent of the owner of the thing.

Article 4.159. Protection of Rights of the Owner of the Object of the Usufruct

If the usufructuary fails to use rights granted by the usufruct properly and thus violates the rights of the owner of the thing, the owner of the thing subject to usufruct has the right to request the elimination of any violations even those not related to the loss of the possession.

CHAPTER IX
RIGHT OF SUPERFICIES

Article 4.160. Concept of the Right of Superficies

1. The right of superficies is the right to use the land of another for constructing buildings or to acquire and possess the land by the ownership right or by the right to use the subsoil.

2. The right of superficies may be granted regardless of other real rights of the would-be holder of the right of superficies or the granting of the right can depend on another real right or the lease of an immovable thing.

3. When the owner of the land, buildings or plants changes, the right of superficies remains due.

Article 4.161. Retribution

The act establishing the right of superficies may stipulate that the superficiary is to pay to the owner of the land a lump sum or to pay by instalments.

Article 4.162. Contents of the Right of Superficies

1. The superficiary is entitled to acquire or to own buildings and perennial plants on the land owned by another by right of ownership.

2. In determining the right of superficies, the right of the superficiary to construct, use or demolish buildings or to plant plants or destroy them may be limited.

3. The right of superficies may be established for a fixed period or for an indefinite period.

Article 4.163. Establishment of the Right of Superficies

The right of superficies is established by the agreement of the landowner and the person becoming the superficiary or by the will of the landowner.

Article 4.164. Extinction of Superficies

1. Superficies is extinguished:

1) by the union of qualities of the superficiary and the owner of the land in one person;
2) by the expiry of the term;
3) through prescription, if the superficiary fails to use the object of the right of superficies for ten years;
4) when for more than two years the superficiary is in default of paying the fee specified in the act establishing the right of superficies.

2. At the extinction of superficies, the ownership right to buildings or plants is transferred to the landowner. The landowner shall reimburse their value provided this has been specified in the act establishing superficies.

3. The superficiary may remove buildings or plants, if he returns the land to its former condition and if the act establishing superficies does not provide otherwise.

4. The destruction of buildings or plants is not the grounds for the extinction of superficies, unless the parties have agreed otherwise.

CHAPTER X

EMPHYTEUSIS

Article 4. 165. Concept of Emphyteusis

1. Emphyteusis is a real right to use the plot of land or other immovable of another provided the emphyteutic lessee does not aggravate its quality, does not undertake to construct buildings, to plant perennial plants and perform other works thereon that durably increase its value both of the land used or any other immovable thing except upon the permission of the owner of the land.

2. Emphyteusis may be established for a fixed or an indefinite period. The term of emphyteusis may not be less than ten years.

3. When the owner or the emphyteutic lessee changes, emphyteusis remains due, provided assignees use the leased thing properly and fulfil other obligations stipulated in the act constituting emphyteusis.

Article 4.166. Emphyteutic Canon

The act constituting emphyteusis may stipulate that the lessee is to pay the owner of an immovable thing a lump sum or to pay by instalments.

Article 4.167. Establishment of Emphyteusis

Emphyteusis is established by agreement between the owner of an immovable thing and the emphyteutic lessee or by will.

Article 4.168. Contents of Emphyteusis

1. Unless the act constituting emphyteusis provides otherwise, the lessee shall use the leased immovable thing as its owner, however he shall not increase its value essentially, he also is not entitled to change its destination without the permission of the owner. If emphyteusis is established in respect of land, the act constituting emphyteusis may stipulate the right of the lessee to build buildings or plant plants necessary for the use of the land in accordance with its destination.

2. The emhyteutic lessee is bound to preserve and repair the immovable at his own expense.

3. Unless provided otherwise, the emhyteutic lessee enjoys the fruits produced by an immovable thing.

4. The act constituting emphyteusis may stipulate that the emhyteutic lessee is not entitled to assign his rights to another person or divide emphyteusis without the consent of the owner.

5. Unless the act constituting emphyteusis provides otherwise, the emhyteutic lessee has the right to sublease. The sublessee shall not have more rights than the emhyteutic lessee. The sublease terminates upon the end of emphyteusis.

Article 4.169. Extinction of Emphyteusis

1. Emphyteusis is extinguished:
    1) by the expiry of the term;
    2) by the loss of the object of emphyteusis;
    3) by the extinction of emphyteusis by a court judgement;
    4) by the union of the qualities of owner and emphyteutic lessee in the same person;
    5) by non-user for ten years;
    6) by a mutual agreement of parties.

2. On the initiative of the owner and the emhyteutic lessee grounds for premature extinction of the emphyteusis may be stipulated in the act constituting emphyteusis.

3. Emphyteusis may be modified or cancelled by a court judgement on the request of either the owner or the emphyteutic lessee, provided that unforeseen circumstances appear whereby it is impossible to use the thing in conformity with to earlier conditions.

4. Upon the extinction of emphyteusis, the emphyteutic lessee is bound to return to the owner the object of emphyteusis. The emphyteutic lessee is to be reimbursed for the value of the improvements of the object of emphyteusis, provided that the improvements have been made upon the consent of the owner. The emphyteutic lessee is entitled to suspend the transfer of the object of emphyteusis till the time when the owner repays the compensation. The owner can retain the thing belonging to the emphyteutic lessee till the time the lessee settles accounts with him.

5. If the act constituting emphyteusis stipulated the right of the emphyteutic lessee to construct buildings or plant plants necessary for the use of the land in accordance to its destination, at the extinction of emphyteusis, the emphyteutic lessee can remove buildings or plants, if he returns the land to its former condition and unless the act constituting emphyteusis provides otherwise.

CHAPTER XI
MORTGAGE

SECTION ONE
GENERAL PROVISIONS

Article 4.170. Concept of Mortgage

1. Mortgage is the pledge of an immovable thing to secure the performance of a present or future debt obligation, when the mortgaged thing is not transferred to the creditor.

2. An agreement on the conveyance of the mortgaged thing or the thing to be mortgaged to the creditor is not valid.

3. The mortgage does not deprive the owner of a thing the right to possess, use and dispose of the mortgaged thing with due consideration of the rights of the mortgagee. A subsequent pledge of the mortgaged thing is allowed if the mortgage bond does not provide otherwise.

Article 4.171. Object of Mortgage

1. The object of a mortgage may be individual immovable things, registered in the public register and not withdrawn from the civil turnover that may be submitted for a public forced auction. The mortgage of an immovable thing does not cover the proceedings received from this thing.

2. When a principal thing is mortgaged, it shall be deemed that all present and future accessories added to the principle thing by the will of the owner or due to natural events are mortgaged.

3. When an immovable thing is pledged for the use of which in accordance with its destination movable things are necessary, it shall be deemed that movable things necessary for the use of such a thing in accordance with its destination are the object of the mortgage, including those that will come into the ownership of the mortgagor in the future unless otherwise provided in the mortgage contract on the pledge (non-pledge) of movable things or in the unilateral mortgage declaration of the owner of an immovable thing.

4. Only an insured thing may be mortgaged with the exception of land.

5. The mortgage of an immovable thing covers the insurance indemnity of the thing.

6. In order to mortgage a part of the thing owned by the same owner, the part thereof must be accurately defined and registered in the public register as a separate entity.

7. For the mortgage of buildings, the plot of land on which buildings are standing is to be mortgaged or the mortgage shall include right of lease (right of use) in respect of the plot of land thereof.

8. A thing belonging by the right of common ownership may be mortgaged only on the consent of all co-owners. When a part of common divided ownership is mortgaged, the consent of other co-owners is not necessary, however, the mortgaged part must be accurately defined in the contract on the manner of the use of the thing concluded among co-owners and certified by the notary.

9. The mortgage of the thing does not prevent from the transfer of the thing to the ownership of another. With the transfer of the mortgaged thing for the ownership of another person, the mortgage follows the thing.

10. The owner of the mortgaged thing has no right to destroy, damage or reduce the value of the thing, except for normal depreciation or the decrease of the value pertaining to its use for the purpose of essential necessity. When the requirements thereof are violated, the mortgagee may demand the commencement of the execution against the mortgaged thing before the expiration of the term.

11. As the object of a legal mortgage such thing shall be selected that having sold it all creditor's claims are satisfied and the debtor should be affected the least.

12. The mortgage of land extends to buildings as appurtenances unless the mortgage contract provides otherwise. If the mortgage of land does not extend to buildings, after the foreclosure sale of the mortgaged land, the owner of buildings shall acquire the right of the servitude of land. When the mortgaged plot of land with buildings on it belonging to another person (not the owner of the land) by right of ownership is sold in a foreclosure sale, the rights and duties of the former owner of the land possessed by the owner of buildings are passed to the person who acquires the land in a foreclosure sale.

Article 4.172. Validity of the Mortgage after Dividing the Mortgaged Immovable Thing

1. After the division of the mortgaged immovable thing, the mortgage claim is not divided and remains valid for all immovable things resulting after the division. An agreement on the division of the mortgage claim is not be valid.

2. The priority in a forced auction sale of immovable things belonging to different owners by right of ownership resulting after the division of an immovable thing is established at the time of division by a written consent of the owners of the thing. In the absence of a written consent of the owners of the thing, the priority in a foreclosure sale of immovable things resulting after the division is established by the mortgage judge.

Article 4.173. Validity of the Mortgage after Joining Together Mortgaged Immovable Things

1. Mortgaged immovable things may be joined only subject to a written consent of the creditors; the priority of the satisfaction of whose claims will change after the joining.

2. After joining together several immovable things, the mortgage on each of them extends to the immovable thing resulting after the joining. The priority of satisfaction of claims of mortgage creditors is established in accordance with the date of filing an application for registration of the mortgage.

Article 4.174. Satisfactions and Recoveries Secured by the Mortgage

1. The mortgage secures the satisfaction of the principal claim, the recovery of the interest arising from the claim and the forfeit and costs of the proceedings related to the implementation of the mortgage.

2. The principal claim secured by the mortgage, the interest arising from this claim and the forfeit may be increased, and the term for the satisfaction of the debt obligation may be reduced or extended as compared to subsequent creditors only upon the receipt of a written consent of subsequent creditors.

Article 4.175. Types of Mortgage

1. Legal and contractual mortgage may be registered. The procedure for the establishment of legal mortgage is defined by the Code of Civil Procedure.

2. Legal mortgage shall arise on the basis of the law or a court judgement in the following cases:

1) to secure state claims arising from taxing and state social insurance legal relations;
2) to secure claims related to the construction of buildings or reconstruction;
3) to secure property claims in accordance with a court judgement;
4) in other cases provided for by this Code.

3. Legal mortgage may be ordinary, joint, the mortgage of the thing of another, maximum, common and conditional mortgage.

Article 4.176. Establishment of Mortgage to Secure State Claims Arising from Taxing Legal Relations

To secure state claims arising from taxing and state social insurance legal relations, the mortgage is established on the request of the State Tax Inspectorate or the State Social Insurance Institution. The application shall indicate the thing in respect of which the mortgage is established, the owner of the thing who is a debtor, the grounds for the establishment of the mortgage, the term of mortgage and the amount of the claim. Documents certifying data provided in the application shall accompany the application.

Article 4. 177. Establishment of Mortgage to Secure Claims Related to the Construction of Buildings or Reconstruction

1. The mortgage to secure persons' claims related to the construction of buildings or reconstruction may be established only in respect to a registered building.

2. The mortgage is established on the request of the contractor, designer, the supplier of materials or the person who provides the funding not later than thirty days following the completion of construction or reconstruction works. The application shall indicate the building in respect of which the mortgage is established, the owner of the thing who is a debtor, the grounds for the establishment of the mortgage, the term of mortgage and the amount of the claim. Documents certifying data provided in the application shall accompany the application.

Article 4. 178. Establishment of Mortgage to Secure Claims to be Satisfied in Accordance with a Court Judgement

After the satisfaction of the claim on the recovery of the money in accordance with a court judgement, the mortgage in respect of the debtor's thing may be registered. The court judgement shall indicate the amount of the claim secured by the mortgage, the term of the mortgage, the thing that is registered in the Register of Mortgages and the owner of the thing thereof.

Article 4. 179. Ordinary Mortgage

Ordinary mortgage is the mortgage of one definite immovable thing possessed by the right of ownership in order to secure the discharge of one definite obligation.

Article 4. 180. Joint Mortgage

Joint mortgage is a simultaneous mortgage of several immovable things belonging by the right of ownership in order to secure the discharge of one definite obligation.

Article 4.181. Mortgage of the Thing of Another

The mortgage of the thing of another is the mortgage of an immovable thing belonging by the right of ownership in order to secure the discharge of the debt obligation of the other person.

Article 4. 182. Maximum Mortgage

1. The maximum mortgage is the mortgage of an immovable thing when an agreement is made only to secure the maximum sum of obligations on the basis of a mortgaged thing and on the area in which the loan will be used. The maximum mortgage is registered for a period not exceeding five years.

2. Upon the expiration of a five-year period, the amount of debt is fixed in the Register of Mortgages and the mortgage commences as an ordinary mortgage. This mortgage shall not secure any other subsequent debt obligations. When the date of fixing the amount of debt is not specified in the mortgage contract, the mortgagee may request to fix the amount of debt at any time, but not earlier than three years after the date of the registration of the mortgage.

3. The amount of debt is fixed when other creditors request a foreclosure sale of the mortgaged thing, upon the seizure of the mortgaged thing, upon declaring the debtor or the creditor insolvent or upon their liquidation, upon the death of the creditor or the debtor and if the inheritors of property fail to re-register the mortgage on their own name within six months as the day of the inheritance descends to them.

4. The fixing of the amount of debt is cancelled if creditors withdraw the request for a foreclosure sale of the thing, if the seizure of an immovable thing is revoked or the liquidation of the debtor or the creditor is rescinded.

5. The maximum amount of the obligation security may not be increased without the approval of other mortgage creditors of the same thing in rank.

Article 4.183. Common Mortgage

1. Common mortgage is the mortgage of several immovable things belonging to different owners in order to secure one debt obligation.

2. The owner of the thing mortgaged by the common mortgage wishing to mortgage the same thing once again has to get a written approval of all other owners of things that are mortgaged by the common mortgage.

3. The contract on the common mortgage has to set forth the order of priority in the foreclosure sale of mortgaged things.

Article 4. 184. Conditional Mortgage

1. Conditional mortgage is the mortgage of a thing in order to secure the discharge of the debt obligation provided that it has been agreed that the mortgage becomes effective from the moment of the fulfilment of the condition stipulated in the contract or the mortgage will be effective only till the moment when the condition stipulated in the contract is fulfilled. The condition may be imposed on both the creditor and the debtor.

2. Before the fulfilment of the condition determining the coming into effect of the mortgage, the mortgage may be closed by the mortgage judge at any time on the request of the party concerned.

3. If the condition determining the termination of the mortgage is no longer being fulfilled, the party concerned has the right to apply to the mortgage judge and to demand the termination of the mortgage.

SECTION TWO
REGISTRATION OF THE MORTGAGE

Article 4.185. Execution and Registration of the Mortgage

1. The mortgage contract, a unilateral declaration of the owner of the mortgaged thing thereof as well as the application to register the compulsory mortgage shall be executed as a mortgage bond. When the mortgage is contractual, the mortgage bond shall be certified by the notary.

2. The mortgage contract (bond) is signed by a debtor, creditor and the owner of the mortgaged thing (when the debtor and the owner of the thing is not the same person). When the thing is mortgaged upon a unilateral declaration of its owner, the mortgage bond is signed by the owner of the mortgaged thing only. If the mortgage is compulsory, the mortgage bond is signed by the creditor.

3. The mortgage is registered in the Register of Mortgages upon the decision of the mortgage judge and upon the submission of the mortgage bond to the Mortgage Office of the locality wherein the mortgaged thing is located.

4. Changes of the mortgage are entered into the mortgage bond and are registered in the Register of Mortgages subject to the same procedure as the mortgage.

5. Data of the Register of Mortgages shall be public and shall be regarded as accurate and comprehensive until contested in the manner prescribed by laws.

Article 4.186. Contents of the Mortgage Bond

1. The mortgage bond shall indicate the location and the date where it is drawn up, the debtor, the creditor and the owner of the mortgaged thing (when the debtor and the owner of the thing is not the same person), their place of residence (office), the mortgaged thing, its valuation and locality, the obligation secured by the mortgage, its definite or maximum amount (when the mortgage is contractual) and the date of the performance of the obligation. The amount of the obligation in the mortgage bond is indicated with the interest thereof. When the mortgage is compulsory, the grounds for the establishment of the mortgage are indicated wherein.

2. Other data may also be indicated in the mortgage bond.

3. If the mortgage bond is drawn up unilaterally by the owner of the mortgaged thing, the creditor may not be indicated. In that event, a bearer mortgage bond is drawn up and that may, upon the request of its holder and at any time, be executed as a registered mortgage bond.

Article 4.187. Time of the Mortgage Becoming Effective

The mortgage becomes effective from the moment of its registration in the Register of Mortgages when respective inscriptions are entered into the public register.

Article 4.188. Lack of Correspondence between the Mortgage Bond and the Data of the Register of Mortgages

Where the text of the mortgage bond does not correspond with the entry of the Register of Mortgages, the entry in the Register of Mortgages shall prevail. In that event, the damage sustained by the honest mortgage bond holder through the fault of the office of the Register of Mortgages is compensated for by the State in the manner prescribed by laws.

SECTION THREE
TRANSFER AND PLEDGE OF THE MORTGAGE

Article 4.189. Transfer of the Claim Secured by Mortgage

1. The creditor may transfer the claim secured by mortgage or part of it to another person unless the mortgage contract provides otherwise. The claim secured by mortgage is transferred in accordance with rules stipulated by the requirements of Book Six of this Code regulating the assignment of claim.

2. The claim secured by mortgage is assigned by transferring the mortgage bond by endorsement (the entry of the holder of the mortgage bond by which the mortgage bond is transferred to another person). When part of the claim secured by mortgage is transferred, the mortgage bond shall specify which of the creditors shall keep the mortgage bond.

3. The endorsement shall be written on the mortgage bond by indicating the person to whom the claim secured by mortgage is transferred; the endorsement should be signed by the endorser (the holder of the mortgage bond) and registered in the Register of Mortgages.

4. The transfer of the claim secured by mortgage (the endorsement of the mortgage bond) is registered in the Register of Mortgages in accordance with the same procedure as the mortgage.

Article 4. 190. Right of the Mortgagee to Transfer his Priority for the Satisfaction of his Claim from the Value of the Mortgaged Thing to Another Mortgagee

If the thing is subject to several mortgages, any mortgagee may transfer his priority for the satisfaction of his claim from the value of the mortgaged thing to another mortgagee of the same debtor. A corresponding entry is made upon both mortgage bonds. If the sum of the claim of the mortgagee who transfers his priority is smaller than the sum of the claim of the transferee, a notarised consent of the creditors succeeding the transferor and preceding the transferee is necessary.

Article 4.191. Pledge of the Claim Secured by Mortgage

1. The mortgagee may pledge his mortgage claim to secure a loan to be granted or granted to him only when the date of maturity is not later than the date of maturity stipulated in the mortgage bond.

2. The mortgage claim is pledged upon an agreement between the parties by making an entry in the mortgage bond and becomes effective from the date of registration of the agreement in the Register of Mortgages. The agreement is executed as a pledge bond of a movable thing.

SECTION FOUR
RECOVERY OF DEBT FOR THE BENEFIT OF THE MORTGAGEE

Article 4.192. Right of the Mortgagee to Apply for the Recovery of Debt

1. If within the time period indicated in the mortgage bond the debtor fails to discharge the obligation, the mortgagee may exercise his rights by applying to the mortgage judge with the request to sell the mortgaged thing in a public forced auction sale and that he be fully paid the due sum from the proceeds that he is entitled to receive before other creditors or that he should be granted the right to administer the mortgaged thing.

2. Upon the seizure of the mortgaged thing by the mortgage judge pursuant to the application of the mortgagee, the owner of the mortgaged thing shall forfeit his right to transfer the thing to other persons, to pledge, lease or encumber it or to decrease its value.

3. When the mortgaged thing is transferred to the mortgagee for administration and it turns out while administrating that it is not possible to satisfy the claim secured by mortgage, the mortgagee may apply to the mortgage judge to sell the mortgaged thing at the foreclosure sale.

Article 4.193. Right of the Mortgagee to Satisfy the Claim from the Mortgaged Thing

1. If the proceeds from the f public forced auction sale of the mortgaged thing are lower than the sum due to the creditor, the creditor has the right to claim recovery from the property of another debtor in accordance with the regular procedure prescribed by laws.

2. In the event of multiple mortgages of the thing, claims of mortgagees are satisfied according to the time of their application for registration. The mortgagee who has submitted the application for registration earlier may be obliged to cover the damages of the mortgagee who has submitted the application later, if urged by the latter, the mortgagee who has submitted the application earlier unreasonably delayed the exercise of his rights.

3. If the mortgaged thing was expropriated or confiscated, the claim of the mortgagee is satisfied respectively by a new possessor of the thing or by the State, however not in the excess of the value of the mortgaged thing.

4. If the mortgaged thing passes into the ownership of the State or the Municipality by right of inheritance or the mortgaged ownerless thing is assigned by a court judgement into the ownership of the State or the Municipality, the claim of the mortgagee is satisfied by the State or the Municipality, however not in excess of the value of the mortgaged thing.

Article 4.194. Recovery of the Debt by Selling at the Forced Auction Sale the Thing Mortgaged by Joint Mortgage

1. The priority of the sale of things mortgaged by joint mortgage is set by the owner of things.

2. When things mortgaged by joint mortgage are sold at a public foreclosure sale the debt is recovered simultaneously from all things sold and only as many of the items may be sold as it is necessary for the satisfaction of the mortgagee's claim.

Article 4.195. Recovery of the Debt by Selling the Thing Mortgaged by the Mortgage of the Thing of Another

1. The owner of the mortgaged thing is liable for the discharge of the debtor's obligation by his mortgaged thing only.

2. When the owner of the mortgaged thing discharges the debtor's obligation or if his thing was sold at a public forced auction sale, the owner of the mortgaged thing acquires the right of recourse for the amount paid or for the indemnification of damages due to the loss of the thing.

Article 4.196. Right to Acceleration of the Claim Secured by Mortgage

1. The mortgagee has the right to demand the acceleration of the claim secured by mortgage in the same manner as at maturity provided:

1) other creditors are demanding, in cases provided by laws, a foreclosure sale of the mortgaged thing;
2) the debtor has died;
3) bankruptcy proceedings of the debtor or the owner of the mortgaged thing (not a legal person) have been initiated or a decision on its liquidation has been adopted;
4) the value of the thing has decreased, while the debtor has failed to discharge part of debt obligation whereby the value of the mortgaged thing has decreased when this part of obligation has not been covered by the insurance amount received;
5) the contract of insurance of the mortgaged thing has been terminated before its expiration or, after the termination of the insurance contract, the thing is not insured.

2. If the value of the mortgaged thing has decreased while the debtor has failed to discharge part of his obligation whereby the value of the thing decreased, or the thing was lost, creditors have the right to the insurance amount of the thing not in excess of the amount of their claims to be paid in the manner of priority of the satisfaction of their claims. Upon the receipt of a written agreement of all creditors, the insurance amount may be paid to the owner of the mortgaged thing.

SECTION FIVE
EXTINCTION OF THE MORTGAGE

Article 4.197 Grounds and Moment of Extinction of the Mortgage

1. The forced sale of the mortgaged thing on the request of the mortgagee shall disencumber it from all mortgages.

2. The owner of the mortgaged thing or the debtor may demand the termination of mortgage, if:

1) the debt obligation has been performed;
2) the mortgage in respect of the thing has been cancelled;
3) the mortgagee or his whereabouts have been unknown for ten years at the maturity.

3. The mortgage may extinguish upon the agreement of the mortgagee and the debtor or when the mortgagee relinquishes the mortgage.

4. If at the maturity the mortgagee refuses to accept the thing secured by mortgage obligation, the debtor may pay the respective amount into the deposit account of the mortgage office. The mortgage extinguishes when the total amount has been paid into the deposit account.

5. The time of the extinction of the mortgage is the moment of its de-registration from the Register of Mortgages.

CHAPTER XII
THE PLEDGE

Article 4.198. Concept of a Pledge

1. A pledge shall mean pledging of a movable thing or real rights securing the discharge of an existing or future debt obligation when the object of the pledge is transferred to the creditor, a third person or remains with the pledgor. The object of a pledge remaining with the pledgor may be locked, sealed or marked by marks indicating that it has been pledged.

2. Pursuant to the pledge, the creditor (the pledgee) has the right to satisfy his claim from the value of the collateral prior to other creditors, if the debtor fails to discharge the obligation secured by the pledge (in the event of default).

Article 4.199. Grounds for the Pledge

1. A pledge is created by contract or by law. When a pledge is created by law, the law shall specify exactly the thing subject to a pledge.

2. Provisions of this Book regulating legal mortgages are applied *mutatis mutantis* to a legal pledge (when a pledge is created by law or on the grounds of a court judgement).

Article 4.200. Claims Secured by the Pledge

1. A pledge may secure a performance of any monetary obligation.

2. A pledge is a derivative obligation from a principal obligation. Rights of the pledgee are derived from his rights as a creditor and the exercise of these rights depends on the fate of the obligation secured by a pledge.

3. Unless otherwise provided in the contract or by the law, a pledge secures a claim to the extent it is at the time of its satisfaction including interest, punitive interest, losses incurred due to delay and necessary recovery expenses that are covered first of all.

Article 4.201. Object of the Pledge

1. Movable things and real rights may be the object of the pledge.

2. Things in respect of which under the existing laws enforcement may not be levied as well as movable things that have been pledged together with an immovable thing in accordance with the procedure established in Article 4.171(3) of this Code may not be the object of the pledge.

3. Unless otherwise provided in the contract and by the law, a pledge of the thing covers accessories of the thing and non-separated fruits.

4. The risk for an accidental destruction or a breakdown of the thing is borne by the pledgor, unless otherwise provided in the contract or by the law.

5. In cases established by law, things that will come into the pledgor's ownership in the future may also be the object of the pledge. Enforcement may be levied in respect of those things only when they come into the pledgor's ownership.

6. Jointly owned things may be pledged only upon a written consent of all co-owners.

Article 4.202. Pledge of Goods in Stock that are in Circulation

A pledgor, having pledged goods in stock that are in circulation (goods, raw materials, semi-finished goods, finished goods), has the right to change the composition and form of pledged goods in stock provided their total value is not reduced. When pledged goods are sold while the pledgor is engaged in business as set forth in its bylaws, the pledge of goods is released and new goods in stock acquired by the pledgor become the object of the pledge from the time of acquisition of the goods into ownership.

Article 4.203. Substitution of the Collateral

1. Upon the consent of the pledgee(s), the pledgor may substitute the thing defined by individual characteristics, that is the object of the pledge, by another thing that has not been previously pledged.
2. In the case specified in paragraph 1 of this Article, the pledge of the prior thing is revoked following the execution of the pledge of a new thing.

Article 4.204. Real Rights as the Object of the Pledge

1. Rights towards the land, forest, other things, i.e. the right of use, the right of lease and other property rights, except for rights related to the personality of the owner of the thing pledged as well as rights that are not transferable by laws or by the contract may be the object of the pledge.
2. In cases prescribed by laws, property rights that the pledgor will acquire in the future may also be the object of the pledge.
3. When a property right subject to a pledge is evidenced by securities or special documents, they are transferred to the pledgee unless otherwise provided by laws or by an agreement of the parties.

Article 4.205. Insurance of the Object of the Pledge

1. The law or the contract may stipulate the duty to insure the thing that has been pledged (the thing to be pledged).
2. A contract may also provide for the duty of the pledgor (a legal person) to insure the object of the pledge in the event of liquidation or insolvency.
3. In the event of insured accident, the creditor whose claims are secured by the pledge has a priority right (in accordance with the succession of pledges, if there have been multiple pledges) to satisfy his claims from the sum of the insurance indemnity.

Article 4.206. The Pledgor

1. A debtor himself and a third person may also be the pledgor.
2. The pledgor must be the owner of the collateral or a person having the property right that is the object of the pledge except when the law stipulates that the object of the pledge may be acquired into the pledgor's ownership in the future.
3. A property right that belongs to several persons may be pledged upon a written consent of all of them.
4. The lessee (the recipient of the loan-for-use) may pledge rights related to the lease of the thing (loan-for-use) only upon a written approval of the lessor (delivering party).

Article 4.207. Remaining of the Right to Pledge when the Right of Ownership of the Collateral has been Transferred to Another Person

1. When the right of ownership of the collateral is transferred to another person, the right to pledge remains due when the object of the pledge was transferred to the pledgee or when the pledge bond was registered in the Register of Mortgages unless the laws provide otherwise. This rule also applies when property rights constitute the object of the pledge.

2. The right to pledge is valid in all its entirety and in the case when the debtor performs the obligation partially.

Article 4.208. Right to Inspect the Subject of Pledge

1. A creditor has the right to inspect the number, condition, storage conditions, etc., of pledged things controlled by the pledgor unless otherwise provided in the contract.

2. When the pledgor violates storage conditions of the collateral, refrains to submit a damaged thing or to supply the remains of the destroyed thing, the creditor is entitled to request the discharge of the obligation secured by the pledge before the expiration of its term.

Article 4.209. Form of a Pledge Contract and of a Unilateral Declaration of the Owner of the Object of the Pledge

1. When the object of the pledge is transferred to the pledgee, a written pledge contract is concluded. A pledge contract may be concluded as an individual contract or as a pledge contract that could be included into the agreement from which the principal obligation arises.

2. When the object of the pledge is transferred to a third person or remains with the pledgor, a pledge contract and a unilateral declaration of the owner of the object of the pledge to pledge things or property rights is drawn by perfecting a pledge bond certified by a notary and registered in the Register of Mortgages.

3. Non-compliance with rules laid down in paragraphs 1 and 2 of this Article turns the contract null and void.

4. A pledge contract (bond) is signed by a pledgor, a debtor, a creditor and a person to whom the object of the pledge is transferred. If the object of the pledge is pledged by a unilateral declaration of the owner, the pledge bond is signed only by a pledgor.

5. The pledge of the thing may be executed by transferring to the creditor documents granting rights towards this thing (consignments, etc.).

Article 4.210. Contents of a Pledge Contract (Bond)

1. A pledge contract (bond) shall indicate the following: the venue and the date of its conclusion, a pledgor, a debtor, a creditor and a person to whom the object of the pledge was transferred, their place of residence (office), the description of the collateral (property rights), the value and the location, an obligation secured by a pledge (interest included), the amount or a maximum amount of the obligation and the date of performance.

2. A pledge contract (bond) may include other additional data.

Article 4.211. Subsequent Pledges

1. When by a prior pledge the thing was not transferred to the pledgee and if the pledge bond does not provide otherwise, a subsequent pledge is allowed when the object of the pledge is not transferred to the pledgee. In such cases, the prior pledge remains valid.

2. A pledgor must notify each creditor about all prior and subsequent pledges and obligations secured by the pledge and their amount. A pledgor must compensate the losses incurred by any of the creditors arising from the failure to discharge this duty.

Article 4.212. Pledge Priority

1. If in respect to the same subject of the pledge several pledge bonds are registered, the priority is given to the claim that is secured by a registered pledge bond of the application filed earlier.

2. The creditor’s claim in respect of which the pledge right was created later is satisfied only following the compensation of expenses related to the sale of the collateral and having fully satisfied the claims of a prior creditor.

Article 4.213. Creation of the Right to Pledge

The right to pledge is created as of the time of the conclusion of the pledge contract when the collateral is transferred to the creditor. When the collateral remains with the pledgor or is transferred to a third person, the right to pledge is created as of the time of the registration of the pledge in the Register of Mortgages.

Article 4.214. Duties of the Person to whom the Collateral is Transferred

The person to whom the collateral has been transferred must take proper care of it. He is liable for the preservation thereof if he fails to prove that the thing has been lost or damaged through no fault of his. This person has no right to use the collateral unless otherwise provided by law or the contract.

Article 4.115. Vindication of the Collateral

If the collateral ceases to be controlled by a pledgee, a pledgor or a third person, the pledgee or the third person can vindicate the thing in accordance with Articles 4.95-4.97 of this Code.

Article 4.216. Creation of the Right of Enforcement towards the Object of the Pledge

1. A pledgor acquires the right of enforcement towards the object of the pledge, upon a failure to perform, but not earlier than 20 days after the expiry of the time period for the performance of the obligation. The beneficial term that is not shorter than ten days may be set up by a mutual agreement of the parties.

2. A creditor is entitled to demand that the obligation secured by the pledge be perform before the expiration of the maturity date when the enforcement is directed towards the collateral by another person, if the pledgor dies or the liquidation procedure of the pledgor (the legal person) commences, the collateral has been lost or, due to circumstances beyond the control of the pledgor, its value decreased by more than 30 percent; the pledgor prevents the creditor from inspecting the condition of the collateral; terms of the pledge contract are breached in respect to a subsequent pledge or if the pledgor fails to comply with other contract terms and conditions or performs acts that may result in the decrease of value of the collateral or the enforcement may become impossible.

Article 4.217. Enforcement towards the Object of the Pledge that Consists of Two or More Things (Property Rights)

When the object of the pledge consists of two or more things (property rights), the enforcement may be directed towards all those things (property rights) or towards each of them individually. The right of choice belongs to the pledgee till a full satisfaction of the claim.

Article 4.218. Consequences Arising when the Claims of the Pledgee are Satisfied by a Third Person

When a claim of a pledgee is fully satisfied by a third person, the right to pledge together with a right to claim are transferred to him.

Article 4.219. Enforcement Procedure of Collaterals

1. When a debtor fails to perform the obligation secured by a pledge, the claim of a creditor is satisfied from the value of the collateral, unless the law or the contract provides otherwise.

2. A creditor must notify a debtor and a pledgor (when a pledgor is not the same person as a debtor) in writing, that if the obligation secured by a pledge within the time period stipulated in Article 4.216 of this Code is not performed, the enforcement shall commence. If a pledge is registered in the Register of Mortgages, a written warning notice to a debtor is delivered through the Office of Mortgages that is bound to inform all persons listed in the Register of Mortgages who are entitled to the thing against which the enforcement is levied.

3. A pledgor, having received a warning notice about the enforcement of the thing, has no right to transfer, lease or otherwise encumber it. The collateral is to be transferred to a creditor. In that event, the procedure specified in Article 4.125 shall apply.

4. If the pledgor fails to transfer the collateral to the creditor, the creditor may apply to a mortgage judge with a request to seize and to transfer the collateral to him.

5. A creditor sells the collateral in the manner agreed by a creditor, a debtor and a pledgor (when a pledgor is not the same person as a debtor) or, upon their mutual agreement, the collateral is transferred into the ownership of a creditor; failing the agreement – it is sold at the auction. If the thing is subject to several pledges, it can be sold into the ownership of one of the creditors only upon the agreement of all creditors. The creditor converts pledged securities in accordance with the procedure established by laws. When the collateral is sold, proceeds are transferred to the deposit account of the Office of Mortgages and distributed in accordance with the procedure established by the Civil Procedure Code.

6. When the amount received from the sale of the collateral is not sufficient to fully satisfy the claim of the pledgee and if the law or the contract do not provide otherwise, the pledgee has the right to recover the remaining amount from the debtor's other property. In that event, the pledgee shall not have any priority against other creditors.

Article 4.220. Realisation of Property Rights Subject to a Pledge

1. If property rights are the object of the pledge, they are realised by transferring to a creditor the pledgor's claims arising from the pledged right or part of a claim corresponding to the amount of a debt obligation when the debt obligation is smaller than the right to claim.

2. A creditor acquires the right to demand the transfer of the pledged right as from the time when he acquires the right to direct the enforcement against the object of the pledge.

Article 4.221. Procedure for the Satisfaction of the Creditor's Claim Secured by the Funds in the Bank Account of the Pledgor

1. When funds in the bank account of the pledgor were pledged to secure the discharge of an obligation, upon delivery to the debtor a warning notice about the enforcement, the right to operate the bank account of the pledgor is assigned to the creditor by a written application of the pledgor, or if he objects, by a decision of a mortgage judge.

2. Having satisfied the claim from the existing and incoming funds in the pledgor's bank account, the right of the creditor to operate the account of the pledgor terminates and the creditor is bound to return to the pledgor the pledge bond with an inscription therein about the satisfaction of the claim.

Article 4.222. Settlements after the Sale of the Collateral

1. If after the sale of the collateral, the proceeds are in excess of the creditor's claim, the difference in the amount must be paid to the pledgor.

2. If through the fault of a creditor, the collateral was sold by a lower price, the pledgor has the right to demand the difference between the real market value of the thing and the price for which the thing was sold.

Article 4.223. Transfer of the Claim Secured by the Pledge or the Right Arising from the Pledge

1. The contract on the assignment of the claim secured by the pledge or part of it shall be concluded following the rules established in Book Six of this Code specifying requirements for the assignment of a claim. A debtor should be notified about the assignment of a claim, and if the pledgor is a third person – he shall also be notified.

2. The right of claim arising from the registered pledge is effected by way of assignment of the pledge bond by endorsement. The assignment of the right of claim is registered in the Register of Mortgages in the same manner as the pledge.

Article 4.224. Extinction of the Right to Pledge

1. The right to pledge is extinguished:
   1) upon the extinction of the obligation secured by the pledge;
   2) upon the loss of the collateral;
   3) when the pledgee acquires the ownership right towards the collateral or when the pledged rights are assigned to the pledgee;
   4) when the creditor can not satisfy its claim from the subject of the pledge due to the delay of the limitation of actions;
   5) by the agreement of parties or when the creditor renounces the pledge.
2. When the pledged property is transferred upon the demand of the creditor to whom the property has been pledged, all property pledges are revoked.

Article 4.225. Guarantees of the Pledgor's Interests

1. A pledgor has the right at any time from the date of the maturity of the obligation till the moment of the realisation of the subject of the pledge to revoke the pledge by properly discharging the obligation secured by the pledge.
2. If the obligation secured by the pledge may be discharged in parts, the pledgor has the right to suspend the enforcement of the subject of the pledge by discharging part of the obligation in respect of which the deadline for the discharging the obligation has not been effected.
3. The pledgor has the right to claim from the creditor compensation for losses incurred during the enforcement proceedings, also losses resulting from an improper custody of the subject of the pledge or a compulsory sale.

Article 4.226. Extinction of the Right to Pledge by Depositing Money

If the pledgor refuses to accept the performance of the monetary obligation secured by the pledge, the pledgee may pay a respective amount into the depository account of the notary, bank or any other credit institution and when the pledge is registered in the Register of Mortgages – into the depository account of the Office of Mortgages. After a total sum of the debt has been deposited, the right to pledge extinguishes.

Article 4.227. Concept of the Pledge at a Pawnshop

1. Articles of personal use may be pledged at pawnshops in order to secure the repayment of short-term credits that are granted to natural persons by pawnshops.
2. When transferring pledged things to a pawnshop, the pledgor is issued a pledge ticket.

Article 4.228. Rights, Duties and Responsibilities of a Pawnshop

1. A pawnshop has no right to use or dispose of pledged things except in the case specified in paragraph 3 of this Article.
2. A pawnshop is responsible for the loss (destruction) and damage in respect of pledged things, if it fails to prove that things have been lost (destroyed) or damaged due to *force majeure*.
3. If within a specified period the amount of credit secured by the pledge of the thing is not returned to a pawnshop, the pawnshop has the right upon the expiration of one month to sell the pledged thing in accordance with the procedure established in paragraphs 2 and 5 of Article 4.219, Articles 4.222 and 4.225.
4. After the pledged thing is sold, the right of claim of a pawnshop in respect of the pledgor (debtor) terminates even if the amount received from the sale of the thing is not sufficient to satisfy the requirements of the pawnshop as a creditor.

SECTION XIII
RETENTION OF A THING

Article 4.229. Contents of the Right of Retention

1. A lawful possessor who has the right of claim in respect of the owner of the thing belonging to another is entitled to retain the thing until his claim is satisfied.
2. The right of retention may not be exercised before the term for performance of the obligation.
3. Other laws may specify other rules for the retention of the thing.

Article 4.230. Indivisibility of the Right of Retention

The right of retention shall not be divided, therefore the possessor may retain the entire thing until his claim is fully satisfied.

Article 4.231. Right in Respect of Fruits of the Retained Thing

1. A person who enjoys the right of retention may keep the fruits of the retained thing and thus satisfy his claims prior of other creditors.
2. Initially the interest is paid from the proceeds resulting from the fruits of the thing, while claims arising from the principal obligation are satisfied subsequently.

Article 4.232. Custody Conditions of the Retained Thing

1. agreed otherwise.
2. If A person who has the right of retention must keep and preserve the thing in such a way that its security is ensured.
3. A person who has the right of retention may not lease, pledge or otherwise encumber the thing or use it in accordance with its destination except for the use that is necessary to preserve the thing unless the law provides otherwise or the person who retained the thing and the owner of the thing have a person who has the right of retention breaches the duties laid down in paragraphs 1 and 2 of this Article, the debtor has the right to apply to the court with a request to transfer the thing to him.

Article 4.233. Remuneration of Expenses Related to the Retention of the Thing

1. If the person who has the right of retention incurred expenses related to the retained thing, he may demand from the owner of the thing to cover the expenses thereof except when the owner proves that such expenses were not necessary.
2. If the person who has the right of retention within the time of retention incurs expenses that increase the value of the thing, he may demand from the owner of the thing to pay the amount by which the value of the thing has increased or to cover expenses in some other way.

Article 4.234. Limitation of Actions in Cases of Retention

The exercise of the right of retention shall have no impact on the limitations of actions that has been established for the claim in respect of which the possessor of the thing has the right thereof.

Article 4.235. Extinction of the Right of Retention

1. The debtor, having submitted the adequate proof that he has performed his obligation, is entitled to demand the transfer of the thing to him.
2. The right of retention of the thing extinguishes, when the possessor of the thing loses the right to operate except when, upon the consent of the owner of the thing (the debtor), the thing is leased or pledged to other persons.

CHAPTER XIV
ADMINISTRATION OF THE PROPERTY OF OTHERS

Article 4.236. Scope of Application of Property Administration Provisions

1. Provisions of this Chapter shall regulate the activities of each person who administrates the property belonging by the ownership right to another except cases when this Code or other laws provide for the other form of property administration.

2. Administration is established by a court order, by law or by transaction. In cases provided for under this Code, the administration may be established by an administrative act.

3. The administration fact of an immovable thing is registered in the public register and the administrator thereof is indicated.

Article 4.237. Property Administrator

1. Any natural or legal person who is permitted by legal acts to provide administrative services may be a property administrator.

2. In concluding transactions the administrator is bound to indicate that he acts in the capacity of an administrator.

Article 4.238. Right of the Property Administrator to Remuneration

1. The property administrator is entitled to the remuneration fixed in the act establishing administration except cases when according to the law the administration is gratuitous. If in the act establishing administration the remuneration is not fixed, it is established by court according to the market value of the services rendered by the administrator.

2. If the administrator is not paid on time, he is entitled to keep the appropriate amount as remuneration for the administrative services rendered from the sum to be paid to the beneficiary, or to retain the property till the time he is paid.

3. If there are several beneficiaries, they all are under a solidarily obligation in respect to the payment of the remuneration to the administrator.

4. A person acting without right or authorisation is not entitled to any remuneration.

Article 4.239. Kinds of Property Administration

1. A simple administration is established when the administrator performs all the acts necessary for the preservation of the property or useful for the maintenance of the use for which the property is destined; a full property administration is established when the administrator is not only to preserve the property but increase it and to make it productive and to use it to a purpose in the best interests of the beneficiary.

2. The kind of administration is established in the administration act. If the kind of administration is not established in the administration act, it shall be deemed to be simple administration.

Article 4.240. Contents of Simple Property Administration

1. In case of simple administration, the administrator is bound to collect the fruits and revenues of the property, to register debts and to give valid acquittance for them from the property under his administration and to exercise other rights pertaining to the property operation and use. The administrator is entitled to make sound investments in accordance with the provisions of this Chapter.

2. If securities are administrated, the administrator is entitled to vote and exercise other rights and obligations pertaining to securities.

3. The administrator is not entitled to change the destination of the property unless he is authorised to make such a change by the court.

4. With the authorisation of the court, the administrator may transfer the property to other persons for payment or to charge it with a pledge where it is necessary for the payment of the debts or the maintenance of the value of the property. The administrator may dispose of perishable property without an authorisation of the court.

Article 4.241. Contents of Full Administration of Property

In case of full administration, the administrator, in addition to rights stipulated in Article 4.240 of this Code, may transfer the property, invest, pledge, charge it with a real right or change its destination.

Article 4.242. Obligations of the Property Administrator Towards the Beneficiary

1. The administrator shall, in carrying out his obligations, comply with laws and rules of the administration act. The administrator is not liable for loss of the property resulting from its normal depreciation and for the decrease of property value or the destruction of property due to *force majeure*.

2. The administrator must carry out his obligations with prudence, honesty and solely in the best interests of the beneficiary. The administrator may not exercise his powers in his own interest or that of a third person.

3. If the administrator himself is a beneficiary, he shall exercise his obligations in common interests of all beneficiaries by acting impartially and by respecting and equally protecting their rights.

4. The administrator shall have the right to make claims related to the administration of property as well as to enter the case in relation to the administrated property initiated by other persons.

5. The court, in appreciating the extent of civil liability of the administrator for the damage caused, and in view of the fact that the administrator has acted gratuitously and other important circumstances, may reduce the resulting damages.

Article 4.243. Prohibitions in Respect of the Property Administrator

1. The administrator shall be prohibited from carrying out his functions in is own personal interest. The administrator must notify the beneficiary without delay about each conflict of interests.

2. The administrator shall have no right to merge or mingle the property under administration with his own property, to use the administrated property or information related to the administration of the property in his interests except with the consent of the beneficiary or by the act establishing administration.

3. The administrator shall have no right to transfer the administrated property to other persons gratuitously, he may not renounce any right belonging to the beneficiary in respect to the property administrated.

4. The administrator shall have no right to acquire the administrated property except with the authorisation of the beneficiary or the court or acquire by succession.

Article 4.244. Obligations of the Property Administrator or the Beneficiary Towards Third Persons

1. The administrator is not personally liable towards third persons in respect of obligations arising from property administration, except if he binds himself in his own name.

2. The administrator is personally liable towards third persons when he exceeds his powers unless the transaction was subsequently ratified by the beneficiary or a third person was aware of that fact that the administrator while acting exceeded his powers.

3. The beneficiary is liable towards third persons for the damage caused by the fault of the administrator in carrying out his functions only up to the amount he has derived from the administrator.

4. It shall be deemed that the administrator exceeds his powers, if he has alone performed such actions that could have been only performed jointly with another person, except cases when he has performed such actions more advantageously than he has been requested to do.

Article 4.245. Making an Inventory of the Administrated Property and Insurance

1. The administrator is bound to make an inventory of the property, to insure the property against theft, fire and other elemental forces, to insure his own personal civil liability or to guarantee the performance of his obligations in some other way only in when this is stipulated by law, the act establishing administration or a court judgement. Both the property and the civil liability of the administrator are insured at the expense of the beneficiary unless provided otherwise.

2. If the administrator is bound to make the inventory, such an inventory shall contain the following:

1) the indication of the type, value, destination, location and individual characteristics of things;
2) securities and currency in cash;
3) property related rights and obligations.

3. The property described in the inventory is presumed to be in appropriate condition on the date of the preparation of the inventory unless it is proved otherwise.

4. The administrator shall furnish the inventory to the person or the institution that entrusted him with the administration, copies of the inventory – to the beneficiary and also to other persons he knows to have an interest. Any interested person has the right to contest the inventory and demand that a new inventory is prepared.

Article 4.246. Joint Administration of the Property

1. Where several administrators are charged with administration, all decisions pertaining to property administration are taken by a majority of them unless the law or the act establishing administration requires all of them to act jointly.

2. If several administrators avoid taking a decision, the others may apply to the court for the authorisation to act individually or to modify a decision taking procedure.

3. An administrator is presumed to have approved any decision made in his absence unless he makes his dissent known to the beneficiary and other administrators within a reasonable time after becoming aware of the decision.

4. An administrator may delegate only specific acts to other persons or his representative. An administrator may delegate all his functions only to his co-administrators. An administrator himself is accountable for the actions performed by such persons.

Article 4.247. Liability of Administrators in Joint Administration of the Property

1. All joint administrators are solidarily liable for their administration unless their duties have been divided by the law, a court judgement or an act establishing administration. In that event each administrator is liable for his own administration only.

2. An administrator may be relieved of liability for the decision taken unless he immediately indicates his dissent to his co-administrators and notifies it to the beneficiary. The administrator may be relieved of liability if he proves that having declared to co-administrators his dissent he was unable for serious reasons to make his dissent known to the beneficiary.

3. Administrators are accountable to the beneficiary for their acts, and when they delegate their duties to other persons – they are also accountable for the acts of persons selected by them.

Article 4.248. Investment of Property under Administration

1. Investments of property under administration are made in the name of the beneficiary unless otherwise provided by the law or an act establishing administration.

2. Investments are presumed sound if the property:

1) is invested into immovable things;
2) is invested into governmental securities.

3. An administrator who made unsound investments of the property is liable for any loss resulting from them.

Article 4.249. Account and Use of Revenues Generated by the Administrated Property

1. From the revenues generated by the administrated property, the administrator is entitled:

1) to pay insurance premiums pertaining to administrated property;
2) to cover costs of the property repairs and maintenance;
3) to pay taxes payable on the administrated property;
4) to use part of property to cover depreciation expenses;
5) to discharge other obligations related to property administration.

2. An administrator is bound to maintain the revenue and expenditure account. By the end of a calendar year, the administrator must render a detailed summary account of his administration. If there are several property administrators, they must render a joint account unless their duties have been divided.

3. An administrator must allow the beneficiary examine the books and other financial documents. Any interested person may apply to the court with a request that the account be audited.

Article 4.250. Extinction of Property Administration

Administration is extinguished:

1) by extinction of rights of the beneficiary in the administrated property;
2) by expiry of the term of administration or fulfilment of the condition stipulated in the act establishing administration;
3) by disappearance of the cause that gave rise to administration or by achievement of the object of administration.
4) by termination of property administration.

Article 4.251. Extinction of Property Administrator's Powers

1. The powers of a property administrator extinguish:

1) upon his death, upon liquidation of the administrator as a legal person or upon the initiation of a bankruptcy case against him;
2) when the administrator renounces his powers;
3) by declaring an administrator incapable or partially capable;
4) by his replacement;
5) by termination of administration.

2. The administrator may renounce his powers. He shall notify one month before a person or institution that appointed him, the beneficiary and other administrators, if there are several of them, about his resignation.

1. The administrator who failed to give notice of his resignation in time shall cover losses due to his resignation unless he was unable to notify for serious reasons.

2. A beneficiary or any other interested person concerned may apply for the replacement of an administrator if the administrator fails to fulfil his functions properly.

3. Upon the death of the administrator, his successors are bound to give notice of the death without delay to the person or institution that appointed him and the beneficiary. His successors must preserve the property as far as possible till the appointment of a new administrator.

Article 4.252. Consequences of the Termination of Property Administration

1. Upon the termination of administration, the administrator shall render a report to a person (institution) that appointed him, the beneficiary, as well as other administrators, shall

deliver over the property where it is and shall deliver over all that he has received in the performance of his duties, apart from remuneration for administration.

2. If an administrator concludes a transaction after the termination of administration being unaware of it and when he could not be aware that the administration had terminated, such a transaction is valid and binding to the beneficiary. The same rule applies to transactions contracted that are required to preserve the administrated property. The beneficiary is also bound by transactions contracted by third persons with the administrator who were unaware that the administration had terminated.

CHAPTER XV
REGISTRATION OF THINGS, REAL RIGHTS AND JURIDICAL FACTS

Article 4.253. Objects of registration

1. Registered things shall be immovable things and movable things by their nature that are formed according to the procedure established by the law and the principals of registration of their acquisition and transfer are specified by legal acts.

2. Things indicated in paragraph 1 of this Article, encumbrances, real rights and, in cases prescribed by laws, juridical facts shall be registered in the public register.

Article 4.254. Registered Juridical Facts

The following juridical facts pertaining to things, encumbrances and real rights shall be registered in the public register:

1) transactions and decisions by which a legal status of the registered thing is changed or the possibilities for its management, use and disposal are substantially modified;
2) contracts of co-owners of the registered thing on the commonly owned thing;
3) the inheritance of the registered thing;
4) the seizure of the registered thing;
5) changes of the registered thing (its size, destination, etc.) and changes of surnames, names of persons, the name of the legal person who has real rights towards it;
6) the fact of the initiation of a civil action on the legal status of the registered thing;
7) res judicata judgements that have an impact on the legal status of the registered thing and respective court orders;
8) the fact of property administration;
9) the fact of the formation of a new thing or the disappearance of the former.

Article 4.255. Legal Principles for the Registration of Juridical Facts in the Public Register

Documents certifying that juridical facts took place based on which such juridical facts are registered in the public register are the following:

1) a decision of a public authority or a governmental institution;
2) a court judgement, order, decision, sentence;
3) a decision on the seizure of the property by institutions or officials established by laws;
4) a marriage, divorce certificate; a certificate on the change of the name, surname; a death certificate of the property owner;
5) a certificate of the right of inheritance;
6) a notification of the court about the initiation of a civil action on the legal status of the registered thing;
7) written transactions;
8) a contract (deed) of the sale of property in a public forced auction;
9) other documents prescribed by laws.

Article 4.256. Applications to Register Things, Encumbrances, Real Rights or Juridical Facts

1. A person wishing to register the thing, encumbrances, real rights or juridical facts submits to the public register controller an application of a standard form.

2. An application to register the thing and rights of ownership towards the thing is submitted by the person who has acquired the thing, and upon the registration of real rights towards the thing of another as well as encumbrances – an application is submitted by the holder of such rights or a person interested in registration thereof. The application to register juridical facts is submitted by an authorised agency or by a person interested in their registration. A person submits the application in person or through his representative who has the authorisation issued in accordance with the procedure established by laws.

3. Documents certifying the acquisition of the thing into the ownership, encumbrances, the existence of real rights or the occurrence of juridical facts shall accompany the application for registration.

Article 4.257. Examination of the Application to Register Things, Encumbrances, Real Rights or Juridical Facts and the Adoption of the Decision

1. A public register controller shall examine and make decisions pertaining to the application to register things, encumbrances, real rights or juridical facts. When the application has been examined, the following decisions could be made – to satisfy an application that is: to register things, encumbrances, real rights or juridical facts or to reject the application: to refuse to register things, encumbrances, real rights or juridical facts. In cases prescribed by laws, a public register controller may suspend the adoption of a decision by indicating circumstances that hinder registration and by setting a deadline for the removal of those circumstances.

2. After the adoption of the decision to register things, encumbrances, real rights or juridical facts, documents certifying their registration in a public register are issued.

3. The fee for the registration of things, encumbrances, real rights or juridical facts is fixed by legal acts.

Article 4.258. An Appeal against the Registration and the Refusal to Register Things, Encumbrances, Real Rights or Juridical Facts

In accordance with the procedure established by laws, the persons concerned may appeal against the registration or the refusal to register things, encumbrances, real rights or juridical facts.

Article 4.529. Time of the Registration of Things, Encumbrances, Real Rights or Juridical Facts

Things, encumbrances, real rights or juridical facts shall be deemed registered when the respective data are entered into the public register in accordance with the procedure established by laws.

Article 4.260. Compensation for Damage through the Fault of a Public Register Controller

1. The damage due through the fault of a public register controller is compensated in accordance with the procedure prescribed by laws. A person shall apply to the public register controller for damage compensation no later than within one month from the date when the fact about the appearance of damage becomes known.

2. A public register controller is not be liable for the damage sustained by persons on the grounds of common principles for the exemption from civil liability as well as in cases when persons who incurred damage:

1)have submitted to the register controller inaccurate data;

2)having learnt out about an inaccurate or wrong inscription into a public register within one month failed to take any measures provided by laws to protect the rights that have been violated.

3. Disputes on the compensation of damage are settled by court.

Article 4.261. Right to Use the Public Register Data

Each natural or legal person has the right to use the public register data except for restrictions prescribed by laws. The Government shall determine the amount and the procedure for setting up the remuneration fee for the use of the public register data.

Article 4.262. Legal Status of the Register Data

The data entered into the public register shall be deemed accurate and comprehensive until contested in the manner prescribed by laws.

BOOK FIVE
LAW OF SUCCESSION

CHAPTER I
GENERAL PROVISIONS

Article 5.1. Concept of succession

1. Succession is the devolution of property rights, duties and some other personal non-property rights of a deceased natural person to his heirs by operation of law (intestate) or/and to successors by the will (testate).

2. The following shall be subject to succession: material objects (movable and immovable things) and non-material objects (securities, patents, trade marks, etc.) claims of patrimonial character and property obligations of the bequeather; in cases provided for by laws – intellectual property (authors' property rights to works of literature, science and art, neighbouring property rights and rights to industrial property), as well as other property rights and duties stipulated by laws.

3. The following shall not be subject to succession: personal non-property and property rights inseparable from the person of the bequeather (right to honour and dignity, authorship, right to author's name, inviolability of creative work, to the name of performer and inviolability of performance), right to alimony and benefit paid for the maintenance of the bequeather, right to pension, except in cases provided for by laws.

Article 5.2. Grounds for succession

1. Succession shall arise by operation of law and by a will.

2. Succession shall arise by operation of law unless the testator has changed, and to the extent he has changed, the grounds for succession by his testamentary disposition.

3. In the instances when there are no successors either by operation of law or by a will, or none of the successors accepts succession, or when the testator deprives all the heirs of the right to succession, the estate of the deceased shall devolve to the state pursuant to the right of succession.

Article 5.3. Opening of succession

1. The time of the opening of succession shall be considered the moment of death of the bequeather, and in the event where he is declared deceased, the day when the judgement of the court on the declaring of the bequeather to be deceased becomes *res judicata*, or the day of death indicated in the court judgement.

2. In the instances where it is impossible to determine which of the two or more persons survived the each other, they all shall be considered to have died at the same time, without the arising of the devolution of rights.

Article 5.4. Place of the opening of succession

1. The place of the opening of succession shall be considered the last place of domicile of the bequeather (Article 2.12 of this Code).

2. In the event where the bequeather had no permanent place of residence, the place of the opening of succession shall be considered to be:

1) the place where the bequeather lived most time during the last six months before his death;

2) if the bequeather resided in several places, the place of the opening of succession shall be considered the place of prevailing economic or personal interests of the bequeather (place of location of property or its principal part, when the property is situated in several places; the place of residence of the spouse with whom the bequeather maintained matrimonial relationship during the last six months before his death, or the place of residence of the child who was residing together with the bequeather).

3. Where the place of residence of the bequeather is impossible to determine in accordance with the circumstances indicated in Paragraphs 1 and 2 of this Article, the place of the opening of succession may be determined in accordance with the citizenship of the bequeather, his registration, the place of registration of the vehicles belonging to him, and other circumstances.

4. In the event of dispute, the place of the opening of succession may be determined by the court under the request of the interested persons, taking in regard all circumstances.

CHAPTER II
SUCCESSORS

Article 5.5. Persons who have capacity to inherit

1. The following persons shall have the capacity to inherit:

1) in succession by operation of law: natural persons who survived the bequeather at the moment of his death, children of the bequeather who were born after his death, likewise the State of Lithuania;

2) in succession pursuant to a will: natural persons who survived the testator at the moment of his death, likewise those who were conceived while the testator was still alive and were born after his death; persons named in the will before their conception – upon their birth;

3) in succession pursuant to a will: legal persons which existed at the moment of death of the testator, or established in executing the testator's true intent expressed in his will.

2. The state or municipalities may also be entitled to inherit pursuant to a will.

Article 5.6. Persons unworthy of inheriting

1. Those persons shall be unworthy of inheriting either by operation of law or by a will who by unlawful intentional actions against the bequeather, or against any of his successors, or against the execution of the true intent of the testator expressed in his will, created legal situation to become successors if it was established within judicial procedure that they:

1) by malicious intent deprived the bequeathed or his successor of their life, or made an attempt on the life of those persons;

2) intentionally created circumstances which hindered the testator until his death in writing, amendment or revocation of the will;

3) by means of deceit, intimidation or coercion made the testator write up, amend or revoke the made will, or forced a successor to renounce succession;

4) concealed, forged or destroyed the will.

2. A successor shall not be unworthy of inheriting in accordance with Points 3 and 4 of Paragraph 1 of this Article if before the opening of succession, the will or relevant parts thereof ceased to be valid despite the actions of the successor.

3. Parents shall be unworthy of inheriting after the death of their children by operation of law if they were deprived of parental authority in accordance with a court judgement, and this judgement was not extinguished or abolished at the moment of the opening of succession.

Article 5.7. Forfeiture of the right of succession by a spouse

1. The surviving spouse shall forfeit his/her right of succession by operation of law if before the opening of succession:

1) the bequeather had applied to the court for the dissolution of marriage because of the fault of the surviving spouse, and the court had established a ground for the dissolution of marriage;

2) separation had been established by the court;

3) there was a ground for declaring the marriage null and void if a suit had been brought for declaring the marriage null and void. This point shall not apply in respect of a spouse who was not at fault for the marriage being declared null and void.

2. The grounds for declaring marriage null and void established in points 1 and 3 of paragraph 1 of this Article shall be established by the court before the opening of succession, or already after the opening of succession.

Article 5.8. Challenging the right of succession

A person claiming inheritance shall be able to challenge the lawfulness of the acceptance of succession as well as the issued certificate of the right of succession by bringing an action against the person who has accepted succession within a period of one year from the day of the opening of succession, or from the day when he became aware or should have become aware that the succession was accepted by another person.

Article 5.9. Effects of the challenging of the right of succession

1. When the court judgement by which the person claiming inheritance is not acknowledged heir with the right of succession becomes *res judicata*, this person shall be considered as not having accepted succession.

2. Where the action has been brought by a heir with the right of succession, he shall be considered as having accepted the succession, except in cases where this action is brought in the interests of other heirs.

3. Other heirs who ought to acquire the right of succession upon the court judgement indicated in Paragraph 1 of this Article becoming *res judicata*, shall have the right to accept succession within three months from the day when the court judgement becomes *res judicata*.

4. In respect of new heirs, hairship shall be considered open from the moment of the opening of succession (Article 5.3 of this Code).

Article 5.10. Persons not entitled to testamentary reservation

In the event where the beneficiary of testamentary reservation has performed actions indicated in Paragraph 1 of Article 5.6 of this Code, he shall forfeit his right to the testamentary reservation.

CHAPTER III
SUCCESSION BY OPERATION OF LAW (INTESTATE SUCCESSION)

Article 5.11. Order of intestate succession

1. In intestate succession, the following persons shall be heirs to inheritance in equal shares:

1) first degree descendants: bequeather’s children (including adopted children) and bequeather’s children born after his death;

2) second degree descendants: bequeather’s parents (adoptive parents), grandchildren;

3) third degree descendants: bequeather’s grandparents both on the father’s and mother’s side, bequeather’s great grandchildren;

4) fourth degree descendants: bequeather’s brothers and sisters, great grandparents both on the father’s and mother’s side;

5) fifth degree descendants: children of the bequeather’s brothers and sisters (nephews and nieces), likewise brothers and sisters of the bequeather’s parents (uncles and aunts);

6) sixth degree descendants: children of the bequeather’s parents’ brothers and sisters (cousins).

2. Second degree heirs shall inherit by operation of law only in the absence of the first degree heirs, or in the event of the latter’s non-acceptance or renunciation of succession, likewise in cases

where the first degree heirs are deprived of the right to inherit. The third, fourth, fifth and sixth degree heirs shall inherit in the absence of heirs of superior degree or in the event of latter's renunciation of succession or deprivation of the right to succession.

3. Adopted children and their descendants worthy to inherit after the death of their adoptive parent or his relatives shall be equalled to the children of the adoptive parent and their descendants. They shall not inherit by operation of law after the death of their parents and other blood relatives of a higher degree in the line of descent, likewise after the death of their blood brothers and sisters.

4. Adoptive parents and their relatives entitled to inherit after the death of their adoptive child or his descendants shall be equalled to the parents and other blood relatives. Parents of the adopted child and other blood relatives of a superior degree in the line of descent shall not inherit by operation of law after the death of the adopted child or his descendants.

5. Entitled to inherit by operation of law shall be the children of the bequeather born to their parents in marriage, or to the parents whose marriage was acknowledged null and void, likewise children born out of wedlock with their paternity established in accordance with laws.

Article 5.12. Succession by the right of representation

The bequeather's grandchildren and great-grandchildren shall inherit by operation of law alongside with correspondingly the first and second degree heirs entitled to inherit in the event of the predecease at the time of the opening of succession of any of their parents who would have been a heir. They shall be entitled to equal shares of that part of estate which would have been inherited by their deceased father or mother pursuant to intestate succession.

Article 5.13. Spouses' right of inheritance

The surviving spouse of the bequeather shall be entitled to inherit pursuant to intestate succession or alongside with the heirs (if any) of either the first or second degree of descent. Together with the first degree heirs, he shall inherit one fourth of the inheritance in the event of existence of not more than three heirs apart from the spouse. In the event where there are more than three heirs, the spouse shall inherit in equal shares with the other heirs. If the spouse inherits with the second degree heirs, he is entitled to a half of the inheritance. In the event of absence of the first and second degree heirs, the spouse shall inherit the whole inheritable estate.

Article 5.14. Inheritance of house furnishing and household equipment

Ordinary house furnishing and household equipment shall be devolved to the intestate heirs irrespective of their degree of descent and the share of inheritance if they resided together with the bequeather for a period of at least one year before his death.

CHAPTER IV
INHERITANCE BY WILL (TESTATE SUCCESSION)

Article 5.15. Testamentary capacity

1. A will may be made exclusively by the testator himself.

2. A will may be made only by a legally capable person who is able to comprehend the importance and consequences of his actions.

Article 5.16. Nullity of a will or its parts

1. A will shall be null and void if:

1) made by an legally incapable person;

2) made by a person of limited legal capacity due to the abuse of alcoholic drinks, narcotic or toxic substances;

3) its content is unlawful and impossible to understand.

2. A will may be acknowledged null and void on other grounds of nullity of transactions.

3. A perished will shall have no effect. The content of such a will may not be established by judicial procedure.

4. A testator may not authorise another person to establish or alter the content of a will after the death of the testator.

Article 5.17. Contesting of a will

1. An action for acknowledging a will or separate parts thereof null and void may be brought only by other intestate or testate successors who would be entitled to inherit if the will or separate parts thereof were acknowledged null and void.

2. On acknowledging a later made will null and void, the previous will shall not become effective, except in cases where a later will was acknowledged null and void because it had been made under coercion or real threat, likewise where it had been made by a person acknowledged by the court legally incapable, or by a person whose legal capacity was limited by the court on the grounds of abuse of alcoholic drinks, narcotic or toxic substances.

Article 5.18. Conditions for making a will

1. A testator shall make a will freely, without coercion or error. Ordinary persuasion or request of interested heirs for a will to be made in their favour shall not be considered coercion and shall not affect the validity of the will.

2. Mistakes in the text of the will, incorrect naming of persons, or the fact that some characteristics or state of a certain person or thing has changed or disappeared shall have no effect if the true intent of the testator is clear from the content of the will.

Article 5.19. The right of a testator to bequeath his estate at his discretion

1. Any natural person may bequeath all his property or a part thereof (including ordinary house furnishing and household equipment) to one or several persons irrespective of whether they are his heirs by operation of law, likewise to the state, municipalities or legal persons.

2. A testator may bequeath all his property or a part thereof to legal persons which will have to be established in executing the will, likewise to natural persons not yet conceived and born.

3. A testator may by his will disinherit one, several or all of his heirs.

4. In the event where the testator failed to indicate what share of his estate he bequeathed to every of his successors by the will, the estate shall be divided by equal shares to all of them.

5. In the event where the inheritable estate is divided by the will in such a way that all the shares in their totality exceed the amount of the whole estate, the share of every successor shall be correspondingly reduced.

6. In the event where the totality of all the shares is smaller than the amount of the whole estate, taking in regard the content of the will, the shares of the estate devolved upon each of the successors shall be proportionally increased or the remaining property shall be devolved by the operation of law.

Article 5.20. Right to the mandatory share of the inheritance

1. The testator’s children (adoptees), spouse, parents (adoptive parents) who were entitled to maintenance on the day of the testator’s death shall inherit irrespective of the content of the will a half of the share that each of them would have been entitled to by operation of law (mandatory share) unless more is bequeathed by the will.

2. The mandatory share shall be determined taking in regard the value of the inheritable estate, including ordinary house furnishing and household equipment.

Article 5.21. Appointment of another successor

A testator shall have the right by his will to designate another successor in case the successor appointed by the will died before the opening of succession or renounced the succession. The testator may likewise appoint another successor to the secondary successor in case the secondary successor

died before the opening of succession or renounced the succession. The number of the appointments of other successors shall not be limited.

Article 5.22. Inheritance of the part of estate not bequeathed by a will

1. The part of the testator's estate which remained not included into a will shall be divided in equal shares between the intestate heirs who inherit in accordance with the rules provided for in Articles from 5.11 to 5.14 of this Code.

2. These heirs shall also include the intestate successors who have a share of inheritable estate bequeathed to them by a will unless otherwise provided for by the will.

Article 5.23. Testamentary reservation

1. The testator shall have the right to obligate a testate successor to fulfil a certain obligation (testamentary reservation) for the benefit of one or several persons, while these persons shall acquire the right to demand fulfilment of this obligation. Beneficiaries of the testamentary reservation may be intestate heirs as well as any other persons.

2. The successor authorised by the testator shall have to fulfil the testamentary reservation without exceeding the value of the inheritable property after the claims of the testator's creditors have been satisfied.

3. If the testate successor, authorised to fulfil the testamentary reservation, is entitled to the mandatory share of the inheritance, he shall fulfil the testamentary reservation without exceeding the value of the property inheritable by him which is bigger than his mandatory share.

4. In the event where the successor authorised to fulfil testamentary reservation dies before the opening of succession or renounces the succession, the obligation to fulfil the testamentary reservation shall be alienated to the other successors who have received the share of that successor.

5. In the event where the executor of the testamentary reservation is not specified in the will, the testamentary reservation shall be excluded from the inheritable estate until the shares of the property inheritable by the successors have been determined.

6. The testamentary reservation shall become ineffective in the event of the death of its beneficiary before the opening of the succession.

Article 5.24. Acceptance of the testamentary reservation

1. The beneficiary of the testamentary reservation shall have the right to accept the testamentary reservation within the period of three months from the day when he became aware or should have become aware of his entitlement to the testamentary reservation.

2. The beneficiary of the testamentary reservation shall inform about his acceptance thereof the executor of the will (administrator of inheritance), the successor who has accepted succession and is authorised to fulfil the testamentary reservation, or the notary public of the place of the opening of succession. In the event where the testamentary reservation is related with the right to immovable property, application in all cases shall be filed with the notary public. The notary shall issue a certificate of the right to inheritance and the testamentary reservation shall be registered in the Public Register.

Article 5.25. Types of testamentary reservation

1. In the event where the subject-matter of the testamentary reservation is a thing defined by its individual features, the beneficiary of the testamentary reservation, having accepted thereof, shall acquire the right of ownership to this thing from the moment of the acceptance of succession. From that moment, the thing shall be transferred to the beneficiary of the testamentary reservation together with all the rights and duties related with this thing which belonged to the testator. The accessories of the principal thing shall also belong to the beneficiary of the testamentary reservation.

2. In the even where the subject-matter of the testamentary reservation is composed of claims resulting from obligations, all the supplementary claims which had to be fulfilled before the death of the testator shall also belong to the beneficiary of the testamentary reservation.

3. In the event where the subject-matter of the testamentary reservation is movable things defined as to specific features, such testamentary reservation shall have to be fulfilled irrespective of the existence of such things in the inheritance. If there are several things of this kind, the right of choice shall belong to the beneficiary of the testamentary reservation unless otherwise provided for by the will.

4. The testator shall have the right to obligate a successor to whom an immovable thing (land, house, apartment, etc.) or a private (personal) enterprise is devolved to allow another person for a certain period or for life use the immovable thing or its part, or to transfer the revenue, or a part thereof, derived from that property.

5. In the event where the testator by his testamentary reservation established maintenance for somebody without specifying its content, such person shall be entitled to board, accommodation, clothing and medical care, and those who study shall be entitled to have their study expenses paid for the whole duration of their study, but not longer than until they reach the age of twenty-four.

Article 5.26. Bequeath of property to the society for useful and charitable purposes

1. A testator shall be able to bequeath his whole estate, its part, or an individual thing to the society for useful and charitable purposes. A legal person to be established in executing the wish of the testator may be appointed as successor to such property. The testator may obligate his successor or the executor of the will to establish such a legal person.

2. In the event where the successor or the executor of the will fails to take any action for the establishment of the legal person, the interested persons may apply to the court with a request to appoint an administrator and obligate the latter to establish the legal person stipulated in the will.

3. In the event of disappearance of the social need for which the estate was intended, or the property cannot be used for the purpose indicated in the will, and in absence of any related instructions from the testator, the question of a further use of such property shall be decided by the court of the place of the opening of succession. Such property must be used for the purposes similar to those indicated by the testator.

Article 5.27. Types of wills

Wills may be official and private.

Article 5.28. Official wills

1. Official wills are such wills which are made in writing in two copies and attested by the notary public or an official of the Consulate of the Republic of Lithuania in the relevant state.

2. Public wills of persons with hearing and speech impairment shall be made with the participation of a person who understands sign language and is trusted by the testator, except in cases where the person with hearing and speech impairment is literate and can read the written up will and confirm in writing of his awareness of the content of the will.

3. The place and time when the will was made shall be indicated therein. The written up will shall be read to the testator alone or with the participation of witnesses. The will shall be signed by the testator himself. The will shall be attested and registered in the Notarial Register in his presence. One copy of the will shall be handed in to the testator, the other shall remain with the institution which has attested it. The information about the making of the will and its content shall be confidential.

4. If the will possessed by the testator or any other person fails to conform to the will deposited with the notary, in case of dispute preference shall be given to the will deposited with the notary, providing that it does not contain any corrections, deletions or erasures that were not agreed upon in accordance with the established procedure.

5. The fact of making an official will may not be disputed.

6. The following shall be equalled to official wills:

1) wills of the persons undergoing treatment in hospitals or any other institutions of medical care and disease prevention or in sanatoriums, as well as the wills of persons living in the homes for old or disabled people attested by the chief doctors, their deputies for medical matters or doctors on

duty of these hospitals, institutions of medical care or sanatoriums, likewise by the directors or chief doctors of such homes for old or disabled people;

2) wills of persons sailing in seagoing vessels or ships of internal waters flying the flag of the Republic of Lithuania, attested by the masters of those ships;

3) wills of persons participating in surveyor, research, sport or any other expeditions attested by the heads of those expeditions;

4) wills of soldiers attested by the commanders of those units, formations or institutions and military schools;

5) wills of inmates of the places of confinement attested by the heads of these institutions;

6) wills attested by the neighbourhood executive managers of the place of residence.

7. Persons indicated in Paragraph 6 of this Article shall be obliged as soon as possible to transfer the attested will to the notary in accordance with the procedure determined by the Minister of Justice.

Article 5.29. Signing of wills by another person

In the event where the testator due to his physical disabilities, illness or any other reasons is unable himself to sign the will, it may be signed upon the testator's request and in the presence of the notary or any other official authorised to attest the will by another legally capable natural person who is not a testate successor, by concurrently indicating the reason for which the testator is not able to sign the will himself. Witnesses shall also put their signatures in the will.

Article 5.30. Private will

1. A private will is a will written up in hand by the testator indicating the first name and surname of the testator, the date (year, month, day) and place where the will was made, expressing the true intent of the testator and signed by him. A private will may be written up in any language. Failure to indicate the date and place of the making of the will shall render it invalid only in those cases where it is impossible to determine the date and place of the making of the will by any other way, or they are not possible to infer from other circumstances.

2. Corrections introduced by the hand of the testator and the deletions explained by him shall not render the will invalid. Such conditions shall be valid which were mistakenly deleted by the hand of the testator who later made an inscription by his hand testifying that those conditions were deleted by mistake. The will shall be valid if there is some word omitted by mistake, or a word contains a spelling mistake; the relevant conditions shall also be valid, providing that their meaning is not obscure.

3. A will which is undeniably unfinished and unsigned shall be null and void.

4. If a will contains an inscription about the testator's intent to supplement it in the future though he failed to accomplish that, such will shall be valid, providing that it can be executed without the intended supplement.

Article 5.31. Depositing of a private will

1. A testator shall be able to deposit his will with the notary public or a consular official of the Republic of Lithuania in a foreign state. In accepting a will for deposit, the identity of the testator shall have to be established.

2. A deposited will shall be equalled to an official will if the deposit was performed pursuant to the following requirements:

1) the will was deposited by the testator himself who declared that the will expressed his final true intent;

2) the will was deposited in a sealed envelop, stamped with the stamp of the accepting institution, and both the testator and the person accepting the will put their signatures on the envelop;

3) an act on the acceptance of the will for deposit has been written up where it is indicated that the requirements specified in Point 1 and 2 of Paragraph 2 of this Article have not been violated, there also is presented the description of the envelope, stamps, indicated the testator's name, surname,

personal identity code, and the place of his residence, the place and date of the making of the will and its kind, likewise the official position, the name and surname of the person who accepted the will for deposit. The act shall be signed by the testator and the official accepting the will for deposit. The testator shall be issued with a copy of the act.

3. The accepted will shall be kept in the safe of the institution of deposit. The testator shall have the right to take the will back at any time. The will may also be handed in to an agent of the testator under a special authorisation of the testator.

4. In the event where a private will was not transferred for deposit in accordance with the procedure established in this Article, it must be confirmed by the court within a period of one year from the death of the testator. In this case, only a will confirmed by the court shall be valid.

Article 5.32. Register of wills

1. The Register of wills made in the territory of the Republic of Lithuanian shall be handled by the Central Hypothec institution.

2. Notaries, consular officers shall be obliged within three working days to notify the Central Hypothec institution about the attested, accepted for deposit or revoked wills. The notification shall include the testator's name and surname, personal identity code, and the place of residence, the place and date of the making of the will, its kind, and the place of deposit. The content of the will shall not be divulged.

3. After the death of the testator, the data of the Register may be transferred to the court, notary and other interested persons.

Article 5.33. Announcement of the will

1. Upon becoming aware of the death of the testator, the notary of the place of the opening of succession shall immediately establish the day for the announcement of the will and inform about it to the known successors and other interested persons. If the envelope containing the will is stamped, it shall be necessary to write up a protocol where it must be noted whether the envelope and the stamps are intact. In the event where there are several wills, all of them shall be announced.

2. After having announced the will, the notary shall take all the measures necessary to establish the place of residence of all the successors and other interested persons who were not present when the will was announced, and without delay inform them about the content of the will.

Article 5.34. Time-limit for keeping the will in deposit

In the event where a will is kept in deposit for a period over thirty years, the depository institution shall be obliged by the means available to them to verify whether the testator is still alive. If it becomes clear that the testator is dead, the envelope with the will shall be opened and the will announced.

Article 5.35. Revocation, supplementing and alteration of a will

1. The testator shall have the right at any time to alter, supplement or revoke a will made by him by drawing up a new will, or not to make a will.

2. A will made at a later time shall annul the whole previous will or a certain part thereof which contradicts the later will. This provision shall not apply in respect of a joint will of spouses.

3. The testator may also revoke an official will by filing an application with the depositor of the will or the institution which attested it. The signature of the testator on such application shall be witnessed within the procedure established by laws.

Article 5.36. Conditions of a will

1. The testator may appoint a successor or a beneficiary of testamentary reservation by specifying one or several conditions to be fulfilled by them in order to inherit.

2. Unlawful conditions, or conditions contrary to the usages, or those violating the requirements of good morals shall be null and void.

Article 5.37. Execution of a will

1. A will shall be executed by the executor of the will or a successor appointed by the testator, or by an administrator of inheritance appointed by the court.

2. Nobody can be appointed executor of a will against his wish, however the person who has assumed the duties of the executor of the will may not relinquish those duties without important reasons.

3. The testator may appoint one or several executors of the will. The testator may likewise appoint a secondary executor of the will in case the primary executor is not able to fulfil his duties. In this event, the agreement of the secondary executor inscribed in the will itself or expressed in an application appended to the will shall be necessary.

4. The person who has signed the will on behalf of the testator may not be an executor of the will.

5. In the event where the testator failed to appoint an executor, or the appointed executor or a successor are not able to fulfil their duties, the district court of the place of the opening of succession shall appoint an administrator of inheritance to perform all the actions necessary for the execution of the will.

6. A person who has embarked upon the execution of will shall have no right to relinquish those duties without important reasons.

Article 5.38. Rights and obligations of the executor of the will appointed by the testator

1. The executor of the will shall perform all the actions necessary for the execution of the will. Pending the appointment of the administrator of inheritance or the establishment of the successors, the executor of the will shall perform the functions of a successor: possess the inheritance, compile the inventory of the inheritance, pay the debts of the inheritance, recover the debts from the testator's debtors, provide maintenance for the successors who are entitled to it, perform the search of successors, establish whether the successors accept the inheritance, etc. In his activity, the executor shall be guided by the will. In executing the will, the executor shall consult with the successors. Any dispute concerning the execution of the will shall be decided by the district court of the place of the opening of succession.

2. In performing his duty, the executor of the will shall be obliged to act with the same diligence as in taking care of his private interests. In the event where the executor of the will receives payment for his work, he shall be liable before the successors and other interested persons for any loss caused by his negligent actions.

3. If the testator has appointed several executors of the will without clearly defining their corresponding rights and duties, they shall act jointly. Any disagreement between them over the execution of the will shall be decided within judicial proceedings. The executors shall be solidarily liable for the actions performed upon their mutual consent.

4. In the event where one of the executors has been given a specific assignment by the testator, or authorised with execution of a certain part of the will, such executor shall be liable solely for his own actions.

5. Expenses incurred in the execution of the will shall be covered from the inherited estate.

6. The executor shall perform his duties gratuitously if nothing has been specified by the testator in his will concerning payment.

Article 5.39. Inventory of inheritance

1. Having assumed the management of the inheritance, the executor of the will or the administrator of the inheritance shall immediately compile the inventory of the inheritance which lists the whole inheritable estate, likewise all the amounts due to and owed by the testator. A successor, who expresses such a wish, may participate in the compilation of the inventory of the property.

2. The executor of the will or the administrator of the inheritance shall have the right upon his discretion, or the obligation upon the demand of a successor, to apply to the court with a request to delegate the compilation of the inventory to the court bailiff.

3. Expenses incurred in the compilation of the inventory of inheritance shall be covered from the inherited assets.

Article 5.40. Possession of inheritance and its duration

The testator may authorise the executor of the will to possess the inheritance accepted pursuant to the established procedure, or to authorise the possession of inheritance after other assignments of the testator have been fulfilled. The duration of such possession may be specified in the will by indicating a definite time-limit or a certain event (attainment of a certain age by the successor, death of a successor, marriage, etc.). Such time-limit may not exceed the period of twenty years from day of the opening of succession.

Article 5.41. Report of the executor of the will

Having fulfilled the execution of the will, the executor or the will or the administrator of the inheritance shall be obliged upon the request of the successors to provide them with the report. In the event where the will is being executed for a period exceeding one year, and the possession of the inheritance is performed by the executor of the will or the administrator (Article 5.40 of this Code), such reports shall be submitted every year.

Article 5.42. Removal of the executor of the will or the administrator of the inheritance

In the event where the executor of the will or the administrator of the inheritance improperly fulfils his duty, violates the interests of the successors, beneficiaries of the testamentary reservation, of the testator's creditors and those of other interested persons, the court of the place of the opening of succession shall have the right upon the demand of the latter persons to remove the executor of the will and appoint an administrator of the inheritance, to replace the administrator appointed by the court.

CHAPTER V
JOINT WILL OF SPOUSES

Article 5.43. Concept of a joint will of spouses

By their joint will, the spouses appoint each other as the successor and after the death of one of the spouses, the whole property of the deceased (including the part of the common property of the spouses therefrom) shall be inherited by the surviving spouse, except the mandatory share of succession (Article 5.20 of this Code).

Article 5.44. Making a joint will of spouses

1. A joint will of spouses shall be made exclusively by spouses. Such will shall be signed by both spouses in the presence of a notary or any other person attesting the will.

2. A joint will of spouses shall be made exclusively as an official will (Article 5.28 of this Code).

Article 5.45. Content of a joint will of spouses

1. By testamentary disposition each of the spouses shall provide for the devolution of his/her whole property to the other spouse.

2. A successor may be appointed by the will to inherit the property after the death of the surviving spouse.

3. A will may provide for a testamentary reservation awarded from the property of one of the spouses after his/her death, or from the common property of the spouses after the death of the surviving spouse.

4. The spouses may bequeath their whole property or a part thereof to the society for worthy causes or to charity. Such a direction of the will may be effectuated from the property of one of the spouses after his/her death or from the common property of the spouses after the death of the surviving spouse.

Article 5.46. Revocation and invalidity of a joint will of spouses

1. Each of the spouses shall be entitled before the opening of the succession to revoke the expression of his/her intention within the same procedure as the drawing up of the will. In this event, the expression of the intention of the other spouse shall lose its legal effect as well.

2. The wills drawn up by the spouse without previous revocation of the joint will of spouses shall be null and void.

3. A joint will of spouses shall be rendered invalid by the dissolution of marriage before the opening of succession or by filing a suit (bringing an application) for the dissolution of marriage, or by the consent of the spouse to the dissolution of marriage.

Article 5.47. Obtaining the deposited will

The institution which has attested the will and deposited for safekeeping may submit the will only upon the request of both spouses.

Article 5.48. Declaration of a joint will of spouses

Upon the death of one of the spouses, only the intent of this spouse shall be revealed to the interested successors in accordance with the procedure established in Article 5.33 of this Code without revealing the intent of the other spouse.

Article 5.49. Renunciation of inheritance under a joint will of spouses

1. Upon the death of one of the spouses, the other spouse shall have no right to modify a joint will. He shall have the right to renounce the acceptance of succession. In this event, the estate of the deceased spouse shall be devolved upon his/her heirs by operation of law, and the surviving spouse shall acquire the right to make a new will upon his/her discretion.

2. Such refusal on the part of the surviving spouse to accept succession shall have no effect upon the right of the beneficiary of testamentary reservation from the estate of the deceased spouse to a testamentary reservation which is issued by intestate heirs.

3. In the event of the surviving spouse renouncing succession, the successor appointed by the joint will to inherit after the death of the surviving spouse, shall lose the right of succession under the joint will.

CHAPTER VI
ACCEPTANCE OF SUCCESSION AND LIABILITY FOR THE DEBTS OF THE BEQUEATHER

Article 5.50. Acceptance of succession

1. In order to acquire succession, a successor shall have to accept it. Acceptance may not be in part, or subject to conditions or exceptions.

2. A successor shall be deemed to have accepted succession when he actually starts possessing the estate, has applied to the district court of the place of the opening of succession for the inventory of the estate, or when the successor files an application on the acceptance of succession with the notary public of the place of the opening of succession

3. Actions indicated in this Article shall have to be performed within three months since the day of the opening of succession.

4. Persons whose right to inheritance arises only upon the renunciation of succession by other successors, may express their agreement to accept inheritance within three months from the day of the arising of the right to accept the inheritance.

5. Inheritance devolved to the successors born after the opening of succession shall be accepted within three months from the day of their birth.

6. The notary or the court shall be obliged within three working days to inform the Central Hypothec Institution about the acceptance of succession.

Article 5.51. Acceptance of succession after the actual start of property possession

1. A successor shall be deemed to have accepted the inheritance if he has started to possess the estate, treating it like his own property (possesses, uses and disposes it, takes care of, pays taxes, has applied to the court by expressing his intention to accept the inheritance and appoint the administrator of inheritance, etc.). A successor, who has started to possess any part of the inheritance, shall be deemed to have accepted the whole inheritance.

2. A successor, who has started to possess the estate, shall have the right within the period established for the acceptance of succession to renounce succession by filing an application with the notary public of the place of the opening of succession. In this case, the successor shall be deemed to have possessed the inheritance in the interests of other successors.

Article 5.52. Liability for the debts of the bequeather by the successor who has accepted inheritance by starting to possess the estate or by filing an application with the notary

The successor who has accepted succession by taking over the possession of the estate or by filing an application with the notary shall be liable for the debts of the bequeather with his whole property, except in cases provided for in this Code. In the event where the estate was accepted by several successors by the manner indicated above, they all shall be solidarily liable with their whole property for the debts of the bequeather.

Article 5.53. Acceptance of succession in accordance with an inventory

1. A successor who has accepted inheritance in accordance with the inventory compiled by the court bailiff shall be liable for the debts of the testator only with the inherited property. In the event where at least one of the successors has accepted the inheritance in accordance with the inventory, all the other successors shall be deemed to have accepted the inheritance in accordance with the inventory.***

2. For the compilation of such inventory, the accepting successor or successors shall apply to the district court of the place of the opening of succession, while the court shall delegate the compilation of the inventory to the court bailiff.

3. The time-limit for the compilation of property inventory shall be determined by the court. The term-limit may not exceed the period of one month. Only in cases where the inherited estate is located in several places, or there is a considerable number of creditors of the bequeather, the time-limit may be extended for a period of not exceeding three months.

4. A successor shall be obliged to furnish all the data necessary for the compilation of the inventory of the bequeather's estate.

5. The inventory shall contain:

1) a list of all the things comprising inheritance indicating their value and the circumstance necessary for the determination of their value;

2) indication of all known obligatory rights and duties of the bequeather by specifying the bequeather's creditors and debtors.

6. The inventory of the inheritance shall be signed by the court bailiff and the successor who participated during the compilation of the inventory. At the end of the inventory, there must be an equalled to oath inscription signed by the successor to testify that the inventory includes the whole estate of the bequeather known to the successor as well as his all the bequeather's obligatory claims and duties.

7. Upon becoming aware about property or obligatory claims and duties not included into the inventory, the successor (successors) shall be obliged within three working days from the day when

these circumstances became known to inform the court accordingly in order to have the bailiff to supplement the inventory.

8. The compilation of the inventory may also be requested by the creditors of the bequeather. The creditors of the bequeather shall also have the right to participate during the compilation of the inventory or to authorise another person to participate during the compilation of the inventory.

9. The court shall be obliged to ensure access to the inventory of the inheritance for everyone who proves his lawful interest in the inventory.

Article 5.54. Inaccurate inventory

1. In the event where during the compilation of the inventory the successor (successors) due to their fault failed to indicate the whole estate comprising inheritance, concealed debtors of the bequeather, on his initiative a non-existing debt was included into the inventory, or he (they) failed to supplement the inventory, the successor (successors) concerned shall be liable for the debts of the bequeather with their whole property. The same effect will be produced by the failure of the successor to perform his duty indicated in Paragraph 4 of Article 5.53 of this Code.

2. In the event where the inventory contains not the whole estate without the fault of the successor, the court shall determine a time-limit for the supplementing of the inventory.

Article 5.55. Applying to the court for the administration of the property of the succession

1. In the event where the inherited estate is an private (personal) enterprise, a farmstead, or the bequeather's debts might exceed the value of the inheritance, the successor, having accepted succession, may apply to the court of the place of the opening of succession with a request to appoint an administrator for the property of the succession, or request to appoint an administrator for the property of the succession and decide on the issue of auction or a starting of bankruptcy proceedings. In this event, the debts of the bequeather shall be paid only from the inheritance.

2. Administration of the property of the succession shall be established by a ruling of the district court located of place of the opening of succession. By this ruling, the court shall appoint an administrator of the property of the succession and determine his remuneration.

3. No administration of the property of the succession shall be established in the event where the inheritance is not significant, and the costs of administration would exceed the value of the inheritance, or where the major part of the inheritance would have to be used for the payment of administration costs. Administration of the property of the succession shall be abolished in the event where it becomes clear that the costs of administration would exceed the value of the inheritance.

4. The administrator of the property of the succession shall have the same rights and duties as the executor of the will (Article 5.38 of this Code), the norms of Chapter XIV of Book Four shall also apply *mutatis mutandis* in this respect.

5. In the event where there are several successors, they shall file a joint application for the appointment of an administrator for the property of the succession. No administrator of the property of the succession shall be determined in the event where the successors have taken over the possession of the inheritable estate.

6. If in the events indicated in this Article no administration of the property is established, or it is abolished, an estate inventory shall be compiled and the debts of the bequeather paid only from the property of the succession.

7. Any disputes among successors concerning the administration of the property of the succession shall be decided by the court by passing a corresponding ruling.

Article 5.56. Implementation of the right to succession of legally incapable persons or persons of limited legal capacity

Succession on behalf of legally incapable persons shall be accepted by their parents or guardians. Persons of limited legal capacity shall accept inheritance exclusively upon the consent of their parents or curators.

Article 5.57. Extension of the time-limit for the acceptance of succession

1. The time-limit established in Article 5.50 of this Code for the acceptance of succession may be extended by the court where it is determined that the time-limit was delayed due to important reasons. Succession may be accepted after the expiry of the time-limit likewise without the application to the court where all the other successors who have accepted the succession give their assent .

2. In the instances provided for in the preceding Paragraph of this Article, the successor who has delayed the time-limit for the acceptance of succession shall be entitled only to that part of the estate belonging to him and accepted by other successors or devolved to the state which remained in kind, likewise the means received from the disposal of the other part of the estate belonging to him.

Article 5.58. Transference of the right to accept succession

1. Where a successor entitled to inherit by operation of law or by a will dies after the opening of succession without having been able to accept thereof within the established time-limit (Article 5.50 of this Code), the right to accept succession shall be transferred to his heirs.

2. This right of a deceased successor may be implemented by his successors on general grounds within three months from the day of the opening of succession in their respect.

Article 5.59. Rights of a successor who has started possessing the inheritable estate before the appearance of other successors

1. A successor who has started to possess the inheritable estate in the event where there are other successors, shall have no right to dispose of the inheritable property (to sell, pledge, etc.) before the expiry of three months from the day of the opening of succession, or until he receives the certificate of the right to inheritance.

2. Before the expiry of the indicated time-limit, or until he gets the certificate of the right to inheritance, the successor shall only be entitled to:

1) pay the expenses for the medical treatment and care of the bequeather, likewise his funeral costs and the expenses for taking care of the grave;

2) provide maintenance to natural persons who were maintained by the bequeather;

3) ensure normal functioning of the enterprise (farm);

4) satisfy requirements arising from labour relationship;

5) protect and manage the inheritable estate.

Article 5.60. Renunciation of inheritance

1. An heir by operation of law or successor by a will shall have the right within three months from the day of the opening of succession to renounce inheritance. Renunciation may not be in part or subject to conditions or exceptions.

2. Renunciation of inheritance shall have the same effect as non-acceptance of succession.

3. A successor shall renounce inheritance by filing an application with the notary public of the place of the opening of succession.

4. No renunciation shall be allowed in the instances where the successor has filed an application on the acceptance of succession with the notary public or asked for issuance of the certificate of the right to inheritance, or applied to the district court of the place of the opening of succession for the compilation of the inventory of the estate.

Article 5.61. Increase of the shares of succession

1. In the event where an heir by operation of law or a successor by a will renounces succession, or the testator deprives his heir of the right of inheritance, the share of succession belonging to that successor shall devolve to the intestate heirs divided into equal shares among them.

2. In the event where the testator bequeathed his whole estate to the successors by his will, the share of succession which belonged to the successor who renounced or did not accept thereof, shall devolve to the other intestate heirs divided into equal shares among them.

3. The rules established in the present Article shall not apply in the instances where a secondary successor is appointed for the successor who has renounced or not accepted succession.

Article 5.62. Devolution of succession to the state

1. The inherited estate shall devolve to the state under the right of succession if:

1) the estate was bequeathed to the state by a will;

2) the testator has neither intestate heirs nor testate successors;

3) none of the successors accepted the succession;

4) all the heirs have been deprived of the right to inheritance (disinherited).

2. In the event where there are no intestate heirs, while only a part of the estate of a testator has been bequeathed by a will, the remaining part shall devolve to the state.

3. The state shall be liable for the testator's debts not exceeding the real value of the inherited property devolved to it.

Article 5.63. The procedure for making and satisfying creditors' claims

1. The creditors of a bequeather shall have the right within three months from the day of the opening of succession make claims against the successors who accepted the succession, executor of the will or administrator of the inheritance, or bring an action in respect of the inheritable property.

2. Claims shall be made without taking regard of the maturity of the time-limit for their satisfaction.

3. The procedure for making and satisfying creditors' claims established in Paragraphs 1 and 2 of this Article shall not apply in respect of claims based on mortgage and pledge, likewise of claims related with the economic activity of the inheritable private (personal) enterprise or that of a farmer. Claims related with the activity of an inheritable enterprise or farm shall pass to the successors and be satisfied in accordance with the transactions entered into by the bequeather, except in those cases when the inherited estate is an enterprise against which bankruptcy proceedings have been started, or a farm which is insolvent.

4. The court may extend the time-limit specified in Paragraph 1 of this Article, where the time-limit was delayed due to important reasons and the time lapse from the opening of the inheritance does not exceed three years.

Article 5.64. Securing of inheritance

1. Upon having received information about the opening of succession, the court of the place of the opening of succession shall take the necessary measures to secure the inheritance if:

1) the successors are not known;

2) there are no successors in the place of the opening of succession;

3) the successors do not want or cannot accept the inheritance;

4) at least one of the successors is legally incapable;

5) the testator is known to have considerable debts;

6) there exist other circumstances determining the need to secure the inheritance.

2. The inheritable estate shall be secured until it is accepted by all the successors, and where it is not accepted, until the expiry of the time-limit established for the acceptance of succession.

Article 5.65. Appointment of an administrator for the inheritable estate

In the event where the inheritance includes property subject to management (private (personal enterprise), a farmstead, securities, etc.) and it cannot be performed by the executor of the will or the successor, likewise if the creditors of the bequeather bring an action before the successors accept the inheritance, the district court shall appoint an administrator of the inheritable property vested with the rights established in Article 5.38 of this Code. Provisions of Chapter XIV of Book Four shall apply *mutantis mutandis* in respect of the administrator of inheritance.

Article 5.66. Application for the issuance of the certificate of the right to inheritance

1. The successors who inherit by operation of law or by a will shall be able to present an application with the notary public of the place of the opening of succession for the issuance of the certificate of the right to inheritance.

2. The same procedure for the issuance of a certificate of the right to inheritance shall apply in the instances where the inheritable estate is devolved to the state or municipality.

Article 5.67. Time-limit for the issuance of the certificate of the right to inheritance

1. The successors shall be issued with the certificate of the right to inheritance upon the lapse of three months from the day of the opening of succession.

2. In the event of succession both by operation of law and by a will, natural persons may also be issued with a certificate of the right to inheritance before the expiry of three months from the day of the opening of succession if the notary possesses information that there are no successors apart from the persons who have applied for the issuance of the certificate of the right to inheritance.

CHAPTER VII
MUTUAL RELATIONS BETWEEN SUCCESSORS

Article 5.68. Legal status of the inheritable estate

In the event where there are several heirs, the estate inherited by them shall comprise their common divided ownership unless it is otherwise provided for by the will.

Article 5.69. Division of the inheritance

1. Nobody can be forced to renounce his right to the distinguishment of the portion he is entitled to from the inheritable estate. Inheritance shall be divided by a mutual agreement between the heirs.

2. Inheritance may not be divided:

1) until the birth of a testate or intestate successor;

2) if the testator has established by his will a time-limit during which the successors jointly possess the inherited estate. This time-limit may not exceed the period of five years from the day of the opening of succession, except in cases when there are minors among the successors. In this event the testator may prohibit division of the estate until the successor concerned reaches the age of eighteen.

Article 5.70. Methods of property division

1. Successors shall be able to divide the inherited estate upon their mutual agreement before the rights of successors to the things are registered in the Public Register. The division of immovable things shall be formalised by a contract attested by the notary which shall have to be registered in the Public Register. In the event of disagreement between the successors concerning the division of property, the estate shall be divided by the court upon the action brought by each of them.

2. Divisible things shall be divided in kind, indivisible things shall be devolved on one of the successors, taking in regard the character of the thing and the needs of the successor, while the other successors shall be entitled to the compensation of the value of the thing by other things or in money.

3. The whole inheritance or separate things thereof may be upon the mutual agreement of the successors sold in an auction and the amount received divided, or an auction may be held among the successors concerning separate things, where the thing shall be devolved to that successor who offers the highest bid.

4. The transference of individual things to concrete successors may be decided by mutually agreed way of drawing lots.

Article 5.71. Inheritance of a farmstead

In the instances where a division of a farmstead may destroy the farm, the priority right to get the farm and the inventory thereof shall be granted to the successor who has worked most in the inheritable farm and is inclined and prepared to engage into farming himself. In the event of a dispute, the court may schedule the compensation to other successors for the shares of the property belonging to them to be paid within the period of ten years by deciding to establish a mandatory hypothec for all the immovable things of such successor.

Article 5.72. Priority right of an successor to an enterprise

The priority right to get in kind an private (personal) enterprise inherited by several successors shall be awarded to that successor who himself wants and is able to manage the inherited enterprise. In this event, regard shall also be taken of the possibility of the person receiving the enterprise in kind to compensate the other heirs.

Article 5.73. Priority right of other successors to purchase an inherited farmstead

In the event where a successor, who has inherited a farmstead pursuant to Article 5.71 of this Code, sells the farmstead before the expiry of a ten-year period from the day of inheritance, priority right to purchase the farmstead shall be awarded to the other successors if the compensation provided for in Article 5.71 has not been paid to them in full. Upon the sale of the farmstead, the other successors shall obtain the right to demand immediate payment of the remaining part of the compensation.

Article 5.74. Documents

1. Unless the successors agree otherwise, the documents of the family and the inheritable estate shall not be divided and transferred by mutual agreement to the custody of one of the successors, or to the successor who has received the greatest share of the inheritance, and if all the shares are equal – to the eldest successor. The successor in whose custody the documents are transferred shall be obliged to allow access to them for other successors as well as enable them to make copies or extracts thereof.

2. The documents pertaining to an immovable thing shall be located with that successor to whom the immovable thing is devolved. In the event where an immovable thing is inherited by several successors, the documents shall be kept by mutual agreement in the custody of one of them.

3. Disputes related with documents shall be decided by the court taking into regard the size of the shares, use of the immovable thing, place of residence of the successors and other circumstances.

CHAPTER VIII
PARTICULARITIES IN SUCCESSION OF SEPARATE TYPES OF PROPERTY

Article 5.75. Inheritance of land

In the event where land is inherited by an heir who may not have the right of ownership of land pursuant to laws of the Republic of Lithuania, he shall be entitled only to a sum of money derived form the sale of the inherited land. The land in accordance with the certificate of the right to inheritance submitted by the heir shall be sold in accordance with the procedure established by the Government to the purchaser indicated by the heir or in an auction. The amount received shall be paid to the heir after deducting the costs of sale or the organisation of auction.

Article 5.76. Inheritance of industrial property

1. The right of the bequeather to a patent of invention or to a certificate of industrial design shall devolve to his successors. The rights provided by the documents of industrial property protection shall also be subject to inheritance.

2. Alongside with the enterprise, the successors shall also inherit the right to the name of the legal person and trade marks.

3. The rights and duties pursuant to licence contracts entered into by the bequeather shall devolve to the successors, they shall also acquire the right to industrial and commercial secrets (know-how), rights and duties pursuant to contracts on the transference of industrial and commercial secrets provided that these secrets are not of the character indivisible from the personality of the bequeather.

BOOK SIX

LAW ON OBLIGATIONS

PART I

GENERAL PROVISIONS

CHAPTER I

CONCEPT OF AN OBLIGATION AND ARISING OF OBLIGATIONS

Article 6.1. Notion of an obligation

An obligation is a legal relationship one party of which (debtor) shall be bound to perform for the benefit of another party (creditor) a determined action or to refrain therefrom, and the creditor shall have the right to demand from the debtor the performance of his duty.

Article 6.2. Grounds for arising of obligations

Obligations shall arise from transactions or from any other legal facts which are capable of producing obligatory relationships under the valid laws.

Article 6.3. Subject matter of an obligation

1. The subject-matter of an obligation may be any actions (active or passive) that are neither forbidden by law nor contrary to public order or good morals.

2. The subject matter of an obligation may also relate to any property, even future property provided that the property is determinate as to the kind and quantity, or can be determined according to other criteria.

3. The subject matter of an obligation may have a monetary or non-monetary expression, it must nevertheless meet the correspondent interest of the creditor that is protected by law.

4. The subject matter of an obligation cannot be something that is impossible to perform.

Article 6.4. Duties of parties to an obligation

The creditor and the debtor must conduct themselves in good faith, reasonably and justifiably both at the time the obligation is created and existing, and at the time it is under performance or extinguishment.

CHAPTER II

TYPES OF OBLIGATIONS

SECTION ONE

PLURALITY OF DEBTORS AND CREDITORS

Article 6.5. Plurality of debtors

Where an obligation is joint between two or more persons on the side of the debtor (co-debtors), they shall be obligated to perform their obligation in such a way that each of them may only be compelled to perform the obligation separately and only up to his share of the debt that is presumed to be equal to the shares of others co-debtors, except in cases provided for laws, the agreement of parties, or a court judgement.

Article 6.6. A solidary duty of debtors

1. A solidary obligation of debtors shall not be presumed, except in the cases established by laws. It shall arise only where it is expressly imposed by the law or stipulated by an agreement of the parties, also in the cases when the subject of the obligation is indivisible.

2. An obligation may be solidary even though the obligation of one of the debtors according to the conditions of its performance differs from the obligation of the others, for example, where one debtor is allowed a time-limit and the other debtor is not granted such a time-limit, or where the obligation of one debtor is not conditional while the other debtor is bound conditionally, etc.

3. Solidarity between debtors shall be presumed where an obligation is connected with providing of services, effectuating joint activity, or with the compensation for damage caused to another through the solidary actions of several persons.

4. If the debtors are solidarily liable, the creditor has the right to demand performance both from all the debtors jointly or from several of them, or from a single debtor personally, either for the whole or a part of the debt.

5. A creditor who has not received full satisfaction from one of the co-debtors, may apply for the remaining performance to any one of the debtors, or to all of them.

6. Co-debtors shall remain obligated until the obligation is performed in full .

7. Performance of a solidary obligation by one of the debtors shall relieve the others towards the creditor.

8. A creditor who receives separately and without any reserve the share of one of the co-debtors and specifies in the acquitance paper that it applies only to that share shall renounce solidarity in favour of that debtor alone.

Article 6.7. Defences of co-debtors against claims of a creditor

In the event of a solidary duty, any of the co-debtors shall be able to use against the creditor's demand both the defences common to all debtors and personal defences. However, the debtor cannot set up defences against the creditor based on such legal relationships of other co-debtors which do not involve the debtor concerned, nor shall the debtor be able to set up such defences which can be used only personally by one or several other co-debtors.

Article 6.8. Other rights and duties of co-debtors

1. Each of the debtors of a solidary obligation shall have the right to accept renunciation of the right to claim granted by the creditor to him and other debtors where such renunciation applies to all the co-debtors.

2. Adjournment of performance of an obligation granted by the creditor to one of the co-debtors shall respectively apply to all other co-debtors to the extent that this corresponds to the intentions of the creditor.

3. Where a creditor renounces solidarity in favour of one of the co-debtors, he shall retain his solidary remedy against the other co-debtors for the whole debt.

4. Any loss arising from insolvency of a co-debtor shall be equally divided between the other co-debtors, except in the cases when their shares in the obligation are not equal.

Article 6.9. Recourse between co-debtors

1. A co-debtor who has performed the solidary obligation shall have the right to recover within the procedure of recourse from his co-debtors their respective shares that correspond to the equal portions from the performed, with his participatory share deducted unless otherwise provided for by laws or agreement. Any loss, expressed in anything unpaid to the debtor who has performed the solidary obligation arising from the insolvency of one of solidary debtors shall fall in equal participatory shares on the remaining co-debtors, except in the cases when their shares in the obligation are not equal.

2. If a solidary obligation is of non-monetary nature, in the case of recourse, a monetary compensation must be paid to the debtor who has performed the whole solidary obligation by the other co-debtors.

3. The rules provided for in the preceding Paragraphs of this Article shall also apply to the apportionment between the co-debtors of the expenses of performance of a solidary obligation.

4. A co-debtor against whom a claim was brought shall be able to involve the same defences that might have been set up against the creditor at the time of arising of the claim, as well as other defences, except those which are based on exceptionally personal relationships between the co-debtor and the other co-debtor who has not filed a counter claim.

5. If the obligation was contracted exclusively in the interest of one of the co-debtors, or if it is not performed due to the fault of one of the debtors alone, the debtor concerned shall be liable for the whole debt to the other co-debtors who shall then be considered in his regard as his sureties.

Article 6.10. Divisibility of a solidary duty and solidary claim between the heirs of the parties to obligation

1.Unless otherwise provided for by laws or agreed, the solidary obligation of a debtor shall be divided after his death between his heirs in accordance with the rules established in Book Five of this Code, except in the instances where the obligation is indivisible.

2. The provision established in Paragraph 1 of this Article shall also apply in the case where the creditor's claim is solidarity.

Article 6.11. Influence of novation upon solidary duty

A novation between the creditor and one of the co-debtors shall discharge the other co-debtors towards the creditor from the performance of a solidary duty, except in cases established by laws or a contract. Where a novation is clearly related only with the share of one of the co-debtors, other co-debtors shall be released from the performance of the duty only in respect of the portion of that co-debtor.

Article 6.12. Acknowledgement of a solidary debt and the right of solidary claim

1. If a debt is acknowledged by one of the co-debtors, this acknowledgement shall also apply to all other co-debtors.

2. If the right of claim is acknowledged to one of the creditors with the right of solidary claim, this acknowledgement shall apply to all other co-creditors.

Article 6.13. Merger of a debtor and a creditor

1. Where an obligation is solidary and the qualities of a co-debtor and a creditor are combined in the same person, the obligation of the other solidary debtors shall be extinguished in respect to the share of that co-debtor.

2. The rule established in Paragraph 1 of this Article shall also apply in the cases of the right of solidary claim.

Article 6.14. Power of a court judgement in the case of solidary duty

1. A court judgement rendered in the case of dispute between the creditor and one of the solidary debtors shall also have effect against the other co-debtors.

2. The other co-debtors shall be able to invoke the judgement mentioned in Paragraph 1 of this Article as a defence against the claim of the creditor unless such judgement is based on exclusively personal relationships between that debtor alone and the creditor.

3. An action instituted against one of the solidary debtors shall not deprive the creditor of the right to bring an action against the other co-debtors, but the debtor sued shall have the right to demand the impleader of the other solidary debtors.

Article 6.15. Non-performance of an obligation in the case of a solidary duty through the fault of one of the co-debtors

1. Where the performance of an obligation has become impossible through the fault of one of the solidary debtors, the other co-debtors shall not be released from liability for non-performance of the solidary obligation.

2. Where the performance of an obligation in kind has become impossible, or the time-limit of its performance is forfeited through the fault of one or more of the solidary debtors, the other co-debtors shall not be released from their duty to compensate for damages to the creditor, though they shall not be liable for any additional damages which may be incurred by him. The creditor shall be able to claim additional damages only from those co-debtors through whose fault the obligation became impossible to be performed, or through whose fault the forfeiture of performance occurred.

Article 6.16. Prescription of a solidary obligation

1. Actions by which prescription is interrupted with regard to the relationships between the creditor and one of the solidary debtors shall be equally effective in regard to the relationships between the creditor and other co-debtors. The same rule shall apply in the event of solidarity between creditors.

2. Suspension of prescription with regard to one of the solidary debtors shall have no effect on the other co-debtors. The same rule shall apply in the case of solidarity between creditors. However, the debtor who has been required to perform the obligation shall have the right of recourse against the co-debtors who were discharged by prescription.

3. A refusal to demand the application of prescription made by one of the solidary debtors shall have no effect with regard to the other co-debtors. If such refusal is made only in favour of one of the solidary creditors, it shall also benefit the other co-creditors. A solidary debtor who has refused to demand the application of prescription shall have no right of recourse against the other co-debtors discharged by the extinct prescription.

Article 6.17. Solidarity among creditors

Where an obligation is joint between two or more creditors, each creditor may only demand the performance of an equal share, except in the cases provided for by laws or an agreement of the parties.

Article 6.18. A solidary claim of creditors

1.Solidarity between creditors may be established by laws or agreement of the parties, i.e. it shall entitle each of the creditors to claim from the debtor for the whole performance of the obligation or a part thereof. The claim shall also be deemed to be solidary where the subject matter of the obligation is indivisible.

2. The debtor shall have no right to set up defences against the claim of one of the co-creditors that are based on such personal legal relationships of the debtor in which the creditor concerned does not participate.

3. Performance of the whole duty in favour of one of the solidary creditors shall release the debtor from the performance towards the other creditors.

4. A solidary creditor who has received the whole performance of the obligation from the debtor shall be bound to compensate the portion of each another co-creditors unless otherwise stipulated by their interrelations.

Article 6.19. Possibility of choice of creditor for performance

A debtor shall have the option of performing the obligation in favour of any of the solidary creditors, provided that he has not been sued by any of them.

Article 6.20. Influence of novation on a solidary claim

The novation of one of the solidary creditors and a debtor shall be effective only to that creditor's share and cannot be used with respect of the other solidary debtors.

Article 6.21. Renunciation of the right to claim

1. If the remission from the right to claim is made by one of solidary creditors, it shall release the debtor from performance of a solidary obligation only in respect of the share the performance of which can be claimed by the remitting creditor.

2. The remission provided for in Paragraph 1 of this Article shall not release the solidary creditors from the settlements between themselves.

Article 6.22. Power of a court judgement in the case of solidary claim

1. A judgement rendered in the dispute between one of the solidary creditors and the debtor shall have effect against the other solidary creditors.

2. The other creditors can avail themselves of the court judgement against the debtor to the extent that it is related to the debtor’s defences he can set up against each of the solidary creditors.

Article 6.23. Renunciation of a claim

1. A creditor who refuses from a claim in favour of one of the co-debtors shall retain his right of solidary claim against the others co-debtors.

2. The solidary claim of the creditor in regard of one of the co-debtors shall terminate if the creditor:

1) without any exceptions acknowledges that one of the co-debtors has paid his share;

2) has filed an action against the debtor as to his share only, and the latter has assented to such action, or if a court judgement satisfying the creditor’s claim has been passed.

3. If a creditor has renounced a solidary claim in respect of one of the co-debtors, and one of the other co-debtors has become insolvent, the share of such insolvent co-debtor shall be divided between all the solidary debtors, except the portion of the co-debtor in whose favour the renunciation of solidary claim is made.

SECTION TWO
DIVISIBLE AND INDIVISIBLE OBLIGATIONS

Article 6.24. Divisible obligations

1. An obligation shall be divisible unless it is expressly stipulated by law that it is indivisible, or unless the subject matter of the obligation, owing to its nature, is not susceptible to division either materially or abstractly.

2. If an obligation is divisible, and if there is more than one debtor or more than one creditor though the obligation is not solidary, each of the creditors may claim the performance only of his share of the debt, while each debtor shall be bound to perform only his share of the debt.

3. The heir of the debtor who has been charged with rendering the performance or who is in possession of the property subject matter of the obligation, shall have no right to claim for division of performance of obligation.

4. An obligation of one debtor to one creditor may be performed between them only as an indivisible one, though this obligation shall become divisible between the heirs of the parties to the obligation, except where it is indivisible.

Article 6.25. Indivisible obligations

1. An obligation shall be indivisible if the subject-matter of the obligation, owing to its nature, is not susceptible of division, or if the parties have agreed on such mode of performance which renders the obligation impossible to be performed in shares.

2. Indivisibility of an obligation means that it shall not be susceptible of division either between the creditors, or the debtors, or between their heirs.

3. A stipulation of solidarity of an obligation made by the parties thereof shall not render it indivisible.

4. Each of the debtors of an indivisible obligation or his heir may separately be obligated to perform the whole obligation, and each of the creditors of an indivisible obligation or his heir may claim the performance of the whole obligation even though the obligation is not solidary.

5. Where a heir of the creditor claims satisfaction of the whole performance, he shall be obliged to secure the protection of the interests of co-heirs.

SECTION THREE

ALTERNATIVE OBLIGATIONS

Article 6.26. Concept of an alternative obligation

1. An obligation shall be alternative where the debtor is charged with performance of one of two or more different actions (principal prestations) in his own choice or chosen by the creditor or a third person. The performance of either of the chosen prestations shall fully discharge the debtor.

2. The debtor may not demand the creditor to accept a part of the performance in one prestation and the other part in another.

3. An obligation shall not be considered alternative if at the time of its arising one of the two possible prestations could not be the subject-matter of that obligation.

4. In the event where a person who has the right of choice chooses a concrete action of performance (prestation), an alternative obligation shall become simple.

Article 6.27. The right of choice

1. In an alternative obligation the choice of the prestation shall belong to the debtor unless it has been granted to the creditor or a third person by laws, contract or a court judgement .

2. A choice shall become irrevocable from the moment of performance of one chosen prestation, or when the choice is communicated to the other party, or to both parties in the event where the choice belongs to a third person.

3. If the right of choice belongs to one of the parties of obligation and this party fails to exercise it within the allotted time, the right of choice shall pass to the other party. The right of choice cannot pass to the creditor until he acquires the right to claim for performance, and to the debtor, until his duty to perform the obligation arises. If the choice of a concrete prestation is referred to a third person and he fails to exercise it, it shall be determined by the court.

4. A time-limit for the realisation of the right of choice can be established by an agreement of the parties. In the event where such time-limit is not established, it can be fixed by the party who is not granted the right of choice. Such time-limit must be reasonable.

5. In the event where the right to claim is pledged and the impossibility of performing an obligation is caused by the failure to chose a concrete action of performance, the pledgee may establish a time-limit for both parties to the obligation within which the choice of a concrete prestation must be made. If the choice of a concrete prestation is not made within the established time-limit, the right of the choice shall pass to the pledgee.

Article 6.28. Impossibility of performing of an alternative obligation

1. In the event of one of the several prestations being impossible from the very arising of the obligation, or it becoming such after the arising of the obligation, the obligation shall be performed by the acceptance of the remaining prestation.

2. The rule established in Paragraph 1 of this Article shall not apply if one of the prestations becomes impossible to perform due to the circumstances responsibility for which is borne by the party without the right of choice of performance. In this event, the debtor shall be liable for the non-performance of the obligation.

3. In the event where the debtor had the right of choice and one of several kinds of prestation became impossible to be performed not through his fault, the debtor shall be obliged to perform the obligation in the remaining prestation.

4. Where the debtor is granted the right of choice and all of the prestations become impossible to be performed due to his own fault, the debtor shall be liable to the creditor to the extent of the last prestation remaining.

5. In the event where all the prestations become impossible without the fault of the debtor, the obligation shall be deemed to be extinguished.

6. Where the creditor is granted the right of choice, and if one of the prestations becomes impossible to be performed, the creditor shall be obliged to accept performance in other prestations. If one of the prestations becomes impossible to be performed due to the fault of the debtor, the creditor shall have the right to claim performance in kind by choosing other prestations, or to claim compensation of damage resulting from the non-performance of the obligation by the prestation that has become impossible. In the event where the obligation is not possible to be performed in any of the several prestations due to the fault of the debtor, the creditor shall have the right at his choice to claim compensation for the damages resulting from the impossibility of one or another of the prestations.

Article 6.29. Facultative obligation

1. A facultative obligation is an obligation which has only one principal subject-matter (prestation), though in the event of the obligation being impossible to perform in the principal prestation, it may be realised in another performance that does not contradict to the principal one.

2. The debtor shall be discharged from performing the obligation if the principal prestation without his fault becomes impossible to perform, and the obligation cannot be performed in another prestation that does not contradict the principal one.

SECTION FOUR

CONDITIONAL OBLIGATIONS

Article 6.30. Concept of a conditional obligation

1. An obligation is conditional where its arising, modification or extinction is made dependent on whether or not a certain circumstance occurs in the future.

2. The conditional nature of an obligation shall not prevent the rights that arise from it being alienable and inheritable.

3. The conditional obligations may be suspensive term or resolutory term. In such case, Article 1.66 of this Code shall apply.

4. An obligation shall not be deemed to be conditional if its extinction depends on an event that, unknown to the parties, had already occurred at the time when the debtor accepted the conditional obligation.

5. The obligation whose arising depends upon a condition that is at the absolute discretion of the debtor shall be null and void. However, if the condition consists of exercising or not exercising appropriate actions, the obligation shall be valid even where the exercising or not exercising the action is at the sole discretion of the debtor.

Article 6.31. Requirements for a condition

1. A condition shall have to be lawful and not contrary to the public order and good morals.

2. A condition can be only such circumstance, the existence or non-existence of which is possible.

3. A condition which is unlawful, contrary to the public order or good morals, or which is impossible shall be null and void, and shall render the obligation which depends upon it null and void.

Article 6.32. Time-limits for fulfilment or non-fulfilment of a condition

1. In the event where no time-limit has been fixed for the fulfilment of a condition, the condition may be fulfilled at any time. If it becomes certain that the condition may not be fulfilled at all, it shall be deemed to be not fulfilled.

2. Where the arising, modification or extinction of an obligation is dependent upon a condition that certain circumstances will not occur within a given time, the condition shall be considered having occurred once the determined time has elapsed without the certain circumstance having occurred, also when before the elapse of the time it becomes certain that the circumstance is not bound to occur altogether.

3. Where no time-limit has been fixed, the condition shall not be considered fulfilled until it becomes certain that the circumstance will not occur.

SECTION FIVE
OBLIGATIONS WITH A TERM

Article 6.33. Types of termed obligations

1. Obligations may be suspensive or resolutory.

2. An obligation with a suspensive term shall be an existing obligation that is not performed until the expiry of a certain time-limit, or until the occurrence of a certain circumstance. In this event, its performance may not be demanded before the expiry of the term; however, anything performed freely and without error before the expiry of the term may not be recovered.

3. An obligation with a resolutory term is an obligation whose duration is fixed by laws or agreements of the parties and which is extinguished by the expiry of the fixed term.

Article 6.34. Fulfilment of obligations with a term

1. In the event of non-occurrence of a circumstance in the case of an obligation with a suspensive term, the obligation shall become exigible from the day on which that circumstance should normally have occurred.

2. Anything that is due upon a term may not be exacted before the term expires. However, everything performed freely and without error before the expiry of the term may not be recovered.

Article 6.35. Determination of a term

1. A term may be determined by laws, agreement of parties or a court judgement.

2. If the parties have agreed to postpone the determination of the term, or to delegate it to be determined by one of the parties, but no term has been determined, the term shall be fixed by the court upon the application of one of the parties taking into account the nature of the obligation and the circumstances of the case. In urgent cases, the term may be fixed by one of the parties. In any event, the term must be reasonable.

3. In the event where a fixed term is required by the nature of the obligation, and it has not been determined by the parties, the term may be fixed by the court.

4. It shall be presumed that a term is determined for the benefit of the debtor unless otherwise established by laws or the contract, also where taking into consideration the essence and nature of the obligation, it becomes clear that the term has been stipulated for the benefit of the creditor, or both of the parties. The debtor shall lose his privileges in respect of the term if he becomes insolvent, is

declared bankrupt or without the consent of the creditor reduces or destroys the security of performance of the obligation submitted, also if the debtor fails to meet the conditions in consideration of which the privileges were granted to him.

5. The party for whose benefit the term has been determined may renounce it without the consent of the other party. Renunciation of the benefit of the term renders the obligation exigible immediately.

6. When one of the parties renounces the benefit of the term, or loses the right to the benefit of the term, the other party shall acquire the right to demand immediate performance of the obligation.

SECTION SIX

MONETARY OBLIGATIONS

Article 6.36. Currency of monetary obligations

1. Monetary obligations (debts) must be expressed and paid in the currency which in accordance with the valid laws is lawful tender in the Republic of Lithuania.

2. Monetary obligations may be paid within the order established by laws by means of bank-notes (coins), cheques, bills of exchange, transfer of funds, credit cards or by any other lawful tenders.

3. Where an action is brought in the Republic of Lithuania for the recovery of a sum of money expressed in a foreign currency, the creditor may at his choice demand payment in the foreign currency, or the equivalent in the national currency of the Republic of Lithuania at the rate of exchange at the day of the actual payment.

4. Where the monetary obligation is indicated in a currency which is not lawful tender, the money paid by the debtor to perform the obligation shall have to be lawful tender and correspond to the rate of exchange of the currency valid at the time and in the place of actual payment.

5. In the event where the debtor exceeds the time-limit fixed for the fulfilment of the obligation and fails to pay on the day of maturity, and if after the day concerned the currency in which the sum of money is due is depreciated because of the change in exchange rates, the debtor shall be obliged to pay an additional amount equivalent to the difference between the rate of exchange at the date of maturity and the date of actual payment. This rule shall not apply if the failure of the debtor to perform the obligation is conditioned by the fault of the creditor. The debtor shall bear the burden of proof of the circumstance indicated above.

6. The provisions of Paragraph 5 of this Article shall not apply if the rule established in Paragraph 1 of this Article has been violated.

Article 6.37. Interest on monetary obligations

1. Interest on obligations may be fixed by laws or agreements of the parties.

2. The debtor shall also be bound to pay a certain interest established by laws on the sum adjudged to the creditor for the period from the moment of the commencement of the case in the court until the final execution of the judgement.

3. In the event where the interest is established by laws, the parties may agree in writing upon a higher interest providing that such agreement is not contrary to laws or the principles of good faith and reasonableness. Non-observance of the written form shall be the grounds for the application of the interest established by laws.

4. It shall be prohibited to calculate interest on the interest calculated previously (double interest), except in the cases established by laws or agreement of the parties if such agreement is not contrary to the requirements of good faith, reasonableness and justice.

CHAPTER III

PERFORMANCE OF OBLIGATIONS AND LEGAL EFFECTS OF THEIR NON-PERFORMANCE

SECTION ONE

GENERAL PROVISIONS

Article 6.38. Principles of performance of obligations

1. Obligations must be performed in good faith, properly and without delay, pursuant to the requirements indicated in laws or the contract, and in case of absence of relevant requirements, obligations must be performed in accordance with the criteria of reasonableness.

2. In the event where the performance of an obligation is inherent in the exercise of professional activity of one of the parties, the requirements with respect to the nature of that professional activity shall also have to be observed by the party concerned.

3. Each of the parties shall be obliged to perform his obligations in the thriftiest way possible and render every kind of assistance to the other party in performing his obligations (obligation of the parties to co-operate).

4. If the debtor in performance of the obligation uses assistance of other persons, he shall be liable for the actions of those persons as for his own.

Article 6.39. Manner of performance of an obligation

1. A debtor may not without the consent of the creditor free himself from the obligation by a performance different from that which is foreseen in the contract or laws, notwithstanding the value of the performance.

2. Where the creditor has consented to accept a different performance, the obligation shall be deemed to be extinguished.

3. The counter-duties of the debtor and creditor must be performed by them concurrently unless otherwise provided for by laws, the contract, or the essence of the obligation.

Article 6.40. Partial performance of an obligation

1. The creditor shall have the right to refuse accepting a partial performance of an obligation unless otherwise provided for by laws or the contract.

2. In the event where the debtor disputes a part of an obligation, he shall be obliged to accept the performance of that part of the obligation which is not disputed. However, the creditor shall reserve the right to demand performance of the remaining part of the obligation.

Article 6.41. The quality of performance of an obligation

1. When the subject-matter of an obligation is a thing specified only as to the kind, the debtor must deliver a thing of the same kind, but not below the average in quality required for the kind concerned unless otherwise provided for by laws or a contract.

2. When the subject-matter of an obligation is an individually specified thing, the debtor shall be liable for any worsening of the quality of that thing if such worsening occurs through his own fault.

Article 6.42. Furnishing security of performance of obligation

Any person bound to furnish security of performance of an obligation which is not specified by the contract as to the manner or form, shall have the right at his own discretion to choose concrete means of security adequate to the essence of the obligation or a form of security established by laws.

Article 6.43. Duty to safeguard

An obligation to deliver an individually specified thing shall include the duty to safeguard it until delivery unless otherwise provided for in the contract.

Article 6.44. The person to whom the performance must be made

1. The obligation must be performed to the creditor, or to his representative, or to the person designated by the creditor, or to the person obliged by laws or the court to accept such performance.

2. Performance of an obligation made to a person not entitled to accept it shall be deemed to be an appropriate performance if the creditor ratifies it or factually obtains the full performance from the person concerned.

3. Performance of an obligation shall not be deemed to be carried out in a proper way if the debtor, in the course of its effectuation in respect of one of his creditors, infringes the interests of his other creditor who is granted the right to demand the arrest of the property of the debtor.

Article 6.45. Performance of an obligation to an erroneous creditor

1. The debtor who performs an obligation to a person who through the fault of the creditor is reasonably and in good faith deemed to be entitled to receive the performance, shall be discharged from the performance of obligation to the creditor if he proves to have erred in good faith.

2. The erroneous creditor who has accepted performance shall be obliged to restore it to the true creditor or to the debtor in accordance with the rules of Chapter XX of this Book.

Article 6.46. Suspension of performance of an obligation

1. The debtor shall have the right to suspend performance upon substantial and reasonable grounds for doubt whether the person in respect to whom the obligation is being performed has the right to accept this performance, and if the latter upon the demand of the debtor fails to present the necessary proof of his right to claim.

2. The debtor shall also have the right to suspend performance of the obligation if the creditor fails to perform his counter-obligation and where the counter-obligations of the debtor and creditor are connected in such a manner which justifies the suspension of the performance of the obligation.

3. The debtor shall have no right to suspend performance of the obligation where the creditor cannot perform his obligation through the fault of the debtor himself, likewise when the creditor cannot perform his obligation due to circumstances beyond his control.

Article 6.47. Performance of an obligation to an incapable creditor or to a creditor who had no right to accept the performance personally

1. Performance made to a creditor without capacity to accept it shall be valid only to such extent if the debtor proves that the performance truly conforms to the best interests of the incapable person and is to the advantage thereof.

2. Where the obligation is performed without considering that the creditor due to certain reasons (arrest, etc.) was unable to accept the performance personally, the debtor shall be bound to perform such obligation anew and shall have the right of recourse against the creditor to demand the return of what has already been transferred.

Article 6.48. Incapacity of a debtor

If the obligation is performed by an incapable debtor, such performance cannot be disputed upon the grounds of the debtor's incapacity.

Article 6.49. Performance made with the property of another

1. The debtor cannot dispute performance of an obligation made by the transfer of property he had no right to dispose of, except in the cases when he himself offers to make performance by a transfer of property he has the right to dispose of, and if such change of prestation does not violate the interests of the creditor.

2. The creditor to whom the property of another has been transferred by the debtor in performance of an obligation shall have the right to dispute such performance and claim damages.

Article 6.50. Right of a third person to perform an obligation

1. An obligation can be performed in part or in full by a third person, except in the cases when pursuant to the agreement of the parties, or the essence of the obligation, it must be performed by the debtor personally.

2. The creditor may refuse acceptance of the performance offered by a third person if the debtor has notified him of his objection to such performance, except in the case established in Paragraph 1 of Article 6.51 of this Code.

3. The third person who has performed the obligation shall acquire the rights of a creditor in respect to the debtor.

Article 6.51. The right of a third person to perform an obligation for the debtor

1. Where the exaction against the property of the debtor has been taken by the creditor, the claim of the creditor may be satisfied by third persons who by the reason of such exaction may be deprived of certain rights to that property. The same right shall belong to the person who possesses the property if by the reason of exaction the right of possession may be lost by him.

2. A claim of the creditor may also be satisfied by depositing the money into the depository account of a notary, a bank or any other credit institution, or by setting-off counter claims.

Article 6.52. Place of performance of an obligation

1. An obligation shall be performed at the place expressly indicated in the contract or laws, or which may be inferred from the essence of the obligation.

2. In the event where no place of performance is indicated, the following rules shall apply:

1) the obligation to deliver an individually specified thing shall be performed at the place where the thing was situated when the obligation arose;

2) the obligation to deliver an immovable thing shall be performed at the place where the thing is situated;

3) the obligation to deliver a thing specified as to the kind shall be performed at the place of residence or business of the debtor;

4) a monetary obligation shall be performed at the place of residence or business of the creditor at the time of maturity of the obligation. In the even of change of place of residence or business of the creditor since the time of the arising of the obligation, which has caused additional expenses of performance to the debtor, the creditor shall be bound to compensate the debtor for such additional expenses. Upon the request of the creditor, a monetary obligation may also be performed in the territory of another state where the place of residence or business of the creditor is located at the time of payment, or the state where the creditor's residence was at the time when the obligation arose. However, where the required performance would be rendered substantially more onerous in the consequence, the debtor may refuse to satisfy such requirement of the creditor and execute performance in the place of the creditor's residence or his business at the time when the obligation arose;

5) all other obligations shall be performed in the place of the debtor's residence or business at the time of maturity of the time-limit for the performance of the obligation.

Article 6.53. Time-limit for performance of an obligation

1. If the time-limit for the performance of an obligation is not established, or it is determined by the moment of demand to perform the obligation, the creditor shall have the right to demand it at any time, and the debtor shall have the right to perform the obligation at any time. Though, when a certain time-limit is necessitated by the nature of the obligation, the manner or place of its performance, it may be fixed by the court upon the demand of one of the parties.

2. The obligation whose time-limit of performance is not determined, must be performed by the debtor within seven days from the day when the creditor requested the performance unless a different time-limit of performance results from laws or the essence of the contract. In such cases, the time-limit for performance must be reasonable and enable the debtor to perform the obligation properly.

3. The debtor shall have the right to perform the obligation before the expiry of the time-limit determined for its performance unless this is prohibited by laws, the contract, or is contrary to the essence of the obligation.

Article 6.54. Imputation of payments

1. Unless otherwise agreed by the parties, payments received by the creditor in result of performance of an obligation shall be imputed first to the creditor's expenses related with the tender.

2. Second in line payments shall be imputed to interests in accordance with the sequence of their maturity.

3. Third in line payments shall be imputed to a penalty.

4. Fourth in line payments shall be imputed to the performance of the principal obligation.

5. A creditor shall have the right to reject an offer to pay if the debtor indicates a different order of imputation than established in Paragraphs 1, 2, 3 and 4 of this Article.

6. A creditor may reject full repayment of the principle obligation if the current interest at maturity is not paid at the same time.

Article 6.55. Imputation of payments in the event of several debts

1. A debtor who owes several debts of the same kind to the same creditor may declare at the time of payment which debt he intends to satisfy. Though the debtor shall have no right without the consent of the creditor to impute a payment to an obligation not yet due in preference to a debt at maturity.

2. In the absence of such declaration of the debtor, or a different agreement between the parties, it shall be considered that the payment is imputed first to the debt at maturity. In the event of several debts at maturity, where none of them is secured, it shall be considered that the payment shall is imputed to the debt that was the first to reach maturity. Where several debts are due, it shall be considered that the payment is imputed to the one having the security. Among several secured debts, the payment shall be imputed first to the debt which is most burdensome to the debtor, and in the event of all the debts being equally burdensome, to the one that was the first to reach maturity. In the instances where none of these criteria may be applied, imputation shall be made in proportion to all the debts.

3. The rules of this Article shall also apply when the debtor's obligation to the creditor consists of the supply of goods or services, to the extent that this does not contradict to the essence of the obligation.

Article 6.56. Performance of obligation by payment to a deposit account

1. The debtor has the right to perform a monetary obligation by depositing the debt into the deposit account of a notary, a bank or any other credit institution if:

1) the creditor or any other person authorised to accept the performance cannot be found at the place where the obligation is to be performed;

2) the creditor is incapable and a guardian is not appointed to him;

3) the creditor avoids accepting the performance of the obligation;

4) the creditor is not clear, as the right to accept the performance is being disputed by several persons.

2. A deposit of the sum necessary for the performance of an obligation into a deposit account indicated in Paragraph 1 of this Article shall be considered a proper performance of the obligation.

3. A notary, a bank or any other credit institution, into account of which the money is deposited, shall be obliged within a reasonable time to inform the creditor accordingly.

4. Where the subject-matter of an obligation is a thing, and the creditor refuses to accept performance, the debtor shall be obliged to make a tender and determine the time-limit for the acceptance of performance. In the case of the creditor's failure to accept performance of the obligation within the established time-limit, he shall be considered to be in default. In this event, the creditor shall bear the costs of the preservation of the thing. The creditor shall also bear the risk of loss or deterioration of a thing. If a thing is perishable, the debtor may sell it and deposit the proceeds. These rules shall also apply within the conditions specified in Paragraph 1 of this Article, with the exception of tender.

5. Performance of an obligation in accordance with the rules provided for in this Article shall release the debtor from the payment of interest or any other dues in the future.

6. Interest, or any other sums calculated from the day of deposit shall be due to the creditor. However, if the deposit is made to obtain performance of the obligation of the creditor that is correlative to the obligation the debtor intends to perform by the deposit, the received interest and other sums shall belong to the debtor until the deposit is accepted by the creditor.

7. The deposited sums of money may be withdrawn by a debtor as long as the performance has not been accepted by the creditor. If the debtor withdraws the deposited sums from the deposit account, he shall not be considered to have performed the obligation. Where the deposit of a sum of money is made during judicial proceedings, the debtor may withdraw such deposited sum only upon the authorisation of the court. In addition, the withdrawal may not be effectuated by the debtor if this would impair the rights of third persons, or the interests of solidary debtors or sureties.

8. In the event of bankruptcy, monetary means accumulated in the deposit account shall not be calculated into the asserts of the bank or of any other credit institution from which the claims of the creditors are satisfied under the procedure of bankruptcy.

Article 6.57. Expenses of performance of an obligation

The expenses related with the performance of an obligation shall be charged to the debtor unless otherwise provided for by laws or a contract.

Article 6.58. Right of suspension of performance of obligation

1.Where the contractual obligation is counter-performed, and the party who is the first to make actions of performance fails to perform his obligation, or where it is evident that the party will delay the performance of the obligation, the other party shall have the right to suspend the performance of his counter-obligation, or refuse to perform it altogether, inform of this the other party, and claim damages.

2. No right of suspension shall exist where:

1) the other party produces adequate security of performance of his obligation and this will not bring about groundless delay of performance of the obligation;

2) the performance of the obligation of the other party is impossible for the reason beyond the control thereof;

3) the performance of the obligation of the other party is prevented by the fault of the opposite party.

3. In the event of a contractual obligation being not performed in full by one of its parties, the other party shall also have the right to suspend the counter-performance of his obligation, or to refuse performance to the degree correspondent to that non-performed by the party obliged to perform first.

4. Where a party performs his counter-obligation before the party who is to perform first, the latter shall be bound to perform his obligation.

5. The right to suspend performance of a bilateral obligation shall become extinct when the other party to the obligation presents adequate security for the performance of his obligation.

6. The right to suspend performance of any obligation may also be invoked against the creditors of the other party to the obligation.

7. The right of suspension of performance of an obligation must be used by the parties in good faith and reasonably.

SECTION TWO

LEGAL EFFECTS OF NON-PERFORMANCE OF AN OBLIGATION

Article 6.59. Inadmissibility of unilateral refusal of performance of an obligation

None of the parties may unilaterally refuse performance of his own obligation or modify the conditions of performance thereof, except in the cases provided for by laws or a contract.

Article 6.60. Consequences of non-performance of an obligation to deliver an individually determined thing

1.Where a debtor fails to perform the obligation to deliver an individually determined thing to the creditor's ownership or possession thereof by the right of trust or use, the creditor shall have the right to demand that thing to be delivered. This right shall become extinct upon the thing concerned being handed over to another creditor with the same kind of right. Until the thing is not handed over, the priority to receive it shall belong to the creditor in whose favour the obligation arose first of all, and in the event where it is impossible to be ascertained, to the creditor who was the first to bring the action. The creditor who cannot avail himself of the right to force the performance of the obligation in kind, shall be entitled only to compensation of damages.

2. In the event where a penalty is foreseen by the contract, the creditor shall have the right within his choice to claim either payment of the penalty, or deliver of the individually determined thing.

Article 6.61. Effects of non-performance of an obligation to do a certain work

1. In the event where a debtor fails to perform an obligation that entails doing a certain work, the creditor shall have the right to perform that work himself at the debtor's expense within a reasonable time and for a reasonable price unless otherwise established by laws or a contract, or he may claim damages. In these instances, the creditor shall have the right to file a suit and demand the creditor to pay in advance the amount necessary for performing the work.

2. In the event where a debtor fails to perform an obligation that entails performing a certain work or actions which can be performed exclusively by the debtor personally, the court may upon the demand of the creditor exact a fine from the debtor in favour of the creditor. The amount of the fine shall be determined by the court. The fine may be exacted in a lump sum, or payable for every delayed day until the full performance of the obligation by the debtor.

3. Paragraph 2 of this Article shall not apply in the instances where the violated rights of the creditor can be defended by other forms of protection of rights, likewise where the performance of the obligation was rendered impossible not through the fault of the debtor.

Article 6.62. Liability for non-performance of an obligation arising from a bilateral contract

1.Where the performance of an obligation that arises from a bilateral contract has become impossible for the cause not imputable to any of the parties, while neither laws nor a contract provides otherwise, none of the parties may require each other performance of the contract. In such case, each party shall have the right to claim restitution in kind without the corresponding counter-performance.

2. Where the performance of an obligation that arises from a bilateral contract has become impossible because of a circumstance imputable to this party himself, while neither laws nor a contract provides otherwise, the other party may revoke the contract and claim restitution in kind (to return everything that was performed), likewise compensate damages incurred by the non-performance of this obligation.

3. Where the performance of an obligation that arises from a bilateral contract has become impossible due to circumstances imputable to the other party, the first party shall have the right to

demand from the other party performance of the obligation and compensation of damages, including what has been accumulated due to the impossibility to perform the obligation.

Article 6.63. Cases in which a debtor is considered to be in default

1. A debtor shall be considered to be in default where:

1) the conditions of a contract are not performed, or are being performed improperly;

2) the debtor fails to perform the obligation within the established time-limit;

3) the creditor with valid reason files a suit against him, or addresses him in an extra-judicial demand to perform the obligation;

4) the creditor demands performance of the obligation within a reasonable time established by him, but the debtor failed to perform the obligation within this time-limit;

5) the debtor informs the creditor before the expiry of a time-limit of his intention not to perform the obligation;

6) performance of the obligation has become impossible due to the debtor's fault.

2. The debtor shall be liable from the moment he is considered to be in default for any damages suffered by the creditor, except in the cases when the debtor is released from the performance of the obligation.

3. In the event where the time-limit for the performance of an obligation is not fixed, the debtor shall be considered to be in default from the moment when the creditor made a demand in writing to perform the obligation and fixed the time-limit for the performance, but the debtor has failed to perform the obligation within that time-limit.

4. The debtor shall be liable for all the consequences of the impossibility to perform the obligation after it was violated by the debtor, except in cases where the performance of the obligation has been rendered impossible through the fault of the creditor.

5. After the violation of an obligation committed by the debtor, the creditor shall have the right to refuse acceptance of the tender offered by the debtor if the debtor does not concurrently offer compensation of damages sustained by the creditor in the result of the violation of obligation.

Article 6.64. Cases when the creditor is considered to be in default

1. The creditor shall be considered to be in default when:

1) the debtor cannot perform the obligation in the result of insufficient co-operation between the creditor and the debtor, or through any other fault of the creditor;

2) the creditor through his own fault fails to perform his duty to the debtor, thus the debtor justifiably suspends performance of the obligation.

2. In the event of default of the creditor, the debtor can file a suit and demand to be released from the performance of the obligation in whole or in part, conditionally or unconditionally.

3. If the creditor violates the obligation, the debtor shall be considered not to have violated it. The debtor may not be considered in violation of the obligation as long as the creditor is considered to have violated it.

4. The debtor shall have the right to demand compensation for the damages incurred in the result of the violation of obligation committed by the creditor.

Article 6.65. Confirmation of performance of an obligation

1. Unless otherwise stipulated by the contract, the creditor, upon accepting the performance of an obligation, shall be obliged to issue to the debtor a quittance indicating to what extent – in part or in full – the performance has been made.

2. In the event where the creditor has documentary evidence of the debt issued by the debtor, he shall be obliged upon accepting the full performance of the obligation to remit this documentary evidence to the debtor, or failing that, inscribe the relevant annotation in the quittance. An inscription in the documentary evidence of the debt about the performance of the obligation shall be equalled to a quittance. If the performance does not cover the entire debt, or the creditor still needs this document

for the exercise of other of his rights, he shall have the right to retain it, though he must issue a quittance to the debtor.

3. If the creditor refuses to issue a quittance, to remit the documentary evidence of the debt, or to inscribe in the quittance annotation about the impossibility to remit that document, the debtor shall have the right to suspend the performance of his obligation until the document confirming the performance of the obligation is issued to him.

4. Where several actions must be performed by the debtor successively, a quittance for the two last actions shall create the presumption that the previous actions have also been performed, except in the cases where a contract or a quittance provides for otherwise.

5. If the creditor issues a quittance for the principal sum, it shall be presumed that the interest and other costs have also been paid by the debtor.

CHAPTER IV

DEFENCE OF INTERESTS OF A CREDITOR

Article 6.66. Right of a creditor to dispute transactions made by a debtor (Paulian action)

1. A creditor shall have the right to challenge transactions made by a debtor, where the debtor was not bound to make them and where they violate the rights of the creditor, while the debtor knew or ought to have known that prejudice to the creditor would result from that transaction (Paulian action). The creditor's rights shall be considered violated if by such transaction the debtor renders himself insolvent or by which, being insolvent, he grants preference to another creditor, or the rights of the creditor are infringed in any other way.

2. A bilateral transaction may be annulled on the ground established in Paragraph 1 of this Article only in the case when the third person concluding the transaction with the debtor concerned was in bad faith, i.e. he knew or ought to have known that the transaction violates the rights of the debtor's creditor. A gratuitous transaction may be annulled irrespectively of whether the third person is in good or bad faith.

3. The creditor shall have the right to bring an action upon the annulment of the transaction on the ground provided in Paragraph 1 of this Article within one year prescription. This time-limit shall be calculated from the day on which the creditor learned or ought to have learned of the transaction which violates his rights.

4. The annulment of the transaction shall have legal effects only in respect of the creditor who brought the action upon the annulment of the transaction and only to the extent that is necessary to remove the prejudice experienced by the creditor.

5. The annulment of the transaction shall have no effect upon the rights of third persons in good faith to the property which was the object of the annulled transaction.

Article 6.67. Presumption of bad faith

1. It shall be presumed that the parties to a transaction by whom interests of the creditor are violated were in bad faith if:

1) the debtor has concluded a transaction with his spouse, children, parents or other close relatives;

2) the debtor has made a transaction with a legal person in which his spouse, children, one of the parents, or any other close relative is the director, a member or a participant of its managing body who either directly or indirectly hold by the right of ownership at least fifty percent of the issued shares (portion of shares owned by a shareholder, contributions, etc.);

3) the debtor, who is a legal person, has concluded a transaction with a natural person who is the director or a member of the managing body of that legal person, or with his spouse, children, one of the parents or any other close relative;

4) the value of the prestation which had to be performed by the debtor considerably exceeds the prestation presented by the other party to the transaction (disproportion of counter-obligations);

5) a transaction has been made upon the payment of a debt that has not yet matured;

6) the debtor, who is a legal person, has made a transaction with a natural person who either himself, or his spouse, children, parents, or any other close relative, or jointly with them are the participants of that legal person and hold directly or indirectly by the right of ownership at least 50 percent of the shares (portion of shares owned by a shareholder, contributions, etc.) of that legal person;

7) the debtor, who is a legal person, has concluded a transaction with another legal person which is controlled by the debtor, or if the director or a member of the managing body of one of the parties to the transaction is a person who directly or indirectly, separately or jointly with his spouse, children, parents or close relatives hold by the right of ownership at least 50 percent of the issued shares (portion of shares owned by a shareholder, contributions, etc.) of the other legal person or of the issued shares (portion of shares owned by a shareholder, contributions, etc.) in both legal persons;

8) the debtor, who is a legal person, has made a transaction with an association of legal persons or with any other corporation where the debtor is a member.

Article 6.68. An oblique action

1. A creditor whose right to claim against the debtor is certain and exigible shall be entitled to exercise the rights of the debtor by bringing an action in the debtor's name in the event where the debtor fails to implement these rights himself, or refuses to exercise them to the prejudice of the creditor's interests (an oblique action).

2. An oblique action may be brought only in the instances when the creditor is necessitated to protect his rights (in the event of the debtor's insolvency, bankruptcy proceedings instituted against him, or in any other special events) and under the condition that the time-limit for the performance of obligations matured prior to the institution of the action.

3. The creditor shall have no right to demand exercising of such debtor's rights which are related exceptionally with the person of the debtor.

4. A person against whom an oblique action of the creditor is brought may set up against the creditor all the objections and defences he could have set up against the debtor.

5. Upon the satisfaction of an oblique action, the recovered property shall be set-off into the property of the debtor and shall benefit all his creditors.

Article 6.69. Right of retention

1. The creditor shall be able to avail himself of the right of retention of a thing until the obligation is performed by the debtor.

2. The procedure for the implementation of the right of retention is established by the provisions of Book Four of this Code.

CHAPTER V

SECURITY OF PERFORMANCE OF OBLIGATIONS

Article 6.70.Kinds of security of obligations

1. Performance of obligations may be secured in accordance with a contract or laws in the form of penalty, pledge (hypothec), suretyship, guarantee or earnest money, or any other forms resulting from the contract. Relationships related to pledge (hypothec) are regulated by the norms of Book Four of this Code.

2. The security of performance may be applied both to already existing obligations and to those that will arise in the future.

SECTION ONE

PENALTY

Article 6.71. Concept of penalty

1. A penalty is a sum of money determined by laws or a contract which the debtor shall be bound to pay to the creditor in the case of failure to perform an obligation, or defective performance thereof (fine, forfeit).

2. The penalty may be established in the form of a concrete sum of money or expressed in percentage terms on the amount of the secured obligation.

3. The penalty stipulated for a delay in performance of an obligation may be established for every day, week, month, etc. that exceeds the time-limit of the performance.

Article 6.72. Form of agreement upon penalty

The clause by which it is agreed upon a penalty must be made in writing.

Article 6.73. Penalty and real performance of the principle obligation

1.Where an obligation with a penal clause is established, the creditor may not demand both the real performance of the principal obligation and the penalty, except in cases when the debtor is in delay of the performance of the obligation. Any stipulation of parties contrary to the provisions of this Article shall be void. The sum stipulated in the penal clause shall be set-off into damages in the case where compensation of damages is claimed.

2. The amount of penalty stipulated may be reduced by the court when it is manifestly excessive, or if the creditor has already benefited from partial performance of the obligation, though the sum may not be reduced below the damages payable for the failure to perform the obligation or for defective performance thereof. No reduction of the penalty paid shall be allowed.

3. The provisions of this Article shall not apply in the instances where it is otherwise provided for by this Code in respect of certain types of contracts.

Article 6.74. Voidability of agreement upon penalty

Where the transaction from which the obligation has arisen is declared void within the procedure established by laws, any agreement upon the security of performance of such an obligation by way of penalty shall be equally void.

Article 6.75. Burden of proof

The burden to prove the fact of performance of the principal obligation in a proper way shall be placed on the debtor by whom the obligation to pay the penalty is disputed on the basis of assertion that the obligation has already been performed by him.

SECTION TWO

SURETYSHIP

Article 6.76. Concept of a contract of suretyship

1.Suretyship is a contract by which the surety binds himself to be liable towards the creditor of another person gratuitously or for a remuneration in the event where the person in whose favour suretyship is granted fails to perform the obligation in whole or in part.

2. Suretyship is an accessory obligation (dependent upon the obligation of the principal debtor for which it has been entered into). Suretyship shall terminate upon the extinguishment of the principal obligation or it having been declared void.

Article 6.77. Grounds for suretyship

1.Suretyship may result from a contract of suretyship or may be imposed by laws, or ordered by a judgement.

2. Suretyship may be granted for an obligation irrespective of the request of the person for whose obligation it is being granted, also irrespective of the identity of the person who binds himself.

3. A person may become surety either for the principal debtor or for his surety.

4. The creditor shall have the right to require a concrete person to be a surety. In the case where the creditor does not express such a requirement, the debtor shall offer a person with sufficient property to perform the obligation to act as surety.

5. Where a debtor is bound to furnish suretyship on the grounds of laws (legal surety) or a court judgement (judicial surety), he may present other adequate security of the obligation instead suretyship.

6. Disputes whether the property of the surety is sufficient, and whether the security offered is adequate shall be decided by the court.

Article 6.78. Obligations secured by suretyship

1. Suretyship may be contracted for both already existing obligation and those which will arise in future, but in any event, suretyship may be applied only for the performance of a sufficiently specified obligation.

2. Suretyship may also be contracted for a part of the principal obligation. Suretyship may not be contracted for an amount in excess of that owed by the debtor. Suretyship may not be contracted under any other onerous conditions. Where the sum secured by suretyship extends beyond the limits of the debt for which it was contracted, it must be diminished till the amount of the debt.

3. Suretyship shall extend to all the accessories of the principal obligation.

Article 6.79. Form of a contract of suretyship

Suretyship must be contracted in written form. Non-observance of this requirement shall result in the voidability of the contract.

Article 6.80. Relationships between a surety and a creditor

1. At the demand of the surety, the creditor shall be bound to provide him with information in respect of the content and the conditions of the principal obligation, also with information regarding its performance.

2. The surety shall have the right to demand from the creditor exaction to be levied first on concrete property of the principle debtor, except in the cases where the surety has expressly renounced this right. Where the creditor failed to comply with the instruction of the surety, and did not levy the exaction first to the indicated concrete property of the principle debtor, the creditor shall be liable for any subsequent insolvency of the principle debtor up to the value of the property indicated. These rules shall not apply in the instances of solidary liability of the principal debtor and the surety towards the creditor (Paragraph 1 of Article 6.81 of this Code).

Article 6.81. Liability of a surety

1. If the debtor fails to perform the obligation, both the debtor and the surety shall be liable as solidary debtors towards the creditor for the fulfilment of this obligation unless otherwise provided for by the contract of suretyship.

2. The surety shall be liable to the same extent as the debtor (for the payment of interest and penalty, compensation for damages) unless otherwise established by the contract of suretyship.

3. Where several persons become sureties of the same debtor for the same debt, they shall be solidary liable unless otherwise provided for by the contract of suretyship.

Article 6.82.Rights and duties of a surety arising as the result of an action brought against him

1. In the event where the creditor brings an action against the surety, the latter shall be bound to implead the debtor. Otherwise, the debtor shall have the right in the case of a counter-claim brought by the surety to set up against the creditor all the defences he is entitled to.

2. The surety shall have the right to set up against the creditor all the defences which could be set up by the principal debtor. The surety shall not lose his right to set up such defences even when the debtor refuses his defences or admits his obligation.

3. The surety may avail himself of all other rights which may be exercised by the debtor (dispute a debt, apply a set-off, suspend performance of the obligation, etc.), with the exception of those which are exceptionally related to the person of the debtor.

4. A postponement of the performance of obligation granted to the debtor by the creditor shall also apply to the surety.

Article 6.83. Rights of a surety after the obligation is performed

1. All the rights of the creditor arising from a certain obligation shall pass to the surety by whom that obligation has been performed.

2. The surety who has bound himself at the request of the debtor or with his consent, and who has performed the obligation shall have additional right to claim from the principal debtor compensation for all the damages incurred in relation with the suretyship; he may also charge interest on the sum paid to the creditor even if the principal debt is not producing interest. A surety who has bound himself without the consent of the debtor may only claim from him what the debtor would have been bound to pay, including damages, if there had been no suretyship.

3. Every of several co-sureties shall have the right by way of recourse to claim from the debtor what he has paid.

4. After the surety has performed the obligation, the creditor shall be bound to deliver him the documents confirming the right of claim against the debtor, as well as the rights by which such claim is secured.

5. In the event where the surety fails to inform the principal debtor that he has performed the obligation, he shall have no right of recourse against the principal debtor who, being unaware of this performance, effectuates it repeatedly. The same effects will be produced in the case if the surety performs the obligation without informing the principal debtor at the time when the principal debtor has already acquired the right to set up against the claim of the creditor defences that could have enabled him to have the debt declared extinguished. Nevertheless, in both these cases the surety shall retain his right of claim for recovery of the sums that were not due to the creditor.

Article 6.84. Right of recourse of a surety performing a solidary obligation

If several persons acted as sureties for the same obligation, and the obligation was performed by one of the co-sureties, a co-surety who has performed shall have the right of recourse against other co-sureties for their respective portions in the event where those sums cannot be recovered from the debtor.

Article 6.85. Duty of a debtor to inform the surety about the performance of the obligation secured

The debtor who has performed the obligation secured by suretyship shall be bound to immediately inform the surety about the performance. Otherwise the surety who in his turn has performed the obligation himself shall retain the right of recourse against the debtor. In this case, the debtor may recover from the creditor only what has been received by him not due.

Article 6.86. Relief of a surety from liability

Where the creditor refuses his priority right in the satisfaction of his claim, or declines any other security of the obligation established in his favour, the surety shall be released from liability if the creditor would have been able to satisfy his claim by exercising the refused rights.

Article 6.87. Termination of suretyship

1. A suretyship shall be terminated at the time of extinguishment of the obligation which was secured by it.

2. A suretyship shall also be terminated by the death of the surety.

3. If the qualities of a surety and debtor are united in the same person, the suretyship shall remain in force if the creditor has an interest in its continuation.

4. Unless the contract of suretyship provides for otherwise, suretyship shall be terminated if the obligation is changed in essence, and such change without the consent of the surety results in the increase of his liability, or in any other consequences unfavourable thereto.

5. Suretyship shall be terminated if the debt according to the secured obligation is assumed by another person and the surety does not give his consent to the creditor to extend suretyship over in respect of the new debtor.

6. Suretyship shall be terminated where the creditor without any grounds refuses to accept a proper performance of the obligation offered by the debtor or the surety.

Article 6.88. Termination of suretyship contracted for a determinate period

1. Suretyship contracted for a determinate period or with a view of performing an obligation with a fixed term shall be terminated if the creditor does not bring an action against the surety within three months from the day on which the contract of suretyship or the time-limit of performance of the obligation expires.

2. Where suretyship by which the future obligation is secured is contracted for a fixed period, it shall terminate on the day of maturity of the time-limit of suretyship if the obligation did not arise before the expiration of this time-limit.

Article 6.89. Termination of a suretyship contracted for an indeterminate period

1. In absence of any agreement to the contrary, where the suretyship is contracted for an indeterminate period, or where the time-limit of performance of the obligation is not indicated, nor determined by the moment of demand for performance, the suretyship shall be terminated upon the expiry of two years from the day on which the contract of suretyship was formed if the creditor does not bring an action against the surety within this time-limit.

2. Where a future obligation is secured by the suretyship contracted for an indeterminate period, the surety may by his unilateral notice dissolve it upon expiry of three years from its contraction if during the three years the obligation did not become exigible. The surety must immediately inform in writing the debtor and the creditor of the dissolution of suretyship.

SECTION THREE

GUARANTEE

Article 6.90. Concept of a guarantee

1. A guarantee is an unilateral obligation of a guarantor by which he binds himself within the sum indicated in the guarantee to be liable fully or in part towards another person (creditor) if a person (debtor) fails to perform the obligation, or performs it improperly; the guarantor also binds himself to compensate the creditor for damages under certain conditions (when the debtor becomes insolvent, and in other cases). The guarantor shall be subsidiary liable.

2. The obligation of the guarantor towards the creditor does not depend on the principal obligation, the performance of which is secured by it; a guarantee is an independent obligation even in the cases when the principal obligation is indicated in the guarantee.

3. A guarantor who has performed the obligation for a debtor obtains the right of recourse against the latter.

Article 6.91. Form of a guarantee

A guarantee must be formed in writing. Failure to meet this requirement shall render the guarantee null and void.

Article 6.92. Limits of the obligation of a guarantor

1. The obligation of a guarantor shall be subsidiary and limited to the amount for which the guarantee was issued.

2. In the event where the guarantor fails to perform his obligation under the contract of guarantee, or performs it improperly, his liability towards the creditor for damages suffered as a consequence of violation of the guarantee shall not be limited to the amount for which the guarantee was issued.

3. Upon receiving the demand of the creditor to perform the obligation, the guarantor must immediately inform the debtor and submit to him copies of the creditor's demand with the documents appended.

4. The guarantor has the right to refuse satisfaction of the creditor's demand if this demand or the documents appended thereto do not correspond to the conditions of the guarantee, or they were submitted after the expiry of the time-limit established for the guarantee. The guarantor must immediately notify the creditor about the refusal to satisfy his demand.

5. Where it becomes known to the guarantor that the principal obligation secured by the guarantee has been performed fully, or has been terminated on other grounds, or has been acknowledged null and void, he must immediately notify of this the creditor and the debtor. In the event where after such notification the guarantor receives a repeated demand of the creditor to perform the obligation, he shall be obliged to satisfy thereof only upon the presentation by the creditor proof that the obligation has not been terminated and continues to be valid.

Article 6.93. Bank guarantee

1. Under a contract of a bank guarantee, the bank or any other credit institution (guarantor) binds itself in writing to pay to the debtor's creditor upon his demand a sum of money fixed in the guarantee.

2. For the granting of a bank guarantee, the debtor shall pay remuneration to the guarantor stipulated in the contract concluded between the debtor and the bank.

3. The bank guarantee enters into force from the moment of its granting unless otherwise provided for by the contract.

4. The demand of the creditor concerning the performance under a bank guarantee must be submitted to the guarantor in the written form with all the necessary documents appended. It must be indicated in the demand in what manner the debtor has violated the principal obligation secured by the guarantee.

Article 6.94. Irrevocability of a bank guarantee

A bank cannot revoke any guarantee granted by it unless otherwise provided for by the contract of a guarantee.

Article 6.95. Prohibition to assign the right of claim

The creditor cannot assign his right of claim secured by the bank guarantee if this guarantee does not stipulate otherwise.

Article 6.96. Termination of a bank guarantee

Bank guarantee shall be terminated:

1) upon the payment by the bank to the creditor of the amount for which the guarantee was issued;

2) by the expiration of the time-limit of the guarantee established by the contract of guarantee;

3) by the creditor's renunciation of his rights arising from the guarantee and the return thereof to the bank, or information of the bank about the renunciation in writing.

2. Upon becoming aware that the guarantee has terminated, the bank shall be bound to notify the debtor without delay.

Article 6.97. Right of recourse of the bank

1. The bank and the debtor may establish by a contract the right of recourse of the bank against the debtor after the bank effectuates to the creditor the payment of the sum of money stipulated in the guarantee.

2. The bank shall not have the right within the procedure of recourse to claim from the debtor compensation of the amounts paid not in accordance with the guarantee, or the amounts paid for non-performance or the improper performance of the obligation of the bank to the creditor.

SECTION FOUR

EARNEST MONEY

Article 6.98. Concept of the earnest money

1. Earnest money shall be deemed to be a monetary amount issued by one contracting party from the payments due to be paid by him under a contract to the other party to prove the conclusion of the contract and secure its performance.

2. The earnest money cannot be used for securing a preliminary contract, likewise a contract that must be concluded in the obligatory notarial form.

Article 6.99. Form of the agreement for an earnest

1. The agreement for an earnest must be concluded in written form irrespective of the amount of the earnest money.

2. The agreement for an earnest which does not meet the requirement of the written form shall be null and void.

Article 6.100. Consequences of non-performance of an obligation secured by the earnest

1. If the party which issues an earnest is liable for non-performance of the contract, the earnest shall remain with the other party. In the event where the party to whom the earnest was handed over is liable for non-performance of the contract, he shall be bound to pay to the other party the double amount of the earnest money.

2. In addition, the party who is liable for non-performance of the contract shall be obliged to compensate the other party for damages, including the earnest money unless otherwise provided for by the contract.

CHAPTER VI

ASSIGNMENT OF A CLAIM

Article 6.101. Right of the creditor to assign a claim

1. A creditor may without the consent of the debtor assign to another person all or a part of the claim provided that the transfer does not contradict to laws or the contract, or the claim is not related with the person of the creditor. The assignment of the claim may not infringe the rights of the debtor and render his obligation more onerous.

2. By effect of the assignment, the claim is transferred to the assignee with the privileges established for the security of performance of the obligation and other accessory rights.

3. A future claim shall be likewise subject to assignment.

4. The right of a claim is transferred to another person on the grounds of laws in the following cases:

1) upon universal assumption of the rights of the creditor;

2) where the rights of the creditor under a court judgement are delegated to another person if such possibility is provided for by laws;

3) where the surety or the pledgor of the debtor, who are not parties to the secured obligation, perform the obligation for the debtor;

4) where within the procedure of recourse the rights of the creditor connected with the debtor responsible for the insurance event are transferred to an insurance company;

5) in other cases provided for by laws.

5. In the event where the person of the creditor is of the essential importance to the debtor, the creditor shall be prohibited to assign the claim without the consent of the debtor.

Article 6.102. Forbidden assignments

1. The assignment of a claim against which recourse cannot be taken shall be prohibited.

2. Judges, public prosecutors and advocates cannot become assignees of claims in respect of which litigation has arisen in the court within whose jurisdiction they exercise their functions.

3. It shall be prohibited to assign a claim inseparably related with the person of the creditor (claim for maintenance, claim for compensation of damage caused by impairment of health or loss of life).

Article 6.103. Form of a contract

Formation of a contract upon assignment of a claim shall be subject to the same formalities as prescribed for the principal obligation.

Article 6.104. Delivering of documents

1. The creditor who has assigned his claim to another person shall be bound to hand over to the new creditor the documentary evidence pertaining to the claim and the accessory rights, including the right to receive interest. If such documents remain of importance to the previous creditor, the new creditor shall only be entitled to copies thereof confirmed within the established order.

2. Assignment of a claim, the performance of which is secured by a pledge (hypothec), must be inscribed in the Register of Hypothec. In this case, the previous and the new creditors shall be obliged to take measures in order to ensure that relevant inscriptions are made in the Register of Hypothec.

3. In the event of the assignment of the universality of claims, the previous creditor shall be obliged to deliver to the new creditor any pledged property which is under his control.

4. All expenses related with the official registration and delivering of the documents stipulated in Paragraphs 1 and 2 of this Article shall be covered by the new creditor unless otherwise provided for by the contract.

5. A claim confirmed by a bearer security issued by the debtor shall be assigned by handing over the bearer security to the new creditor. In this case, the debtor shall be bound to perform the obligation to any person who hands over the security to him. In this event, the debtor shall neither be entitled to setting up any objections or defences other than a claim for acknowledging the nullity of the bearer security.

6. A creditor who has been dispossessed of a bearer security against his will may prevent the debtor from performing the obligation to the person who presents the security exclusively by means of instituting judicial proceedings.

Article 6.105. Liability of an assignor (previous creditor)

1. The assignor (previous creditor) shall be liable towards the assignee (new creditor) for the invalidity of the assigned claim, though he shall not be liable for the debtor's non-performance of the

obligation arising from this claim, except in the cases when the assignor gives a surety to the assignee for the debtor.

2. When the right to claim is assigned gratuitously, it shall be deemed that the assignor affirms that the right to claim exists, and is owned by him even if such affirmation is not provided for by the contract (statutory guarantee), with the exception of cases where the assignee acquired the right to claim at his own risk, or at the time of the assignment, he knew or should have known of the uncertain nature of the claim.

3. Where the claim is assigned onerously, the assignor shall be liable only for the insolvency of the debtor that existed at the time of the assignment, and only to the extent of the amount he received for that assignment.

Article 6.106. Performance of an obligation in favour of the assignor by the debtor uninformed about the assignment of the claim

1. In the event of failure to inform the debtor that the claim has been assigned, the performance of the obligation in favour of the assignor shall be deemed to be right. If the claim has been assigned several times, the performance of the obligation in favour of any subsequent creditor shall be deemed to be right.

2. In the case of a dispute over the pretension to the right of claim, the debtor shall have the right to refuse payment to any concrete creditor and perform the obligation by depositing a sum into the depository account of a notary office, bank or any other credit institution.

3. In the instances where the debtor pays the debt being aware of the dispute indicated in Paragraph 2 of this Article, he shall be performing this at his own risk.

Article 6.107. Defences of the debtor against the claims of the assignee (new creditor)

1. The debtor shall have the right to set up against the assignee all the defences which he was entitled to set up against the assignor at the time of receiving the notice about the assignment of the claim.

2. After the assignment of the claim and handing over of a bearer instrument, the debtor who has issued the bearer instrument shall have no right to set up defences against the assignee based upon the assertion that the obligation is simulated or false, or the assignment is prohibited if at the time of the assignment of the claim the assignee did not and could not know of these circumstances.

3. In the event where after the assignment of the claim the debtor brings an action against the assignor for the annulment of the legal fact from which the obligation arises, the debtor shall be bound to inform of that the assignee, except in the cases when the annulment of that legal fact cannot be invoked against the assignee.

Article 6.108. Set-off against the assignee

The debtor who has the right to a counter-claim against the assignor can avail himself of a set-off against the assignee, except in the cases where at the time of acquisition of the right to the counter-claim the debtor knew of the assignment of the claim, or the time-limit for the recovery of the assigned claim expired after he became aware of its assignment, or after the expiration of the time-limit allotted for the recovery of the assigned claim.

Article 6.109. Notice of the assignment of a claim

1. The fact of the assignment of the claim may be invoked against third persons and the debtor from the moment when the debtor acquiesced in it, or received a copy of the document confirming the fact of the assignment of the claim, or any other evidence of the fact of the assignment of the claim.

2. Where the place of the debtor's whereabouts is unknown, the assignment of the claim may be announced by public notice (Article 1.65 of this Code).

3. The assignment of the right of claim which is registered in the Public Register within the order established by laws, shall be announced in accordance with the legal procedure and the fact of the assignment shall be registered in the Public Register.

4. The assignment of a claim cannot be set up by the creditor against the debtor if the creditor gives a notice of this assignment to the debtor, even if the assignment would have not occurred or would have been declared void.

5. The handing over of the contract on the assignment of the claim to the assignee and presentation of that contract to the debtor shall also be deemed to constitute a notice.

6. A notice on the assignment of the claim may be renounced only with the consent of the assignee.

7. The debtor shall be bound to perform the obligation to the assignee only if the latter together with the expression of his demand presents the contract on the assignment of the claim. Refusal from the obligation or a demand of the performance thereof by the assignee shall have no effect without presentation of a contract on the assignment. This rule shall not apply if the assignee has notified the debtor of the assignment of the claim in writing.

Article 6.110. Assignment of other rights

The rules establishing the procedure of the assignment of a claim shall also apply to the assignment of other rights unless otherwise provided for by laws.

VII CHAPTER

TRANSFER OF A CLAIM TO A THIRD PERSON WITHIN THE PROCEDURE OF RECOURSE (SUBROGATION)

Article 6.111. Grounds for subrogation

Subrogation may be effectuated upon the grounds of a written contract or laws.

Article 6.112. Cases of subrogation

A claim shall be transferred to a third person by way of subrogation if:

1) the claim is satisfied from the property of the third person;

2) the obligation is performed for the debtor by the third person whose property was pledged in securing the performance of obligation;

3) the third person performs the obligation for the debtor in order to prevent seizure of property, even though the property does not belong to him, where the seizure would make him lose whatever rights he has in that property;

4) the debtor and the third person who has paid the debt concludes a contract upon the payment of the debt, provided that the creditor knew of this contract at the time of payment, or had been notified thereof.

Article 6.113. Rights acquired in the result of subrogation

A third person who is subrogated to the rights of the creditor, shall not obtain more rights than the subrogating creditor.

Article 6.114. Subrogation by operation of law

A claim shall be transferred to a third person according to subrogation by operation of law in the following cases:

1) in favour of the creditor who pays the debt to another creditor whose claim has preference to his by virtue of its securement in the form of a pledge (hypothec) or by the priority of claim;

2) in favour of the acquirer of the property when he performs an obligation towards the creditor whose claim is secured by a pledge (hypothec) on that property;

3) in favour of a person who performs the obligation to which he is bound with other debtors, or has reasonable interest in the performance thereof;

4) in favour of a heir who at his expense performs the obligation of succession for which he was not bound;

5) in other cases provided for by laws.

VIII CHAPTER

DELEGATION OF DEBT

Article 6.115. Delegation of debt by a contract between the creditor and the new debtor (delegee)

A third person shall be able by the effect of a contract with the creditor to accept the rights and duties of the debtor.

Article 6.116. Delegation and assumption of debt by the effect of a contract between the debtor and the person who assumes the debt (delegee)

1. Delegation of debt may be effectuated by the debtor exclusively with the consent of the creditor. The consent shall be given only after the creditor is notified of the intended delegation by the debtor and the person who assumes the debt (delegee). Until the creditor has consented, the contract may be modified or terminated by the parties. After the consent of the creditor is received, the contract between the initial and the new (delegee) debtor may not be modified.

2. The creditor's consent for delegation of the debt may be given in advance. The creditor shall have no right to revoke his consent given in advance unless he has reserved this right in the said consent.

3. If the creditor has not given his consent, delegation of the debt shall be deemed not to have been effectuated. In the event where the debtor and the person who assumes the debt (delegee) establish a time-limit during which the consent of the creditor must be given, the consent may be given within the period provided. If no consent of the creditor is given within the established time-limit, it shall be deemed that the creditor has not consented to the delegation of the debt.

4. Pending the expression of consent or dissent by the creditor, the person who assumes the debt (delegee) shall be bound to the debtor for the performance of the obligation in favour of the creditor.

Article 6.117. Assumption of a debt secured by pledge (hypothecated debt)

Upon effectuation by the debtor delegation of a debt secured by pledge (hypothecated debt), the right of pledge to the property of the debtor shall remain valid.

Article 6.118. Form of the contractual delegation and assumption of debt

Contractual delegation and assumption of a debt must be made in writing.

Article 6.119. Defences available to the person who assumes a debt (delegee)

1.The new debtor (delegee) shall have the right to invoke against the creditor all the defences based upon the obligatory relationship between the creditor and the initial debtor. Nevertheless, the claim of the initial debtor cannot be claimed by the new debtor (delegee) for a set-off.

2. The new debtor (delegee) cannot invoke against the creditor the defences based upon the relationship between the initial debtor and the person who has assumed the debt (delegee) which formed the basis for the delegation of the debt.

Article 6.120. Accessory rights

1. Upon the change of the debtor in the effect of the assumption of a debt, all accessory rights of the creditor shall remain unchanged provided that they are not purely personal in respect of the initial debtor.

2. Suretyship and pledge granted by a third person shall be extinguished by the delegation of the debt if the surety or the pledgor do not expressly state their consent to be liable for the new debtor (delegee).

Article 6.121. Effects of invalidity of a contract of delegation of debt

1. If a contract of delegation of debt is declared null and void, the obligations of the initial creditor, likewise all his accessory rights and responsibilities arising therefrom shall be restored; though the rights of third persons in good faith shall be retained.

2. The creditor shall have the right to claim against the person who has assumed the debt (delegee) compensation of damages resulting from the invalidity of contract of delegation of debt, except in the instances where the invalidity of that contract and the resulting damages were not conditioned by the delegee's fault.

Article 6.122. Assumption of property or a legal person

1. A person who has assumed property or an enterprise with its assets and liabilities shall also assume the rights and obligations connected with the property assumed.

2. Assumption of obligations in the cases of reorganisation of a legal person shall be regulated by the provisions of Book 2 of this Code.

CHAPTER IX
EXTINCTION OF OBLIGATIONS

SECTION ONE
GENERAL PROVISIONS OF EXTINCTION OF OBLIGATIONS

Article 6.123. Extinction of an obligation by performance

1. An obligation shall be extinguished by its proper performance. It shall likewise be extinguished where a creditor has accepted the performance of a different kind in substitution for the one originally called for.

2. After the acceptance of performance by the creditor, the burden of proof of non-performance or the improper performance thereof shall fall on the creditor.

3. Extinction of an obligation by a proper performance entails termination of all accessory rights and liabilities arising from this obligation.

Article 6.124. Extinction of an obligation by the expiry of a resolutory time-limit

An obligation shall be extinguished by the expiry of a resolutory time-limit which is a condition for the termination of the obligation.

Article 6.125. Extinction of an obligation by the agreement of parties

1. An obligation may be extinguished partly or in whole by the agreement of the parties thereof. Such agreement may be concluded in any form, except in cases where its obligatory written or notary form is established for the arising of the obligation.

2. An obligation may be extinguished by a unilateral statement of the party to the obligation only in cases provided for in laws or a contract.

Article 6.126. Extinction of an obligation by confusion

1. An obligation shall be extinguished where the qualities of creditor and debtor are united in the same person.

2. Where confusion ceases to exist, the obligation shall be restored unless it has been extinguished upon other grounds.

3. The confusion of the qualities of the parties to the obligation shall not affect the rights of third persons.

4. An obligation cannot extinguish by confusion if the claim and the debt are related with separate and unconnected property.

5. In the event of suretyship, confusion of the qualities of creditor and debtor shall result in the extinction of the suretyship.

6. Confusion of the qualities of surety and creditor, or of surety and principal debtor shall not be the grounds for the extinction of the principal obligation.

7. Confusion of the qualities of creditor and one of the solidary debtors, or of debtor and one of the solidary creditors shall be the grounds for the extinction of the obligation only to the extent of the share of that solidary debtor or solidary creditor.

8. A pledge (hypothec) shall be extinguished by confusion of qualities of hypothecary creditor and the owner of the pledged property. Nevertheless, if a creditor is evicted for a cause which is not imputable to him, the pledge (hypothec) shall revive.

Article 6.127. Extinction of an obligation by impossibility of its performance

1. An obligation shall be extinguished when its performance becomes impossible as a consequence of superior force which is not imputable to the debtor. An obligation shall extinguish upon these grounds only in that event if the superior force arose before the obligation was violated by the debtor. The burden of proof of a superior force shall fall on the debtor. In the event where the performance was rendered impossible only in part, the debtor shall be discharged from the obligation upon performing that part whose performance is still possible.

2. In the event indicated in Paragraph 1 of this Article, the debtor in a bilateral contract who has been released by impossibility of performance shall be bound to return all the benefits which he has received from the other party, and he shall have no right to claim performance of the remaining part of the unperformed obligation of the creditor in accordance with the contract.

3. If the performance of the obligation has become impossible by reason of unlawful acts of institutions of the state authority or a local self-government, the parties may claim for compensation of damages from the state or the municipality budget. When such act is annulled, the obligation shall revive unless otherwise conditioned by the contract of the parties or the essence of the obligation, or the creditor has already lost interest therein.

Article 6.128. Extinction of an obligation upon the death of a natural person or liquidation of a legal person

1. An obligation shall be extinguished upon the death of a debtor if it cannot be performed without the participation of the debtor himself, or if it is in any other way inseparably connected with the person of the debtor.

2. An obligation shall be extinguished upon the death of a creditor where the performance of the obligation was assigned to the creditor personally, or where it is in any other way inseparably connected with the person of the creditor.

3. An obligation shall be extinguished upon the liquidation of a legal person (a creditor or a debtor) except where it is stipulated by laws that the obligation must be performed by other persons.

Article 6.129. Release of a debtor from the performance of an obligation

1. An obligation shall be extinguished by release where the creditor releases his debtor from performance of his obligation, or declares not-existence of the obligation if such release does not violate the rights of third persons towards the property of the creditor.

2. Release must be expressed in a clear and in unequivocal manner. Release may be onerous or gratuitous.

3. Release shall be complete unless clearly stipulated by the creditor to be partial.

4. A creditor shall be presumed to grant a debtor release of the debt where the creditor voluntarily surrenders the document evidencing the debt to the debtor unless the circumstances indicate that the document evidencing the debt has been surrendered to the debtor after he has performed the obligation.

5. The creditor's offer addressed to the debtor regarding the latter's onerous release from performance of an obligation shall be considered accepted if it is not rejected by the debtor immediately upon receipt.

6. In the event where an obligation is solidary, release granted to one of the solidary debtors shall release the other co-debtors only from the performance of the discharged person's part. Express release granted by one of the solidary creditors to a debtor shall release the debtor only from the performance of that part in which the claim of that creditor can be brought.

7. Express renunciation of a pledge (hypothec) or any other kind of security of performance of obligation made by a creditor shall not constitute any grounds for acknowledging that the debtor has been released from performance of the principal obligation.

SECTION TWO
SET-OFF

Article 6.130. Extinction of an obligation by a set-off

1. An obligation shall be extinguished by a set-off of a counter-claim which is of the same kind and its time-limit has expired, or the time-limit of its performance is not fixed, or it is defined by the moment of a demand to perform the obligation.

2. A set-off or a refusal to make a set-off shall have no effect in respect of the rights acquired by a third person in good faith.

Article 6.131. Procedure of a set-off

1. Declaration of intention made by one party shall be sufficient for the effectuation of a set-off.

2. A set-off shall be effectuated by notifying about thereof the other party to the obligation. The notification shall be deemed of no effect where the set-off is made dependable upon a certain condition, or a time-limit established thereto.

3. Where the creditor possess documentary evidence of the debt issued by the debtor, the set-off shall be effected by inscribing the declaration of a set-off in the document and by remitting it to the debtor.

4. If a set-off does not cover the entire claim, or where the creditor still needs the documentary evidence of the debt to exercise his other rights, the creditor may retain the document with the inscription upon the set-off, though the creditor must also furnish the debtor with a written notice of the set-off.

Article 6.132. A time-limit of grace in a set-off

A period of grace granted to the debtor for payment of one of the debts shall not prevent the application of a set-off.

Article 6.133. A set-off when debts are not payable at the same place

1. The fact that the obligation must be performed in a different place shall not prevent the application of a set-off.

2. In the event indicated in Paragraph 1 of this Article, the party to the obligation who avails himself of the right of a set-off shall be obliged to compensate for the damages suffered by the other party as a consequence of the obligation not being performed at the place agreed.

Article 6.134. Prohibition to effect a set-off

1. The following cannot be set-off:
   1) claims disputed within the judicial proceedings;
   2) claims arising from a contract for the constitution of a life annuity;
   3) claims the performance of which is connected with the person of a concrete creditor;
   4) claims for damage suffered by reason of bodily injury or death;

5) claims against the state; though, the state may effect a set-off;

6) where the subject-matter of an obligation is property which is exempt from seizure;

7) other claims, in the cases established by laws.

2. A debtor shall not be entitled with the right of a set-off if he is bound to compensate for damages resulting from his actions performed with the intention to harm.

Article 6.135. Set-off in suretyship relations

1. A surety may refuse to satisfy the claim of the creditor if the principal debtor is entitled with the right of a set-off.

2. A surety shall have the right to effect a set-off for what the creditor owes to the principal debtor, i.e. by considering the relationships between the creditor and the debtor, but the principal debtor may not effect a set-off in the interrelations of the creditor and the surety, i.e. for what the creditor owes to the surety.

Article 6.136. A set-off in the case of assignment of claim

Where a claim is assigned, the debtor shall have the right to use for a set-off his claim against the previous creditor for the satisfaction of a claim of the new creditor (assignee) if the time-limit of the debtor's claim expired before the day when the notice about the assignment of the claim was received by him, or if the time-limit is not established, or if it is defined by the moment of a demand to perform the obligation, with the exception of cases provided for in Article 6.108 of this Code.

Article 6.137. A set-off in the case of a solidary obligation

1. A solidary debtor may not use a set-off for what the creditor owes to his co-debtor, except for the share of that co-debtor in the solidary debt.

2. A debtor (whether solidary or not) may not use a set-off against one of the solidary creditors for what another co-creditor owes him, except for the share of that co-creditor in the solidary debt.

Article 6.138. A set-off in the case of several debts

Where several debts are owed by one debtor to the same creditor, a set-off shall be effected by applying the rules of priority of imputation of payment established in Articles from 6.54 to 6.55 of this Code.

Article 6.139. A set-off in a contract concluded in favour of a third person

A person who has assumed an obligation in favour of a third person shall have no right to use his own claim against the other party to the obligation for a set-off to relieve himself.

Article 6.140. A set-off in the case of the debtor's insolvency

After a debtor has proved to be insolvent, the claims of the creditors may be used for a set-off even though they are not due unless otherwise provided for by laws.

SECTION THREE
NOVATION

Article 6.141. Concept of novation

1. An obligation shall be extinguished when the parties by their agreement substitute the existing obligation with a new obligation of different subject matter or different kind of performance (novation). Novation shall also be effected where a new debtor is substituted for the initial debtor who is discharged by the creditor. In such a case, novation may be effected without the consent of the initial debtor. Such conduct where by the effect of a new contract, a new creditor is substituted for the previous creditor towards whom the debtor is discharged shall likewise be considered novation.

2. Novation shall not be presumed, and the intention to effect it must be expressed clearly and unequivocally in all cases.

3. Novation shall be possible only if the original obligation is valid.

4. It shall be prohibited to apply novation for the obligations to compensate for damage incurred by reason of bodily injury or death, also for the obligations the performance of which is connected exceptionally with the person of the parties.

Article 6.142. Conduct that does not imply novation

Any extension or abridgement of the time-limit of performance of an obligation, the issuance or change of a document confirming the existence of the obligation, and any other accessory modifications of an obligation shall not be considered novation.

Article 6.143. Influence of novation upon accessory rights

1. Right of pledge (hypothec), also other accessory rights arising from the original obligation shall be extinguished by novation, except in the cases where the parties agree to preserve them.

2. If novation is made between the creditor and one of the solidary debtors with the effect of discharging from the performance of the obligation all other co-debtors, the right of pledge (hypothec) and other accessory rights arising from the original obligation may be retained only in respect of the property of the debtor who makes the new obligation (novation) with the creditor.

3. Where novation is effected by substituting a new debtor for the initial debtor who is discharged from the performance of the obligation, pledge (hypothec) by which the performance of the obligation is secured, may not be transferred to the property of the new debtor. Pledge (hypothec) attached to the property of the discharged initial debtor may be retained only with the consent of the initial debtor. In the event where a new debtor acquires from the initial debtor a thing, the rights to which are encumbranced by pledge (hypothec), the pledge (hypothec) shall be retained if the new debtor consents thereto.

Article 6.144. Other effects of novation

1. Where novation is effected by substituting a new debtor for the initial, the new debtor may not invoke against the creditor the defences which he could have raised against the initial debtor, nor the defences which the initial debtor had against the creditor. Though, the debtor may claim for the nullity of the transaction from which his obligation results.

2. In the event of novation of a creditor and a principal debtor, a surety of the debtor shall be released from the performance of the obligation.

3. An obligation shall not be extinguished upon the grounds provided for in Paragraph 2 of this Article if the creditor requires participation of the surety in the novation and the surety refuses.

CHAPTER X
RESTITUTION

Article 6.145. Grounds for restitution

1. Restitution shall take place where a person is bound to return to another person the property he has received either unlawfully or by error, or as a result of the transaction according to which the property has been received by him being annulled ab initio, or as a result of the obligation becoming impossible to perform because of a superior force.

2. In exceptional cases, the court may modify the mode of restitution or refuse restitution altogether where it would render undue and unfair aggravation for one party and, accordingly, undue advantage to the other party.

Article 6.146. Mode of restitution

Restitution shall be made in kind, except in the instances where this is impossible or it would cause serious inconveniences for the parties. In these cases, restitution shall be effectuated by payment in monetary equivalence.

Article 6.147. Estimation of monetary equivalence

1. Monetary equivalence shall be estimated according to prices that were valid at the time when the debtor received what he is liable to restore.

2. In the case of destruction or alienation of property subject to restitution, the person shall be bound to compensate for the value of the property which was at the time when the property was received, destroyed or alienated, or at the time of its restitution, taking in regard whichever value is the lowest. In the event of the person liable to make restitution being in bad faith, or where the restitution is due to his fault, he shall be bound to return the highest value of the property.

Article 6.148. Indemnity for the lost property

1. If the property is destroyed by a superior force, the restitution shall not be applied, though the debtor shall be bound to assign to the creditor the claim for indemnity for the lost property, or to deliver him the indemnity he has received for the destroyed property.

2. In the event where the debtor is in bad faith, or the restitution is due to his fault, he shall be bound to return the value of the property calculated in accordance with the rules provided in Paragraph 2 of Article 6.147 of this Code, except in the cases where the debtor proves that the property would have been destroyed even if it had been in the possession of the creditor.

Article 6.149. Partial destruction of the property

Where the property has suffered partial loss or any other depreciation in value, the debtor shall be bound to pay the creditor monetary equivalence of such partial loss or to indemnify the depreciation in value of the property unless it results from normal wear and tear of the property.

Article 6.150. Reimbursement for expenses incurred for the care of the property

Expenses for the care and custody of the property subject to restitution incurred by the person who is bound to return the property shall be indemnified in accordance with the provisions of Book Four of this Code applicable in respect of possessors in good faith and possessors in bad faith.

Article 6.151. Restoration of fruits and revenues

1. The fruits and revenues of the property subject to restitution shall belong to the person bound to make restitution. This person shall bear all the expenses incurred in the production of those fruits and revenues.

2. In the event where the person bound to make restitution is in bad faith, or if the restitution is due to his fault, he shall be obliged to return the fruits and revenues also to indemnify the creditor for any benefit he has derived from the property. Nevertheless, the creditor must compensate to such person for the necessary expenses incurred by him in producing the fruits and revenues.

Article 6.152. Costs of restitution

1. Costs of restitution shall be borne by both parties in equal shares unless they have agreed otherwise.

2. In the event where one party is in bad faith, or the restitution is due to his fault, all costs of restitution shall be borne by that party alone.

Article 6.153. Effect of restitution on third persons

1. Third persons in good faith who in accordance with a transaction of alienation by onerous title acquire property subject to restitution shall be able to invoke this transaction against a person who claims for restitution.

2. Third persons in good faith who in accordance with a transaction of alienation by gratuitous title acquire property subject to restitution shall not be able to invoke this transaction against a person who claims for restitution if the time-limit of prescription is not exceeded by the latter.

3. Any other actions performed in favour of a third person in good faith may be invoked against a person who claims for restitution.

PART II
CONTRACT LAW

CHAPTER XI
GENERAL PROVISIONS

Article 6.154. Concept of a contract

1. A contract is an agreement of two or more persons to establish, modify or extinguish legal relationships by which one or several persons obligate themselves to one or several other persons to perform certain actions (or to refrain from performing certain actions) while the latter persons obtain the right of claim.

2. Contracts shall be subject to the norms of this Code that regulate bilateral and multilateral transactions.

3. Unless any exceptions from general rules are established by norms regulating contractual relationships, the provisions of Part I of this Book that regulate general questions of law of obligations shall likewise apply to contracts.

Article 6.155. Limits of application

1. General rules of contract law provided for in this Chapter shall apply to all contracts taking regard of their nature.

2. Special rules for certain contracts may also be established by other laws of the Republic of Lithuania.

Article 6.156. Principle of freedom of contract

1.The parties shall be free to enter into contracts and determine their mutual rights and duties at their own discretion; the parties may also conclude other contracts that are not established by this Code if this does not contradict laws.

2. It shall be prohibited to compel another person to conclude a contract, except in cases when the duty to enter into a contract is established by laws or a free-will engagement.

3. The parties may form a contract which contains elements of contracts of several classes. Such contract shall be governed by norms regulating the separate classes of contracts unless otherwise provided for by the agreement of the parties, or this contradicts the essence of the contract.

4. The conditions of a contract shall be established by the parties at their own discretion, except in the cases where certain conditions of a contract are determined by the mandatory rules of law.

5. Where the conditions of a contract are established by a non-mandatory law rule, the parties may agree on non-application of these conditions, or they may agree on any other conditions. If the parties do not enter into such agreement, the conditions of the contract shall be determined in accordance with the non-mandatory norm.

6. Where some conditions of a contract are regulated neither by laws nor by agreement of the parties, in the case of a dispute such conditions shall be determined by a court on the basis of usages, principles of justice, reasonableness and good faith, also by application of analogy of statutes and the law.

Article 6.157. Mandatory rules of law and a contract

1. The parties themselves may not agree on modification, restriction or abrogation of an effect or application of the mandatory rules of law, irrespective of by what law – national or international – these norms are determined.

2. Modification of the norms of law of mandatory character adopted after the conclusion of the contract shall not affect the conditions of the contract.

Article 6.158. Good faith and fair dealing

1. Each party of a contract shall be obliged to act in accordance with good faith in their contractual relationships.

2. The parties may not change or exclude by their agreement the duty established in Paragraph 1 of this Article.

Article 6.159. Elements of contract

The following elements shall be sufficient to render a contract valid: an agreement of legally capable parties, and, when prescribed by laws, also a form of a contract.

Article 6.160. Classes of contracts

1. Contracts may be unilateral and bilateral, onerous and gratuitous, consensual and real, contracts of successive performance and of instantaneous performance, consumer contracts and others.

2. According to the manner of their conclusion, contracts are divided into contracts by mutual agreement and contracts of adhesion.

3. According to the definiteness of advantages that the parties obtain, contracts are divided into aleatory (where receiving of advantages and the amount of the obligation of the parties is uncertain and dependant on occurrence or non-occurrence of a certain event) and commutative contracts (where the advantages and the extent of the advantages obtained by the parties are certain and determinate at the time when the contract is formed).

Article 6.161. Public contract

1. A public contract is a contract concluded by a legal person (businessman) that renders services or sells goods to an indefinite number of persons, i.e. to everyone who makes a request (enterprises of transport, communications, electricity, heating, gas, water supply and others).

2. In rendering services or selling goods, any legal person (businessman) shall be bound to enter into contracts with every person who applies for those services, with the exception of cases approved in accordance with the procedure established by laws.

3. When concluding public contracts, a legal person (businessman) may not privilege one or another person, except in cases provided for by the law.

4. Prices and other conditions of goods and services under public contracts must be equal to all consumers of the same category, except in cases expressly provided for by laws where preferential conditions may be applied to the separate categories of consumers.

5. In the cases established by laws, a legal person (businessman) shall be obliged to submit standard conditions of a public contract to be approved by a relevant state institution. In the cases established by laws, public contracts may be concluded in accordance with standard conditions approved by the corresponding state institution and obligatory to both parties.

CHAPTER XII
FORMATION OF CONTRACTS

Article 6.162. Formation of a contract

1. A contract is concluded either by the proposal (offer) and the assent (acceptance) or by any other actions of the parties that are sufficient to show their agreement.

2. Where the parties agree on all essential conditions of a contract, the contract shall be effective, even though the parties have reserved an agreement as to secondary conditions. If the parties do not reach their agreement on the secondary conditions, the dispute may be resolved within the judicial proceedings taking regard to the nature of the contract, non-mandatory norms, usages, the principles of justice, reasonableness and good faith.

Article 6.163. Obligations of parties in pre-contractual relationships

1. In the course of pre-contractual relationships, parties shall conduct themselves in accordance with good faith.

2. Parties shall be free to begin negotiations and negotiate, and shall not be liable for failure to reach an agreement.

3. A party who begins negotiations or negotiates in bad faith shall be liable for the damages caused to the other party. It shall be considered bad faith for a party to enter into negotiations or continue them without intending to reach an agreement with the other party, likewise any other actions that do not conform to the criteria of good faith.

4. The parties shall be bound to disclose to each other the information they have and which is of essential importance for the conclusion of a contract.

Article 6.164. Duty of confidentiality

1. Where in the course of negotiations one party furnishes the other with confidential information, the party that has learned or received such information shall be under the duty not to disclose it, or use it unlawfully for his own purposes, irrespective of whether a contract is subsequently concluded or not. The breach of confidentiality inflicts liability of the faulty party in damages suffered by the injured party.

2. In such cases, the minimal amount of recoverable damages shall consist of monetary expression of benefit received.

Article 6.165. Preliminary contract

1. A preliminary contract is an agreement of parties by which they obligate themselves to conclude another – principal – contract in future under the conditions negotiated in the agreement.

2. A preliminary contract must be made in writing. A preliminary contract which fails to meet the required conditions of its form shall be null and void.

3. In the preliminary contract, the parties shall be obliged to establish a time-limit within which the principal contract must be formed. In the event where such time-limit is not established in the preliminary contract, the principal contract must be formed within one year from the date of the conclusion of the preliminary contract.

4. If after conclusion of the preliminary contract, a party without due grounds avoids or refuses to enter into a principal contract, he shall be bound to compensate to the other party for damages inflicted.

5. In the event where the parties fail to form a principal contract within the time-limit determined in the preliminary contract, the obligation to form that contract shall be extinguished.

Article 6.166. Presumption of knowledge

An offer, acceptance, their revocation or any other declaration addressed to a given person shall be presumed to become known to him at the moment when they reach the place of residence or business (head office) of that person unless the latter proves that not due to his fault or that of his employees it was impossible for him to receive the notice thereof.

Article 6.167. Definition of an offer

1. A proposal for concluding a contract shall be deemed to be an offer if it is sufficiently definite and indicates the intention of the offeror to be restricted in his rights by a contract and to be bound in the case of acceptance.

2. An offer may be addressed to a definite person or to an indeterminate number of persons (offer to public).

Article 6.168. Effect of an offer

1. An offer shall become effective when received by the offeree.

2. An offer, even if it is irrevocable, may be revoked by the offeror if the notice on the revocation reaches the offeree before or at the same time as the offer.

Article 6.169. Revocation of an offer

1. Until a contract is concluded, an offer may be revoked if the revocation reaches the offeree before he has dispatched the acceptance.

2. Nevertheless, an offer cannot be revoked if:

1) it is indicated therein, whether by stating a fixed time-limit for acceptance or otherwise, that it is irrevocable;

2) there were reasonable grounds for the offeree to rely on the offer as being irrevocable, and he acted accordingly.

Article 6.170. Termination of an offer

An offer loses its effect when the notice on its rejection reaches the offeror, or no reply to the offer is received within the time-limit established.

Article 6.171. Offer to public

1.An offer to the public is a proposal for concluding a contract where such proposal is addressed to everyone, also the display of goods with the indicated prices on the shelves in a shop or in the shop window, or a promise to pay for the performance of certain actions.

2. Revocation of an offer to the public, if made in the same form as the offer, shall extinguish the offer even though not all persons who are aware of the offer have received the notice on the revocation.

3. Price-lists, prospectuses with prices, priced catalogues, tariffs and other information materials shall not be considered offer to the public unless there are exception established by laws.

Article 6.172. Death, bankruptcy, liquidation or incapacity of an offeror or an offeree

The death, bankruptcy, liquidation or incapacity of the offeror or the offeree shall render an offer to conclude a contract invalid if these events occur before acceptance is received by the offeror.

Article 6.173. Acceptance and its forms

1. A statement made by the offeree or any other conduct thereof indicating assent to the offer shall be considered acceptance. Silence or inactivity per se shall not imply acceptance of an offer.

2. An acceptance of an offer becomes effective when it reaches the offeror.

3. If by virtue of the offer, or as a result of practices which the parties have established between themselves, or of existing usages, the possibility to accept an offer without notice to the offeror (by silence or by performing factual actions) is foreseen, the acceptance shall be legally effective from the moment when certain actions expressing the will of the offeree are performed.

Article 6.174. Period of acceptance

1. An offer must be accepted within the time-limit fixed by the offeror, in the event where no time-limit is fixed, within reasonable time having in regard concrete circumstances, including the capacities of the means of communication used by the parties.

2. An oral offer must be accepted immediately unless, taking into account concrete circumstances, a different conclusion may be made.

Article 6.175. Acceptance within a fixed time-limit

1. The time-limit for acceptance indicated by the offeror in his telegram or a letter begins to run from the moment the telegram is handed in for dispach, or from the date written on the letter, or if no date is indicated, from the date shown on the envelope. A time-limit for acceptance indicated by the offeror by means of telecommunication terminal equipment begins to run from the moment when the offer reaches the offeree.

2. Official holidays or non-working days shall be included in calculating the time-limit established for acceptance. However, if a notice of acceptance cannot be delivered to the offeror because the last day of the time-limit falls on an official holiday or a non-working day, the period shall be extended until the first working day thereafter.

Article 6.176. Late acceptance

1. A late acceptance shall be effective if the offeror without delay informs about it the offeree or sends him a notice to that effect.

2. If it is possible to be established from a letter or any other written notice containing a late acceptance that it was sent in time, and if under normal circumstances it would have reached the offeror in due time, the late acceptance shall be deemed to be effective unless the offeror without delay informs the offeree that his offer has been extinguished.

Article 6.177. Revocation of acceptance

An acceptance shall become invalid if the notice on revocation reaches the offeror before or at the same time as the acceptance becomes effective.

Article 6.178. Modified acceptance

1. A reply to an offer which contains additions, limitations or other modifications of conditions determined in the offer shall be considered a rejection of the offer and constitute a counter-offer.

2. A reply to an offer which purports to be an acceptance but contains additional or different conditions which do not alter the essence of the conditions of the offer shall constitute an acceptance if the offeror, after receiving the reply, does not immediately object to such discrepancy. If the offeror does not object, the contract shall be deemed to be concluded under the conditions of the offer with the modifications contained in the acceptance.

Article 6.179. Conflict of standard conditions

Where a contract is concluded by an interchange of standard conditions of a contract made between both parties, it shall be considered that the contract is concluded on the basis of standard conditions which are common in substance unless one party clearly indicates in advance his disagreement with the standard conditions proposed by the other party, or informs without delay the other party of his disagreement after the standard conditions are received by him.

Article 6.180. Written confirmation

If the written confirmation which is sent by a party within a reasonable time after the conclusion of the contract, and by which the fact of conclusion of the contract is confirmed contains additional or modified conditions, such conditions shall become part of the contract unless they alter the conditions of the contract essentially, or the recipient of such confirmation objects without delay to the amendments and supplements provided.

Article 6.181. Time and place of contract forming

1. A contract shall be considered formed at the moment when the acceptance of the offeree to conclude the contract reaches the offeror unless it is otherwise provided for by the contract.

2. The place of contract forming shall be considered the place where the offeror's residence or his business is located unless otherwise provided for by laws or the contract.

3. Where in the course of negotiations one of the parties declares that he will not consider the contract concluded until it is agreed upon specific conditions, or the agreement is correspondingly formalised, no contract shall be concluded before the agreement of parties is reached on those conditions or in that form.

4. Where a particular form is required by the law as a necessary condition of a contract, the contract shall be deemed to be formed from the moment when the agreement of the parties is expressed in that form.

5. Where a transfer of a property is required in accordance with the law or the agreement of the parties as a necessary condition of a contract, the contract shall be considered formed from the moment when the relevant property is transferred.

Article 6.182. Contract with conditions left open

1. The fact that the parties in the course of conclusion of a contract intentionally leave certain conditions to be agreed upon in future negotiations, or mandate them to be determined by third persons shall not prevent contractual relationships from coming into existence.

2. The validity of a contract shall not be affected by the fact that subsequently the parties reached no agreement on the conditions foreseen in Paragraph 1 of this Article, or the third persons failed to determine them, provided that there are other (alternative) means or ways of rendering those conditions definite.

Article 6.183. A modification clause

1. A contract formed in writing which contains a clause requiring any modification, supplementation or dissolution of the contract to be made only in writing cannot be otherwise modified, supplemented or dissolved.

2. A party may be precluded by its conduct from invoking the clause established in Paragraph 1of this Article to the extent that the other party has acted in reliance on that conduct.

3. A contract concluded in the notarial form may be dissolved, modified or supplemented only in the notarial form.

Article 6.184. Peculiarities of conclusion of public contracts

1. When in accordance with laws the conclusion of a contract is obligatory for the party to whom the offer was sent, this party shall be obliged within 14 days from the receipt of the offer to send to the other party a notification upon acceptance or rejection of the offer, or acceptance thereof on other conditions (protocol of disagreements).

2. A party who has sent an offer and received a notification of its acceptance with the protocol of disagreements shall be obliged either to accept the conditions indicated in the notification of acceptance, or to apply to the court for the resolution of the dispute within 14 days from the date of receipt of the protocol of disagreements.

3. If in accordance with the laws the conclusion of a contract is obligatory for the party who has sent an offer, this party shall be obliged within 14 days from the date of receipt of the protocol of disagreements to notify the other party about acceptance of the conditions indicated in the protocol or about a rejection thereof. In the event where the conditions indicated in the protocol of disagreements are rejected by the party who has received the protocol, or in the event of the latter’s failure to respond within the established period, the party who sent the protocol of disagreements shall have the right to apply to a court for a resolution of the dispute.

4. If the party for whom conclusion of a contract is obligatory evades the conclusion thereof, the other party shall have the right to apply to a court with a request to obligate the evading party to conclude a contract and compensate for damages caused by the evading.

5. The time-limits provided for by Paragraphs 1, 2 and 3 of this Article shall apply unless other time-limits have been established by laws or have agreed by the parties.

Article 6.185. Standard conditions of contracts

1. Standard conditions shall be such provisions which are prepared in advance for general and repeated use by one contracting party without their content being negotiated with the another party, and which are used in the formation of contracts without negotiation with the other party.

2. Standard conditions prepared by one of the parties shall be binding to the other if the latter was provided with an adequate opportunity of getting acquainted with the said conditions.

3. In the event where both parties to a contract are enterprises (businessmen), it shall be considered that the other party was provided with the opportunity referred to in Paragraph 2 of this Article if:

1) the party who prepared the standard conditions delivered thereof in written form to the other party before or at the time of signing the contract;

2) the party who prepared the standard conditions informed the other party before the signing of the contract that the contract would be formed in accordance with standard conditions which were accessible to the other party in the place indicated by the party who prepared the standard conditions;

3) a copy of standard conditions was offered to be sent to the other party if requested.

Article 6.186. Surprising standard conditions of contracts

1. No surprising condition contained in a standard condition contract, i.e. such condition that the other party could not reasonably expect to be included in the contract, shall be effective. Standard condition shall not be considered surprising if they were expressly accepted by the party when they were duly disclosed thereto.

2. In determining whether a condition is of surprising character, regard must be taken of its content, wording and form of expression.

3. A party who enters into a contract of adhesion where the standard conditions are drawn up by the other party shall have the right to claim for dissolution or modification of that contract in the event where, even though the standard conditions of the contract are not contrary to the law, they exclude the party's rights and possibilities that are commonly granted in a contract of that particular class, or exclude or limit civil liability of the party who prepared the standard conditions, or establish other provisions which violate the principle of equality of parties, cause imbalance in the parties' interests, or are contrary to the criteria of reasonableness, good faith and justice.

Article 6.187. Conflict between standard conditions and non-standard conditions

In the event of conflict between standard conditions and non-standard conditions, preference shall be given to the latter, i.e. to those which have been individually negotiated by the parties.

Article 6.188. Peculiarities of conditions in consumer contracts

1. A consumer shall have the right to claim within the judicial procedure for invalidity of conditions in a consumer contract that are contrary to the criterion of good faith.

2. Conditions of a consumer contract which have not been individually negotiated shall be regarded as unfair if they cause a significant imbalance in the parties' rights and duties to the detriment of consumer rights and interests, i.e. the conditions which:

1) exclude or limit the civil liability of a seller or service supplier for damage caused by the death of a consumer or impairment of his health, likewise for the damage caused to his property;

2) exclude or limit the rights of a consumer vis-à-vis a seller, service supplier or another party in the event of total or partial non-performance or improper performance by the seller or service supplier of any of the contractual obligations;

3) make contractual conditions binding on the consumer whereas contractual obligations of the seller or service supplier are subject to other conditions, the realisation of which depends solely on the latter's own will;

4) permit the seller or service supplier to retain sums paid by the consumer where the latter decides not to conclude a contract or refuses to perform it without providing for any rights of the

consumer to receive in compensation the sums of the same amount from the seller or service supplier when they unilaterally dissolve the contract;

5) establish a disproportionately high civil liability of the consumer who fails to fulfil his obligation or fulfils it improperly;

6) authorise the seller or service supplier to dissolve the contract unilaterally or rescind it at any time, and no adequate facility is granted to the consumer, or provide the seller or service supplier with the right not to compensate the consumer for the amounts received therefrom before the performance of the contract in the event where the seller or service supplier unilaterally dissolve or rescind the contract;

7) enable the seller or service supplier to dissolve an indeterminate contract without any reasonable grounds without due notification of the consumer about such dissolution;

8) entitle the seller or service supplier with the right to unilaterally extend a fixed-term contract automatically, or establish unreasonably short time-limit for the consumer to express his opinion upon the extension of the contract, or set forth a requirement for the consumer to express his assent or dissent upon the extending of the contract unreasonably early;

9) irrevocably bind the consumer to the conditions with which he had no real opportunity of becoming acquainted before the conclusion of the contract;

10) enable the seller or service supplier to alter the conditions of the contract unilaterally without there being any contractual or sufficient grounds;

11) enable the seller or service supplier unilaterally and without any sufficient grounds to modify any characteristics of the good or services to be provided;

12) entitle the seller or service supplier with the right to unilaterally determine the prices of goods and services at the time of their provision, or allow the seller of goods or supplier of services to unilaterally increase the price without providing the consumer with the right to cancel the contract in the case where the final price is higher than that stipulated in the contract. This provision shall not apply for contracts in respect of securities or other financial documents, or for contracts on alienation of things or provision of services where the price is dependent upon the fluctuation of exchange rates or indexes on the exchange, and is beyond the control of the seller or service supplier, likewise for purchase-sale contracts for foreign currencies, travellers cheques or international money orders expressed in a foreign currency;

13) entitle the seller or service supplier with the right to unilaterally determine whether the goods supplied or services rendered are in conformity with the requirements of the contract;

14) provide the seller or service supplier with the exclusive right to interpret the contract;

15) limit the duty of the seller or service supplier to perform obligations undertaken by their agents, or render such obligation subject to compliance with a particular formality;

16) obligate the consumer to fulfil all his obligations to the seller or service supplier even in the event of total or partial non-performance by the seller or service supplier of their own obligations;

17) provide the seller or service supplier with the right of transferring their rights and obligations under the contract without the consumer's consent, where such transferring may reduce the guarantees for the consumer;

18) exclude or hinder the consumer's right to bring action or exercise any other remedy (by requiring the consumer to take disputes exclusively to arbitration, restricting the use of evidence, by imposing on him the burden of proof, etc.).

3. Any other conditions of a consumer contract may be acknowledged by a court unfair if they conform to the criteria established in Paragraphs 1 and 2 of this Article.

4. Pursuant to Paragraphs 1 and 2 of this Article, such conditions shall be considered as not having been individually negotiated where the consumer is deprived of the possibility to influence the process of their preparation, in particular where such conditions are determined in advance in the standard contract prepared by the seller or service supplier. In the event where certain conditions in the contract prepared in advance were individually negotiated, the provisions established in the present Article shall apply to other conditions of such contract. The burden of proof that such conditions were individually negotiated shall rest upon the seller or service supplier.

5. The assessment whether a condition of a contract is unfair shall be effectuated taking in regard the nature of the goods and services stipulated in the contract, as well as other circumstances which existed at the time of contract forming and exerted influence thereupon, likewise any other conditions of that contract or those of other contract it depends upon. The conditions which define the subject-matter of a contract, likewise those related with the conformity between the good sold or a service rendered and the price thereof ought not to be subjected to assessment from the point of view of unfairness (i.e. the provisions of Paragraphs 1 and 2 of this Article ought not to be applied) where they are expressed clearly and understandably.

6. In the event where a court acknowledges a certain condition (conditions) of a contract not fair, it shall have no effect from the moment when the contract was formed while the remaining conditions of the contract shall continue to be binding on the parties, providing that a further performance of the contract is still possible after the elimination of the unfair condition.

7. The consumer whose interests are violated by the application of unfair conditions shall be entitled to apply also to institutions for the protection of consumer rights.

8. The institutions for the protection of consumer rights shall be entitled within the procedure established by laws to effectuate control over the standard conditions of contracts and challenge unfair conditions in the consumer contracts.

CHAPTER XIII
EFFECTS AND FORM OF CONTRACTS

Article 6.189. Effects of a contract

1. A contract which is formed in accordance with the provisions of laws and is valid shall have the force of law between its parties. The contract shall bind the parties not only as to what it expressly provides, but also to all the consequences deriving from its nature or determined by laws.

2. The parties may agree that the contract shall apply to their relationships arisen before that contract was concluded.

3. It may be established by the contract or laws that the obligations of the parties under the contract shall be extinguished by the expiration of the time-limit allotted for the validity of the contract.

4. The expiry of the time-limit of validity of a contract shall not discharge the parties from civil liability for a breach of that contract.

Article 6.190. Effects of contracts with respect to third persons

1.Upon the death or liquidation of one of the parties, the rights and duties arising from a contract shall pass to his heirs (successors) if it is permitted by the nature of the contract, laws, or the contract itself.

2. If one of the contracting parties by a contract made in his own name promises that a third person will undertake to perform an obligation or any other action, in the event where the third person fails to perform the obligation or any other action as promised, the contracting party – the promisor – shall himself be bound to perform the obligation or any other action agreed, and to compensate for damages suffered by the other contracting party.

Article 6.191. Contract in favour of a third person

1. If a contracting party has made a stipulation in a contract for the benefit of a third person, the stipulation shall give both the contracting party and the third person beneficiary the right to demand performance of the agreed obligation unless otherwise provided for by laws or contract, or appears from the essence of the obligation.

2. In the case of the refusal by the third person to avail himself of the stipulation, the stipulator himself may exercise this right if it is in compliance with laws or the contract and does not contradict the essence of the obligation.

3. The stipulation for the benefit of a third person may be revoked by the stipulator as long as the third person beneficiary has not declared of his assent to accept it.

4. If the performance is to be made to a third person only after the death of the stipulator, the latter can revoke the benefit by a testament (will).

5. A contracting party who is bound to perform an obligation shall be able to set up against the third person beneficiary such defences as he could have set up against the stipulator.

Article 6.192. Form of a contract

1. The provisions of Articles from 1.71 to 1.77 of this Code regulating the form of transactions shall apply in respect of the form of a contract.

2. Where in accordance with the law or agreement of the parties a contract must be formed in a simple written form, it may be made either by drawing up one document signed by the parties, or by means of the parties exchanging written communication, telegrams, telephone messages, facsimile communication or any other information transmitted over communication terminal equipment, providing the protection of the text is guaranteed and the signature of the sending party can be identified.

3. A contract may be formed by the acceptance of an order to be carried out.

4. Amendments and supplements of a contract must be made in the form in which the contract had to be made, except in the cases where it is otherwise established by laws or the contract.

5. If the parties have agreed to adopt a specified form for a contract under conclusion, the contract shall be deemed concluded only where it conforms to the form agreed, even though pursuant to the laws such form is not mandatory for the contracts of that concrete class.

CHAPTER XIV
INTERPRETATION OF CONTRACTS

Article 6.193. Rules of the interpretation of contracts

1. A contract must be interpreted in accordance with good faith. In interpreting a contract, it shall be necessary to seek for the real intentions of the parties without being limited by the literal meaning of the words. In the event where the real intentions of the parties cannot be established, the contract must be interpreted in accordance with the meaning that could be attributed in the same circumstances by reasonable persons in the corresponding position as the parties.

2. All conditions of a contract shall be interpreted taking into account their interrelation, the nature and purpose of the contract, and the circumstances under which it was formed. In interpreting a contract, regard must also be taken of the ordinary conditions, irrespective of their expression in the contract.

3. In the event of doubt over notions which may have several meanings, these notions must be understood in the sense most suitable to the nature, essence and subject-matter of the contract.

4. In the event of doubt over conditions of a contract, they shall be interpreted against the contracting party that has suggested thereof, and in favour of the party that accepted those conditions. In all cases, the conditions of a contract shall be interpreted in favour of consumers and the adhering party.

5. In interpreting a contract, regard must also be taken of the preliminary negotiations between the parties, practices which the parties have established between themselves, the conduct of the parties subsequent to the conclusion of the contract, and the existing usages.

Article 6.194. Linguistic discrepancies

Where a contract is drawn up in two or more languages and all the language versions are of the equal legal power, in case of discrepancy between the language versions, preference shall be given to the version which was the first to be drawn up.

Article 6.195. Filling in gaps of a contract

Where the parties have left without being discussed certain conditions, which are necessary for the performance of a contract, such gaps in the contract upon the demand of one of the parties may be eliminated by a court in determining appropriate conditions by taking in regard non-mandatory legal norms, the intentions of the parties, the purpose and essence of the contract, the criteria of good faith, reasonableness and justice.

CHAPTER XV
CONTENT OF CONTRACTS

Article 6.196. Kinds of conditions of a contract

1. The conditions of the parties may be express or implied.

2. The implied conditions shall follow from the essence and purpose of the contract, the nature of relationships established between the parties, the criteria of good faith, reasonableness and justice.

Article 6.197. Quality of performance of a contract

Where the quality of performance is determined neither by the contract nor by the law, the quality of performance must fall with a quality that is reasonable and not lower than average in the concrete circumstances.

Article 6.198. Price of a contract

1.Where a contract does not fix the price or establish an order for determining the price, the parties shall be considered, in the absence of any indication to the contrary, to have made reference to the price commonly charged at the moment of the conclusion of the contract for such performance in comparable circumstances in the sphere of business concerned, or if such price does not exist, to a reasonable price.

2. In the event where the price must be determined by one party, and such determination is manifestly unreasonable, it must be substituted by a reasonable price regardless of any other agreement of the parties.

3. If the price must be fixed by a third person, and if that person does not or cannot do so, the price of the contract shall be deemed to be a reasonable price.

4. Where the price is to be fixed by reference to the criteria which do not exist or have ceased to exist, or cannot be ascertained, it must be fixed every year and by reference to the criteria which are the nearest equivalent.

Article 6.199. Contract for an indefinite period

A contract for an indefinite period may be cancelled by either party, provided the party gives notice about his intention to dissolve the contract to the other party a reasonable time in advance unless otherwise provided for by laws or a contract.

CHAPTER XVI
PERFORMANCE OF CONTRACTS

Article 6.200. Principles of performance of a contract

1. A contract must be performed by the parties in a proper way and in good faith.

2. In performing a contract, each party shall be bound to contribute to and to cooperate with the other party.

3. The parties shall be bound to use the most economical means in the performance of the contract.

4. Where according to a contract or its nature, a party in exercising certain actions is bound to make the best effort in the performance of a contract, this party shall be bound to make such effort as a reasonable person would make in the same circumstances.

Article 6.201. Order of performance of a contract

The parties shall be bound to perform the contract simultaneously unless otherwise provided for by laws or the contract, or determined by its nature or circumstances.

Article 6.202. Permission of a state institution

1. Where certain laws require a permission of a relevant state institution affecting the validity of the contract or its performance, and where the law or the contract does not indicate otherwise, the measures necessary to obtain the permission must be taken by the party situated in the state, the laws of which provide for such permission.

2. Where the permission indicated in the preceding Paragraph of this Article is required by the laws of the Republic of Lithuania and both parties are situated in Lithuania, the permission must be obtained by the party whose obligation to obtain it is established by the law, except in cases where the law does not establish thereof. In such event, the parties shall be bound to agree by which of them the permission must be obtained.

3. The contracting party shall be obliged to obtain the required permission or permissions in due time. Expenses of performance of the duty to obtain the obligatory permission shall be borne by the party under this duty unless otherwise established by the contract. This party shall also be bound to give without delay the other party notice of the granting or refusal of the permission.

Article 6.203. Refusal to grant permission

1.If, notwithstanding the fact that the party has taken all measures necessary, permission is neither granted nor refused within the established period, or, where no period has been agreed, within a reasonable time, the parties shall have the right to dissolve the contract.

2. In the event where the obligatory permission affects only some conditions of a contract, Paragraph 1 of this Article shall not apply if it is reasonable to uphold in force the remaining conditions of the contract.

3. A refusal to grant a permission affecting the validity of the contract shall cause nullity of that contract. Where the refusal affects the validity of some conditions only, the remaining part of the contract shall be in force if the contract would anyway have been formed even without the invalid conditions.

Article 6.204. Performance of contractual obligations upon a change of circumstances.

1.Where the performance of a contract becomes more onerous for one of the parties, this party shall be bound to perform the contract in accordance with the procedure established in other Paragraphs of this Article.

2. The performance of a contract shall be considered obstructed under such circumstances which fundamentally alter the balance of the contractual obligations, i.e. either the cost of performance has essentially increased, or the value thereof has essentially diminished if:

1) these circumstances occur or become known to the aggrieved party after the conclusion of the contract;

2) these circumstances could not reasonably have been foreseen by the aggrieved party at the time of the conclusion of the contract;

3) these circumstances are beyond the control of the aggrieved party;

4) the risk of occurrence of these circumstances was not assumed by the aggrieved party.

3. In the event where the performance of a contract becomes obstructed, the aggrieved party shall have the right to make a request to the other party for the modification of the contract. Such request shall have to be made immediately after the occurrence of obstructions and the grounds on which the request is based indicated therein. The request for modification of the contract shall not in itself entitle the aggrieved party with the right to suspend performance of the contract. Where within a reasonable time the parties fail to reach an agreement on the modification of the contractual obligations, any of them may bring an action into a court. The court may:

1) dissolve the contract and establish the date and terms of its dissolution;

2) modify the conditions of the contract with a view to restoring the balance of the contractual obligations of the parties.

CHAPTER XVII
LEGAL EFFECTS OF NON-PERFORMANCE OF CONTRACTS

Article 6.205. Non-performance or defective performance of a contract

Non-performance of a contract shall be failure to perform any of the obligations arising from the contract, including defective performance and delay of a time-limit of performance.

Article 6.206. Actions of the other party

One party may not rely on the non-performance of the other party to the extent where such non-performance was caused by the first party's actions or inactivity, or by any other event as to which the first party bears the risk.

Article 6.207. Suspension of performance of a contract

1. Where the parties are bound to perform a contract simultaneously, either party shall have the right to suspend performance until the other party begins to perform thereof.

2. Where the parties are bound to perform a contract consecutively, the party who is to perform later shall be able to suspend its performance until the first party has performed his obligations.

3. The parties shall be bound to exercise the right provided for in Paragraphs 1 and 2 of this Article in accordance with reasonableness and good faith.

Article 6.208. Elimination of defects of performance

1. The party failing to perform a contract may at its own expense eliminate any defects of performance if:

1) he gives notice without undue delay to the other party indicating the manner and time of elimination of defects;

2) the aggrieved party has no lawful interest in refusing elimination;

3) elimination is effected immediately;

4) elimination is appropriate in the concrete circumstances.

2. The right of elimination shall not be precluded by a declaration of the other party on the dissolution of the contract.

3. Upon effective notice of elimination, rights of the aggrieved party that are inconsistent with the performance of the contract shall be suspended until the expiry of the time-limit allotted for elimination.

4. The aggrieved party may suspend performance of his obligations until the defects of performance are eliminated by the other party, and may also claim compensation for damages.

5. The aggrieved party shall be bound to cooperate with the other party during the whole period of the elimination of defects.

Article 6.209. Additional period for performance of a contract

1. In the case of non-performance, the aggrieved party may establish in writing an additional period of time of a reasonable length for the performance and notify the other party about this establishment.

2. Having established an additional period for performance, the aggrieved party may suspend for this period the performance of his own obligations and claim compensation for damages, though he shall not be able to invoke any other remedy. If the aggrieved party receives notice from the other party that the latter will not perform his obligations within the additional period either, or if upon the

expiry of that period the contract has not been performed, the aggrieved party shall be able to set up other remedies available to him.

3. In the event where delay in performance is not essential violation of a contract, and the aggrieved party has established an additional period of time of reasonable length for the performance, this party may dissolve the contract upon expiry of that period. If the additional period is unreasonably short, it must be extended up to a reasonable length. The aggrieved party may stipulate in his notice upon the additional period that in the case of failure on the part of the other party to perform the contract within the additional period, the contract will be unilaterally dissolved.

4. Paragraph 3 of this Article shall not apply if the obligation which has not been performed constitutes only an insignificant part of the obligations under the contract of the failed party.

Article 6.210. Interest

1.Where a debtor fails to meet his monetary obligation when it falls due, he shall be bound to pay an interest at the rate of five percent per annum upon the sum of money subject to the non-performed obligation unless any other rate of interest has been established by the law or contract.

2. Where both parties are businessmen or private legal persons, the interest at the rate of six percent per annum shall be payable for a delay in payment unless any other rate of interest has been established by the law or contract.

Article 6.211. Conditions excluding liability

The conditions of a contract which limit or exclude a party's liability for non-performance of an obligation, or which permit to effectuate performance in a substantially different manner from what the other party reasonably expected, shall not be valid if such conditions, taking in regard the nature of the contract and other circumstances, are unfair.

Article 6.212. Superior force (force majeure)

1. A party shall be exempted from liability for non-performance of a contract if he proves that the non-performance was due to the circumstances which were beyond his control and could not have been reasonably expected by him at the time of the conclusion of the contract, and the arising of such circumstances or consequences thereof could not be prevented. A superior force (force majeure) shall not include such circumstances as absence in the market of goods needed for the performance of the obligation, or lack of the necessary financial resources on the part of the party, or violation of their own obligations committed by the contrahents of the debtor.

2. In the event where the impedimental circumstance is temporary, the non-performing party shall be exempted from liability only for such a period which is reasonable taking in regard the effect of that impedimental circumstance on the performance of the contract.

3. The party who failed to perform a contract shall be obliged to inform the other party about the arising of an impedimental circumstance foreseen in Paragraph 1 of this Article and its influence on the possibility to perform the contract. In the event where the notice is not received by the other party within a reasonable time after the non-performing party became or should have become aware of the impedimental circumstance, he shall be bound to compensate for damages resulting from the non-receipt of the notice.

4. The provisions of this Article shall not deprive a party of exercising the right to dissolve the contract, or to suspend its performance, or to require interest due.

Article 6.213. Demand to make a performance

1. In the event where a party fails to perform his monetary obligation, the other party shall have the right to demand performance in kind.

2. If a party fails to perform his non-monetary obligation, the other party may demand performance in kind, except in cases where:

1) performance of a contractual obligation in kind is impossible legitimately or in fact;

2) performance of a contractual obligation in kind would be greatly burdensome or expensive for the debtor;

3) the party entitled to performance may reasonably obtain performance from another source;

4) the party entitled to performance does not demand that performance within a reasonable time after he became or should have become aware of the non-performance of the contract;

5) the non-performed obligation is of exclusively personal character.

Article 6.214. Repair or replacement of a defective performance

The right to obtain performance includes the right to demand a repair or replacement of a defective performance, or elimination of defects in performance by other means taking into consideration the provisions of Article 6.208 of this Code.

Article 6.215. Fine for non-performance of the requirement to perform an obligation in kind

1.Where the debtor fails to comply with the judgement of a court ordering the performance in kind an obligation under the contract, the court shall impose a fine upon the debtor.

2. The amount of a fine shall be established by a court with regard to concrete circumstances of the case. The fine may be imposed in the form of a lump sum payment or in the form of payment of interest on the delayed payments for every day exceeded.

3. The fine shall be exacted in favour of the creditor. Exaction of the fine shall not release the debtor from the obligation to compensate for damages.

Article 6.216. Change of remedies

In the event where a debtor fails to perform in kind a non-monetary obligation within a fixed time-limit, or where the creditor does not have the right to demand for the performance in kind, the creditor may require other remedies to be invoked.

CHAPTER XVIII
TERMINATION OF CONTRACTS

Article 6.217. Dissolution of a contract

1. A party may dissolve the contract where the failure of the other party to perform it or the defective performance thereof is considered to be an essential violation of the contract.

2. In determining whether a violation of a contract is essential, the following conditions must be taken into account:

1) whether the aggrieved party is substantially deprived of what he was entitled to expect under the contract, except in cases when the other party did not foresee or could not have reasonably foreseen such result;

2) whether, taking into consideration the nature of the contract, strict compliance with the conditions of the obligation is of essential importance;

3) whether the non-performance is made of malice prepense or of great imprudence;

4) whether the non-performance gives the aggrieved party the basis to suppose that he cannot believe in the future performance of a contract;

5) whether the non-performed party, who was preparing for performance or was effectuating the performance of the contracts, would suffer significant damages if the contract were dissolved;

3. In the case of delay in performance, the aggrieved party may dissolve the contract if the other party fails to perform the contract within the additional period fixed.

4. On any other grounds not established in this Article the contract may be dissolved only within the judicial proceedings resulting from an action of the interested party.

5. A contract may be dissolved unilaterally in the cases indicated therein.

Article 6.218. Notice of dissolution of a contract

1.Within the existence of the grounds indicated in Article 6.217 of this Code, the aggrieved party may dissolve the contract unilaterally without bringing an action. The party shall be bound to give the other party notice of dissolution in advance within the time-limit established by the contract; if the contract does not indicate such time-limit, the notice of dissolution must be given within thirty days.

2.Where the party who has essentially violated the contract submits an offer to perform the contract before the dissolution thereof, but this offer is belated or otherwise does not conform to the requirements of the contract, the aggrieved party shall lose his right to dissolve the contract unilaterally unless he gives notice to the other party within a reasonable time after he became or ought to have become aware of the offer to perform the contract, or such offer fails to conform to a proper performance of the contract.

Article 6.219. Anticipatory non-performance

If prior to the date when performance falls due it is reasonable to think that there will be an essential non-performance by one of the parties, the other party may dissolve the contract.

Article 6.220. Assurance of due performance

1. A party who reasonably believes that there may be an essential non-performance by the other party, shall have the right to demand the latter to present an assurance of due performance. The party may suspend performance of his obligations under the contract until the first party has provided the assurance that he will faithfully exercise a proper performance of the contract.

2. Where the assurance indicated in Paragraph 1 of this Article is not received within a reasonable time, the party demanding thereof may dissolve the contract.

Article 6.221. Legal effects of the dissolution of a contract

1. Dissolution of the contract releases both parties from the performance of the contract.

2. Dissolution of a contract shall not preclude the right of claim for damages for non-performance of the contract, as well as the right of claim for penalty.

3. Dissolution of the contract shall not affect its conditions which establish the procedure of settlement of disputes, nor the validity of any other conditions which, taking in regard to their nature, are to be in force even after dissolution.

Article 6.222. Restitution

1. Upon dissolution of the contract, each of the parties shall have the right to claim the return of whatever he has supplied the other party under the contract if this party concurrently makes the return of whatever he has received from the latter. If restitution in kind is not possible or appropriate to the parties due to modification of the subject-matter of the contract, a compensation of value of what has been received must be made in money, provided that such compensation does not contradict the criteria of reasonableness, good faith and justice.

2. If the performance of a contract is successive and divisible, the party may claim restitution only of what has been received after the dissolution of the contract.

3. Restitution shall not affect the rights and duties of third persons in good faith, except in the cases established in this Code.

Article 6.223. Modification of a contract

1. A contract may be modified by an agreement of its parties.

2. On the demand of one of the parties, a court may modify the contract by its judgement, provided that:

1) the violation of the contract committed by the other party amounts to an essential one;

2) in other cases established by the contract or laws.

3. An action for modification of a contract may be brought only after a refusal of the other party to modify the contract, or if no notice upon proposal to modify the contract is received within thirty days unless a different procedure of modification is established by laws or the contract.

4. A refusal of one party to perform the contract in part or in whole may be effected only in cases provided for by laws or the contract.

Article 6.224. Nullity of a contract

A contract may be declared null and void upon the grounds of invalidity of transactions established in Book 1 of this Code, likewise on any other grounds established by laws.

Article 6.225. Absolute and relative nullity of a contract

1. A contract shall be absolutely voidable (null contract) where a violation of the main principles of the Contract law made in forming a contract has conditioned violation not only of the interests of a party of the contract, but also that of the public interests.

2. A contract that is absolutely null may not be ratified by the parties later.

3. A contract shall be relatively null (disputable contract) where in contracting it one party acted in good faith, and the declaration of its nullity is necessary only for the protection of the private interest of the party in good faith.

4. A contract that is relatively null may be ratified by its parties (a party), provided that such ratification results from their express will.

Article 6.226. Partial nullity of a contract

1. The nullity of a single condition of a contract shall not import the nullity of the entire contract, except in cases if it appears that the contracting parties would not have entered into the contract without the condition affected by nullity.

2. In the case of a multilateral contract when there are two or more persons bound to perform an obligation, the nullity affecting one of the persons shall not import the nullity of the entire contract unless the participation of that person is necessary for the formation of the contract concerned.

Article 6.227. Right to bring an action for nullity

1. An action on the absolute nullity of a contract may be brought by any person whose rights and lawful interest are violated by such contract.

2. The fact of an absolute nullity of a contract and legal effects of this fact may be stated by the court ex officio (on its own motion).

3. An action on the relative nullity of a contract may be brought by a contracting party in good faith who has sustained damage from entering into that contract, or by a third person in whose interest it is concluded, or by a person whose rights or lawful interests are violated by that contract.

Article 6.228. Gross disparity of parties

1. A party may refuse from the contract or a separate condition thereof if at the time of the conclusion of the contract, the contract or its condition unjustifiably gives the other party excessive advantage. In such cases, among other circumstances, regard must also be paid to the fact that one party has taken unfair advantage of the other's dependent position, or of the other party's economic difficulties, urgent needs, or of the latter's economic weakness, lack of information or experience, his inadvertence or inexperience in negotiations; regard shall also be taken of the nature and purpose of the contract.

2. Upon the request of the party entitled to claim for invalidity of a contract or a separate condition thereof on the grounds established in the preceding Paragraph of this Article, a court may revise the contract or its condition and adapt them respectively in order to make the contract or its separate condition meet the requirements of fairness and reasonable standards of fair dealing practices.

3. The court may modify the contract or separate conditions thereof also on the request of the party who has received a notice of the refusal from the contract if this party upon receiving the notice

has immediately informed the other party about his request into the court, and the latter still has not refused from the contract.

PART III
OBLIGATIONS RESULTING FROM OTHER SOURCES

CHAPTER XIX
MANAGEMENT OF THE AFFAIRS OF ANOTHER PERSON

Article 6.229. Duties of a person managing the affairs of another

1. Where a person voluntarily and without any mandate, instruction or previous assent to act undertakes the management of the affairs of another person, where such management does not fall within his duties, he must manage them in such a way that it conforms to the interests of that other person. The activities of the person managing the affairs of another (manager) shall be governed, *mutatis mutandis*, by the provisions of Book Four of this Code regulating simple administration of another's property.

2. A person who assumes the management of the affairs of another shall be bound to continue the management undertaken until that other person (principal) is in a position to attend to it himself, or until a guardian, curator or an administrator of the property is appointed; if the principal dies, the duty to continue the management shall remain in existence until his heirs take over the management.

3. A person managing the affairs of another person must as soon as reasonably possible inform the principal of everything that has been done; he must also render in writing a comprehensive receipts, expenditure and loss account.

4. A person managing the affairs of another must exercise the necessary concern in his management to the extent that can reasonably be required of him, taking in regard the concrete circumstances in which he acts.

5. The provisions of this Chapter shall not apply to the activities of state and municipal institutions which act in the interests of other persons if the performance of such activity is within the duties of the institutions concerned.

Article 6.230. Management of the affairs of another person against his will

1. A person who manages the affairs of another person against the latter's will being aware of this shall be liable towards the person against whose will he has acted in compensation for damages caused by his actions.

2. The assent or disagreement of a person towards his affairs to be managed by another person shall be of no effect in the instances where an obligation whose performance corresponds to the interests of the society, or the obligation to maintain another person would not be performed in time without such assent, or where effort is undertaken to avert danger threatening a person's life.

3. Actions performed by the manager of the affairs of another after he became aware of the person's, for the benefit of whom the affairs are conducted, disapproval of such actions shall not create any obligations towards the person concerned, neither towards the person performing the indicated actions, nor third persons.

Article 6.231. Managing of the affairs of another in cases of danger

If a person has undertaken the management of the affairs of another in order to protect the latter against real danger to his person or property, the former shall not be bound to compensate for damages inflicted unless he acted intentionally or in gross negligence.

Article 6.232. Ratification of actions

Subsequent ratification of actions of a manager made by the person whose affairs were being managed by the former without a mandate produces the same effects with respect to the management

as would have arisen from a contract of mandate or any other contract best corresponding to the nature of the performed actions.

Article 6.233. Compensation of expenses incurred

1. When the management of the affairs of another person has been rightly undertaken and conformed to the principal's interests, the principal shall be bound to perform the obligations assumed by the manager in his name. In addition, the principal must reimburse the manager for all the useful and necessary expenses incurred and compensate for the damages suffered by reason of the management of his affairs, irrespective of whether the desired result has been attained.

2. Expenses incurred in the cases established in Paragraph 1 of Article 6.230 of this Code shall not be compensated.

3. In the events indicated in Article 6.321 of this Code, compensation of expenses incurred may be claimed in any case.

4. Where management of the affairs of another person appears to be profitable, the manager, who has conducted the affairs, shall have the right to be remunerated. In the case of disagreement between the parties, the amount of remuneration shall be established by the court taking in consideration the concrete circumstances of the case and being guided by the principles of justice, reasonableness and good faith.

5. The expenses or damages incurred by a person in managing the affairs of another with the assent of the latter shall be subject to reimbursement in accordance with the rules governing the appropriate nominate contract.

Article 6.234. Return of the received property

1. A person who has been managing the affairs of another shall be bound to return to the latter the property received by reason of the management, including the fruits and income therefrom.

2. Upon ratification of the management of affairs by the principal, the manager acquires the right to claim reimbursement of expenses in accordance with Article 6.233 of this Code.

Article 6.235. Legal effects of a transaction formed on behalf and in the interests of another person

1. Obligations arising from a transaction formed on behalf and in the interests of another person shall be assumed by the person on whose behalf and in whose interests the said transaction is concluded, providing that the latter ratifies the transaction and the other party to the transaction does not contradict to such assumption, or that this other party on entering into the transaction was aware or should have been aware of the transaction being formed on behalf and in the interests of another person.

2. Where the principal assumes the obligations resulting from a transaction formed in his interests, the rights arising from the said transaction must be likewise transferred to the principal.

3. Where a transaction in the interests of another person is formed by the manager of affairs of that person on his own behalf, the latter shall be liable towards the third persons for obligations resulting from that transaction. Nevertheless, this provision shall have no effect in respect of the realization of the manager's and the third persons' rights connected with the person whose affairs were being managed.

Article 6.236. Supposed managing of the affairs of another

1. Provisions of this Chapter shall not apply if the management of the affairs of another is performed by a person believing to be managing his own affairs.

CHAPTER XX
UNJUST ENRICHMENT OR RECEPTION OF PROPERTY NOT DUE

Article 6.237. Obligation to return property not due

1. A person who intentionally or negligently, or in any other manner without any legal grounds obtains something that he could not and ought not to have obtained shall be obliged to return the received benefit to the person on whose account it was received, except in cases provided for by this Code.

2. The same obligation shall arise where the grounds upon which the property is acquired become subsequently extinct, except in cases established in Article 6.241 of this Code.

3. The unjustifiably obtained property must be restituted in kind. Where the unjustifiably received property has been lost or damaged, its true value expressed in terms of money that existed at the moment of the property acquisition, as well as any damages caused by subsequent change of the value of the property, must be compensated. The acquirer of the property shall be liable towards the aggrieved person for any deterioration or shortage, including that of accidental character, of the property acquired that occurred after the acquirer became aware or should have become aware of the unjust enrichment, or the reception of a thing not due. Until the moment indicated above, he shall be liable only for his deeds performed intentionally or in gross negligence.

4. Where a person in good faith sells the benefit acquired in the manner indicated in Paragraph 1 of this Article, he shall be bound to return only the amount received for the property sold.

5. The provisions of this Chapter shall likewise apply with respect to the obligations the performance of which is not connected with a transference of property but only with a supply of appropriate services, as well as in cases where the claim is connected with the recovery of a thing from illegal possession, or the restitution of performance resulting from an invalid transaction, or the compensation for damage, or the repayments between the parties to an obligation, or with the supply of services to each other.

Article 6.238. The right of a supposed debtor to demand the return of a debt unjustly paid

If a person mistakenly believing himself to be the debtor, has paid the debt he was not bound to pay, he shall be entitled to demand the return of the paid sum from the person who received the payment. The aforesaid right becomes extinct where in consequence of the payment the person has destroyed the document proving the debt. In such event the supposed debtor can claim the paid sum from the true debtor.

Article 6.239. Obligation to return property transferred to a third person gratuitously

Where a person who has received property not due gratuitously transfers the enrichment to a third person, the obligation to return such enrichment shall pass on to the third person.

Article 6.240. Repayments in returning unduly received property

1. A person, who has received property without due legal grounds shall be bound to return it and reimburse in total the income that he has received or should have received from this property from the time he became aware or should have become aware that the property he received was not due. An interest at the rate of five percent per annum shall be payable for the sum of money received unfoundedly. This interest shall be calculated from the moment when the person became aware or should have become aware of the reception or saving of the money not due.

2. If the recipient in good faith has accepted property not due by mistake, he also has the right to claim for reimbursement of the necessary expenses incurred for the maintenance of the unduly received property during the period indicated in Paragraph 1 of this Article. Such recipient forfeits the right to claim for reimbursement of the expenses if the person who has the right to recover that property relinquishes that right and leaves the property to the person who has received it unjustifiably.

3. The person who has accepted property without any legal grounds and who has not guaranteed the maintenance of that property to the extent that a reasonable debtor would guarantee shall be bound to reimburse for the decrease in the property that took place after the recipient became or ought to have become aware of the existence of his obligation to return the property.

4. Where the nature of the unduly received property is such that it cannot be returned, the value of what was received or performed at the time of the receipt or performance must be reimbursed if the recipient has been enriched, or if he has asked to perform thereof, or if he has consented to perform a counter-action.

5. Where a transaction is acknowledged null and void, and the performance cannot be evaluated in monetary terms, or the received cannot be returned due to its nature, an action for return or compensation may not be satisfied if this would be contrary to the criteria of good faith, reasonableness and justice.

Article 6.241. Property that cannot be recovered

1. The following property cannot be recovered as received unduly:

1) property transferred for the purposes of performance of an obligation prior to the expiry of the time-limit allotted for the performance of that obligation unless the source of the obligation provides for otherwise;

2) property transferred for the purposes of performance of an obligation after the expiry of prescription;

3) property transferred by a person who is aware of the absence of his duty to perform the obligation, or by a person who even though not bound to perform the obligation nevertheless makes the performance and where this conforms to the principles of good morals;

4) amounts paid unjustifiably as compensation for damage resulting from bodily damage or death, as well as salary or wages, or other payments equaled to the latter, also pensions and alimony, provided that the receiver did not act in bad faith or there was no mistake in the accountancy.

2. Where a person, without there being a legal ground to do so, accepts a sum of money that is assigned to a third person who has no right to receive it and delivers this sum to that third person, he shall be relieved from his obligation to give the money back if he proves that he did not know and ought not to have known of the existence of the obligation to return the money, and that he could not deliver that sum of money to the third person who had the right to receive it.

Article 6.242. Unjust enrichment

1. A person in bad faith who has enriched himself without any legal cause at the expense of another must indemnify the latter for his damages in the amount of the unjust enrichment.

2. Decrease in the enrichment may be taken into consideration and the sum subject to repayment may be diminished correspondingly if this decrease results from a cause which cannot be imputed to the unjustifiably enriched person.

3. Enrichment shall not be considered unjust and achieved in bad faith if it results from such performance of an obligation where the party of an obligation who has suffered loss is not able through his own fault to exercise his rights in such a way as to avoid damages, and the other party has been enriched as a result of actions performed by the impoverished party exclusively for his personal interest and at his own risk.

CHAPTER XXI
GAMBLING AND WAGERING

Article 6.243. Effects of gambling and wagering

1. No obligations shall arise on the ground of gambling and wagering, except in cases established by laws. Claims connected with gambling and wagering shall not be protected within judiciary proceedings, except in cases established by laws.

2. In the events where games or wagers are prohibited by laws, no action can be brought by the benefited party (winner) claiming the agreed sum to be paid, likewise no recovery of the paid sum may be instituted by the losing party (loser).

3. The losing party (loser) shall have the right to recover what he has paid following the outcome of a game or wager where the loser is a minor, or in cases of compulsion, threat, fraud, or any other unfair actions exercised against the losing party.

Article 6.244. Lottery and other games based on risk and chance

1. Lottery or any other games based on risk and chance can constitute a basis for obligations if organised and carried out within the procedure established by laws. Otherwise, Articles 6.237 and 6.242 of this Code shall apply to the claims arising from lotteries and games.

2. Where lotteries or other games are organised pursuant to the procedure established by laws, a contract between the organiser and the participant of a lottery or other game shall be considered concluded in the form of either a ticket of the lottery or game, or a receipt, or any other document indicated in the regulations for the organisation of the lottery or any other game. These regulations shall be approved by the organiser of the lottery or the game concerned. The regulations must contain information about the time of the lottery or other game, rules for determining the winner, the amount of the prize and the procedure of its payment. The regulations must be publicly accessible.

3. Where the organiser of a lottery or any other game refuses to organise it at the established time, the participants of such lottery or other game shall have the right to demand from the organiser compensation of real damages caused by the cancellation of the lottery or another game, as well as by the postponement of the period of time allotted for the organisation of the events concerned.

4. The organiser shall be bound to pay to the persons who are acknowledged as winners in accordance with the regulations of the lottery or other game the winnings in the amount and form (in money or in kind) established by the regulations. The winning must be paid within the time-limit established by the regulations and, where such time-limit is not established, it must be paid within one month from the ascertainment of the results of the lottery or another game. If the organiser of a lottery or another game fails to perform his duty indicated above, the winner shall have the right to demand from the organiser payment of the winning and compensation of damages.

CHAPTER XIII
CIVIL LIABILITY

SECTION ONE
GENERAL PROVISIONS

Article 6.245. Concept and kinds of civil liability

1. Civil liability is a pecuniary obligation one party of which shall have the right to claim for compensation of damages (damage) or demand payment of the penalty (fine, interest), and the other party shall be bound to make compensation for damages (damage) arising therefrom, or pay the penalty (fine, interest).

2. Civil liability is of two kinds: contractual liability and non-contractual (delictual) liability.

3. Contractual liability is a pecuniary obligation resulting from a failure to perform a contract or from its defective performance where one party of the obligation has the right to claim for compensation of damages or demand payment of penalty (fine, interest), and the other party is bound to make compensation for damages, or to pay penalty (fine, interest) caused by the failure to perform the contract, or by a defective performance thereof.

4. Non-contractual (delictual) liability is a pecuniary obligation which is not related with contractual relations, except in cases where it is established by laws that delictual liability shall also result from damage related with contractual relations.

5. A creditor, before bringing claims for compensation of damages against a person who in accordance with laws or the contract is additionally liable together with another person (subsidiary liability), must claim towards the principal debtor for compensation of damages. If the principal debtor refuses to compensate damages or if the creditor does not receive any answer from the debtor to his

claim within reasonable time, the creditor may claim for compensation of damages towards the debtor who is subsidiarily liable.

6. A creditor may not claim for compensation of damages from the subsidiarily liable debtor where the creditor can satisfy his claim by the set-off of a counterclaim of the principal debtor. Before compensating damages to the creditor, the subsidiarily liable debtor must accordingly notify the principle debtor. If the action for compensation of damages is brought against the subsidiarily liable debtor, he must involve the principal debtor to participate in the judicial proceedings as well. Otherwise, the principal debtor may invoke against the counterclaim of the subsidiary debtor all defences which he could have had the right to invoke against the creditor.

Article 6.246. Unlawful actions

1. Civil liability shall arise from non-performance of a duty established by laws or a contract (unlawful refrainment from acting), or from performance of actions that are prohibited by laws or a contract (unlawful acting), or from violation of the general duty to behave with care.

2. It may be established by laws that a person shall be bound to compensate damage he has not caused himself but is responsible for the actions of another person who inflicted the damage (indirect civil liability).

3. Damage caused by lawful actions must be compensated only in cases expressly specified by laws.

Article 6.247. Causation

Only those damages can be compensable which are related to actions (acting or refrainment from acting) giving rise to civil liability of the debtor in such a manner that the damages, taking into account their nature and that of the civil liability, can be imputed to the debtor as a result of his actions (acting or refrainment from acting).

Article 6.248. Fault as a condition for civil liability

1. Civil liability shall arise only upon the existence of the fault of the obligated person, except in the cases established by laws or a contract when civil liability arises without fault. The fault of a debtor shall be presumed, except in the cases established by laws.

2. Fault may be expressed by intention or negligence.

3. A person shall be deemed to have committed fault where taking into account the essence of the obligation and other circumstances he failed to behave with the care and caution necessary in the corresponding conditions.

4. Where damage has also been caused through the fault of the creditor himself, the repairable damages shall be diminished in proportion to the degree of gravity of the creditor’s fault committed, or the debtor can be released from civil liability.

Article 6.249. Damage and damages

1. Damage shall include the amount of the loss or damage of property sustained by a person and the expenses incurred (direct damages) as well as the incomes of which he has been deprived, i.e. the incomes he would have received if unlawful actions had not been committed. Damage expressed in monetary terms shall constitute damages. Where the amount of damages cannot be proved by the party with precision, it shall be assessed by a court.

2. If the person who is liable towards another has derived profit from his unlawful actions, upon the demand of the creditor the profit received may be attributed to damages.

3. The court may postpone the evaluation of damage which has not yet occurred or may evaluate future damage upon assessment of its real probability. In such cases, the court may adjudge either to pay a lump sum or to make instalment payments, or it may obligate the debtor to furnish security upon compensation for damage.

4. In addition to the direct damages and the incomes of which a creditor has been deprived, damages shall comprise:

1) reasonable costs to prevent or mitigate damage;

2) reasonable costs incurred in assessing civil liability and damage;

3) reasonable costs incurred in the process of recovering damages within extrajudicial procedure.

5. Damage shall be assessed according to the prices valid on the day when the court judgement was passed unless the law or the nature of the obligation requires the application of prices that were valid on the day the damage arose or on the day when the action was brought.

6. In the event where one and the same action has created both damage and benefit for the aggrieved person, the benefit received may, to the extent that this does not contradict to the criteria of reasonableness, good faith and justice, be computed into damages to be repaired.

Article 6.250. Non-pecuniary damage

1. Non-pecuniary damage shall be deemed to be a person's suffering, emotional experiences, inconveniences, mental shock, emotional depression, humiliation, deterioration of reputation, diminution of possibilities to associate with others, etc., evaluated by a court in terms of money.

2. Non-pecuniary damage shall be compensated only in cases provided for by laws. Non-pecuniary damage shall be compensated in all cases where it is incurred due to crime, health impairment or deprivation of life, as well as in other cases provided for by laws. The court in assessing the amount of non-pecuniary damage shall take into consideration the consequences of such damage sustained, the gravity of the fault of the person by whom the damage is caused, his financial status, the amount of pecuniary damage sustained by the aggrieved person, also any other circumstances of importance for the case, likewise to the criteria of good faith, justice and reasonableness.

Article 6.251. Compensation of damages in full

1. The damages incurred must be compensated in full, except in cases when limited liability is established by laws or a contract.

2. The court, having considered the nature of liability, the financial status of the parties and their interrelation, may reduce the amount of repairable damages if awarding full compensation would lead to unacceptable and grave consequences. However, the reduction may not exceed the amount for which the debtor has or ought to have covered his civil liability by compulsory insurance.

Article 6.252. Agreements of parties upon exclusion or limitation of civil liability

1. An agreement of the parties upon exclusion of civil liability for damages (damage) sustained by the reason of the debtor's intentional fault or gross negligence, as well as any agreement concerning the limitation of the amount of civil liability for damages sustained by the reasons indicated above shall be null and void. It shall be prohibited to exclude or limit civil liability for impairment of health, deprivation of life or non-pecuniary damage caused to another.

2. The mandatory legal norms establishing civil liability, as well as the form or amount thereof, cannot be modified by an agreement of the parties.

Article 6.253. Non-application of civil liability or exemption from it

1. The grounds for non-application of civil liability or for exemption therefrom shall cover the following events which completely or in part may release a person from his civil liability: a superior force (force majeure), actions of state, actions of a third party, actions of the aggrieved party, state of necessity, self-defence, self-help

2. A superior force is unavoidable events that cannot be controlled or escaped by the debtor, and which were not and could not have been foreseen (Article 6.212 of this Code).

3. Actions of state are binding and unforeseen actions (acts) of public authorities which render the performance of an obligation impossible and which could not be disputed by the parties.

4. Activities of a third person are injurious actions (acting or refrainment from acting) committed by a person for whom neither the creditor nor the debtor is liable.

5. Actions of the aggrieved person are the actions committed through the fault of the aggrieved person himself and resulting in the appearance or increase of his damages. Such actions may be expressed in the form of consent of the aggrieved person to suffer the damage or to assume the risk. This consent of the aggrieved person may be the grounds for exemption from civil liability only under condition that such consent and causing of damage is not contrary to mandatory legal norms, public order, good morals, the criteria of good faith, reasonableness and justice.

6. The state of necessity is the actions of a person by which he is compelled to cause damage in order to avert danger to himself, to other persons or to their rights, as well as to the interests of the society or the state by avoiding imminent occurrence of greater damage to the person who has already sustained damage or to any other person, providing that causing the damage in the concrete circumstances was the only way of avoiding greater damage. The court, taking into consideration the circumstances of the case and acting in accordance with the principles of good faith and justice, may obligate the damage to be compensated by the person in whose interests the injurious act was committed.

7. Self-defence is considered to be the actions committed by a person with the purpose of defending himself or another person, property, inviolability of dwelling, other rights, interests of the society or the state against commenced or imminent unlawful dangerous assault, providing that such actions do not exceed the limits of self-defence.

8. Self-help is considered to be the actions of a person by which he lawfully enforces his right in the instances where competent authorities fail to provide timely assistance and where without such actions the implementation of that right would be rendered impossible or essentially obstructed. Nevertheless, a person who employs self-help unlawfully or without due cause shall have to compensate the damage caused.

9. Other grounds for exemption from civil liability or for the non-application thereof may be established by laws or the agreements of the parties.

Article 6.254. Insurance of civil liability

1. In the instances provided for by laws or a contract, civil liability may be insured by concluding a contract of insurance. Relationships connected with the insurance of civil liability are regulated by this Code and other laws.

2. Where the insurance benefit due to the insured person is not sufficient for the compensation of damage in whole, the difference between the insurance benefit and actual amount of damage shall be redressed by the insured person himself liable for the damage caused.

Article 6.255. Preventive action

1. The grounds for bringing a preventive action shall be the emergence of real danger that damage may be inflicted in the future. Preventive action shall be deemed to be the action intended to prohibit the exercise of actions likely to create real danger of the infliction of damage in future.

2. Where the damage results from the exploitation of an enterprise or mechanism, or from any other commercial or non-commercial activities, and where exists a real danger for a repeated arising of damage resulting from the same sources, the court may upon the request of the plaintiff charge the defendant with the obligation to suspend or terminate the activities indicated above. The court may refuse to satisfy the request upon the suspension or termination of such activities in the instances where the suspension or termination thereof would be contrary to public order.

3. The refusal of the court to satisfy the preventive action does not deprive of the right to claim for compensation of damage caused by the activities upon termination or suspension of which the preventive action is dismissed.

SECTION TWO.
CONTRACTUAL LIABILITY

Article 6.256. Grounds for arising of contractual liability

1. Every person shall have a duty to perform his contractual obligations in a proper way and without delay.

2. Where a person fails to perform his contractual obligation or performs it defectively, he shall be liable to compensation for damages caused to the other contracting party and/or pay a penalty (fine, interest).

3. Where the performance of a contract falls within professional activities of one of the parties, the party concerned must perform the contract in accordance also with the requirements attached to that professional activity.

4. Where an enterprise (businessman) fails to perform its/his contractual obligation or performs it defectively, it/he shall be liable in all cases unless it/he proves that non-performance or defective performance of the obligation has resulted from a superior force unless it is otherwise provided for by laws or the contract.

Article 6.257. Liability for actions of third persons

A debtor who engages the services of third persons in performance of his obligation shall be liable towards the creditor where non-performance of the obligation or defective performance thereof results from the fault of the third persons concerned unless the law or the contract provides for the liability of the direct executor.

Article 6.258. Penalty and damages

1. It may be provided for by laws or a contract that the party guilty for non-performance of an obligation or defective performance thereof shall be bound to pay a penalty (fine, interest).

2. In the instances where penalty is established, the creditor may not concurrently demand from the debtor the performance of the principal obligation and the payment of the sum stipulated in the penal clause (the penalty) except in the cases where the time-limit of performance of the obligation is delayed by the debtor. An agreement providing for any other stipulation shall be null and void. In the event of a claim for compensation of damages being made, the penalty shall be included in the damages.

3. The sum stipulated as a penalty (fine, interest) may be reduced by the court when it is unreasonably excessive, or if the creditor has benefited from the partial performance of the obligation. However, this sum may not be reduced below the damages payable for the non-performance of the obligation or defective performance thereof. Penalty may not be reduced after its payment.

4. The non-performing party (enterprise or businessman) shall be liable only for the damages which he foresaw or could reasonably have foreseen at the time of the conclusion of the contract as being likely to result from the non-performance of obligation.

5. Where the aggrieved party dissolves the contract on the grounds that the other party has violated it and makes a replacement transaction within a reasonable time, it may claim from the guilty party the difference between the contract price and the price of the replacement transaction as well as damages for any further loss.

6. Damages are to be assessed either in the currency in which the monetary obligation was expressed or in the currency in which the loss was suffered, whichever is more appropriate to the parties according to the circumstances of the case.

7.Unless otherwise agreed, interest on the damages for non-performance of an obligation shall be calculated from the time of the non-performance.

8. The provisions of this Article shall not be applied where the present Code provides for other rules in respect to any specific types of contracts.

Article 6.259. Fault of a creditor

1. In the event of the non-performance of an obligation or defective performance thereof resulting from the fault of both parties, the liability of the debtor may be correspondingly reduced or the debtor may be fully relieved from liability.

2. The rule established in Paragraph 1 of this Article shall also apply to the cases where a creditor through his own intentional fault or negligence contributes to the failure in the performance of the obligation or to the increase of damages caused by its defective performance, likewise when the creditor through his intentional fault or negligence failed to take any measures to reduce the damages.

3. The rules established in this Article shall correspondingly apply in the cases where the liability of the debtor for the non-performance of the obligation or for its defective performance arises in accordance with laws or the contract irrespective of the existence of his fault.

Article 6.260. Effects of a debtor's default by the delay in performance of an obligation

1. A debtor shall be deemed to have delayed performance of an obligation where he fails to perform it before the expiry of the time-limit established for the performance of the obligation.

2. The debtor who has delayed performance shall be liable towards the creditor for the compensation of damages caused by the delay in performance, as well as for the impossibility to perform the obligation which accidentally results from the delay

3. The creditor shall have the right to refuse performance offered to him after the delay therein and may claim for damages caused by the delay in performance where the debtor's default by delay in performance results in the creditor's loss of any interest in that performance.

4. The debtor shall not be considered to be delayed in the performance as long as the obligation cannot be performed as a consequence of delay in the performance made by the creditor himself.

Article 6.261. Effects of a debtor's default by delay in the performance of an obligation to pay a sum of money

The debtor delayed in the performance of an obligation to pay a sum of money shall be bound to pay interest resulting from the contracts or laws which is considered to be minimal damages. In addition, where the creditor proves any other damages, he shall be entitled to the compensation thereof.

Article 6.262. Effects of a creditor's default by delay in performance of an obligation

1. A creditor shall be considered to be delayed in performance if he refuses to accept the proper performance proposed by a debtor, or fails to perform the actions until the performance of which the debtor could not perform his obligations.

2. Where the creditor is delayed in performance, the debtor shall acquire the right to be compensated for damages caused by the delay unless the creditor proves that the time-limit which has been set for the performance lapsed without the obligation having been performed not through the fault of the creditor himself nor through the fault of the persons obligated by laws or authorised by the creditor to accept the performance.

3. With regard to monetary obligations, the debtor shall not be obliged to pay interest (penalty) for the period of the creditor's delay.

SECTION THREE
NON-CONTRACTUAL (DELICTUAL) LIABILITY

Article 6.263. Obligation to compensate for damage caused

1. Every person shall have the duty to abide by the rules of conduct so as not to cause damage to another by his actions (active actions or refrainment from acting).

2. Any bodily or property damage caused to another person and, in the cases established by the law, non-pecuniary damage must be fully compensated by the liable person.

3. In cases established by laws, a person shall also be liable to compensation for damage caused by the actions of another person or by the action of things in his custody.

Article 6.264. Liability of an employer for damage caused by the fault of his employees

1. An employer shall be liable to compensation for damage caused by the fault of his employees in the performance of their service (official) duties.

2. For the purposes of this Article, employees are considered to be persons exercising their functions on the grounds of a labour or civil contract and acting under the supervision or in accordance with the orders of the corresponding legal or natural person.

3. Where in cases established by laws the employer and the employee are solidarily liable for compensation of damage, the employee shall be liable towards the employer exclusively in the event of his intention or negligence.

Article 6.265. Liability to compensation for damage caused by others

1. Where damage is caused by a person, who is not an employee, acting under the orders of another person who is not his employer, it must be compensated solidarily by both persons concerned.

2. A represented person himself and the representative executing his mandate shall be solidarily liable to make compensation for the damage caused by the latter.

Article 6.266. Liability of the owner (possessor) of buildings

1. If damage has been caused by reason of the collapse of buildings, constructions, installations or other structures, including roads, or if the damage has been caused by reason of any defect thereof, the owner (possessor) of the indicated objects shall be liable to compensation for the damage unless he proves the occurrence of the circumstances indicated in Paragraph 1 of Article 6.270 of this Code.

2. It shall be presumed that the owner (possessor) of buildings, constructions, installations or other structures is the person indicated as their owner (possessor) in the Public Register.

Article 6.267. Liability to compensation for damage caused by animals

1. Damage caused either by domestic animals or wild animals that are in somebody's custody must be compensated by their owner (possessor) unless he proves the occurrence of the circumstances indicated in Paragraph 1 of Article 6.270 of this Code. The person shall also be liable for compensation of damage caused by an animal that has escaped from him.

2. Damage caused by wild animals shall be redressed in accordance with the procedure established by laws.

Article 6.268. Liability to compensation for damage caused by a natural person incapable of understanding the meaning of his own actions

1. A legally capable natural person who has inflicted damage being in such a state where he was incapable of understanding or controlling his actions shall not be liable for the damage caused. Nevertheless, the person shall not be exempted from liability if the state of incapacity was inflicted upon himself by the use of alcoholic drinks, narcotic or psychotropic substances, or in any other way.

2. In the event where damage is inflicted to the health or life of a person, the court in awarding damages shall take into account the property status both of the aggrieved person and the person who caused the damage, as well as the criteria of good faith and reasonableness, likewise other circumstances pertinent to the case, and may order the compensation be made by the guilty party in full or in part.

3. Damage caused by a person who by reason of over-indulgence in alcohol, narcotic or psychotropic substances is recognised as being of limited legal active capacity, shall be compensated within the ordinary procedure established for the compensation of damage.

4. Where damage is caused by a person who by reason of his mental disease or any other mental derangement was incapable of understanding or controlling his actions, the court may obligate the person's spouse who resides with him, his parents, or his children of full age to compensate for the damage, provided that they knew of the mental state of the person concerned but failed to take any measures to recognise him as legally incapable.

Article 6.269. Damage caused by a person in self-defence or self-help

1. A person who causes damage in legitimate exercise of self-defence or in defence of another shall not be liable for damage suffered by the assailant.

2. In the event indicated in Paragraph 1 of this Article, the aggrieved person can claim from the person against whose unlawful actions defence was used, i. e. from the assailant, to compensate for the damage incurred.

Article 6.270. Liability arising from the exercise of hazardous activities

1. A person whose activities are connected with potential hazards for surrounding persons (operation of motor vehicles, machinery, electric or atomic energy, use of explosive or poisonous materials, activities in the sphere of construction, etc.) shall be liable to compensation for damage caused by the operation of potentially hazardous objects which constitute a special danger for surrounding persons, unless he proves that the damage was caused by superior force or it occurred due to the aggrieved person's actions exercised either intentionally or by his own gross negligence.

2. A defendant in the cases established in the preceding Paragraph of this Article shall be the possessor of a potentially hazardous object by the right of ownership or trust or on any other legitimate grounds (loan for use, lease, or any other contract, by the power of attorney, etc.).

3. The possessor of a potentially hazardous object shall not be liable to compensation for damage it has caused if he proves to have lost the operation thereof due to unlawful actions of other persons. In such event, liability arises to the person or persons who gained the operation of a potentially hazardous object by unlawful actions. Where the loss of operation of a potentially hazardous object results also from the fault of the possessor, the latter and the person who seized the potentially hazardous object unlawfully shall be solidarily liable for the damage. Upon having compensated for the damage, the possessor shall acquire a right of recourse for the recovery of sums paid against the person who unlawfully seized the potentially hazardous object.

4. In the event where damage was inflicted to a third person in the result of reciprocity of several potentially hazardous objects, all the possessors of the objects concerned shall be solidarily liable for the damage caused.

5. The damage incurred by the possessors of potentially hazardous objects in the result of the reciprocity thereof shall be compensated in accordance with the general provisions.

Article 6.271. Liability to compensation for damage caused by unlawful actions of institutions of public authority

1. Damage caused by unlawful acts of institutions of public authority must be compensated by the state from the means of the state budget, irrespective of the fault of a concrete public servant or other employee of public authority institutions. Damage caused by unlawful actions of municipal authority institutions must be redressed by the municipality from its own budget, irrespective of its employee's fault.

2. For the purposes of this Article, the notion "institution of public authority" means any subject of the public law (state or municipal institution, official, public servant or any other employee of these institutions, etc.), as well as a private person executing functions of public authority.

3. For the purposes of this Article, the notion "action" means any action (active or passive actions) of an institution of public authority or its employees, that directly affects the rights, liberties and interests of persons (legal acts or individual acts adopted by the institutions of state and municipal authority, administrative acts, physical acts, etc., with the exception of court judgements – verdicts in criminal cases, decisions in civil and administrative cases and orders).

4. Civil liability of the state or municipality, subject to this Article, shall arise where employees of public authority institutions fail to act in the manner prescribed by laws for these institutions and their employees.

Article 6.272. Liability for damage caused by unlawful actions of preliminary investigation officials, prosecutors, judges and the court

1. Damage resulting either from unlawful conviction, or unlawful arrest, as a measure of suppression, as well as from unlawful detention, or application of unlawful procedural measures of enforcement, or unlawful infliction of administrative penalty - arrest - shall be compensated fully by the state irrespective of the fault of the officials of preliminary investigation, prosecution or court.

2. The state shall be liable to full compensation for the damage caused by unlawful actions of a judge or the court trying a civil case, where the damage is caused through the fault of the judge himself or that of any other court official.

3. In addition to pecuniary damage, the aggrieved person shall be entitled to non-pecuniary damage.

4. Where the damage arises from intentional fault on the part of officials of preliminary investigation, prosecution, court officials or judges, the state, after the damage has been compensated, shall acquire the right of recourse against the officials concerned for recovery, within the procedure established by laws, of the sums in the amount provided for by laws.

Article 6.273. Defendants in respect of obligation of the state or municipality to compensate for damage

1. In civil cases upon compensation of damage where the state is liable to compensation for the damage, it shall be represented by the Government or an institution authorised by the Government.

2. In civil cases upon compensation of damage where a municipality is liable to compensation for the damage, it shall be represented by its institution through the fault of which the damage has occurred.

Article 6.274. Liability to compensation for damage caused in the state of necessity

The court may, taking in regard the circumstances in which the damage was caused, likewise other circumstances indicated in Paragraph 6 of Article 6.253 of this Code, obligate the person for whose benefit actions that caused the damage were committed to redress the damage inflicted in the state of necessity.

Article 6.275. Liability to compensation for damage caused by minors under fourteen years of age

1. Parents or guardians of a minor under fourteen years of age shall be liable to compensation for damage caused by such a minor unless they prove that the damage was inflicted not through their fault.

2. An institution of training or education, as well as an institution of medical treatment or any institution of social care (curatorship) shall be liable to compensation for damage caused by a minor under fourteen years of age under their supervision unless they prove that the damage was caused not through their fault.

Article 6.276. Liability to compensation for damage caused by a minor between fourteen and eighteen years of age

1. Liability of a minor between fourteen and eighteen years of age shall arise on the general grounds.

2. In cases where a minor between fourteen and eighteen years of age has no sufficient property or earnings for the compensation of damage caused by him, the corresponding part of the damage must be redressed by his parents or a curator unless they prove that the damage does not proceed from their fault. The same legal effects shall occur where a minor between fourteen and eighteen years of age was under the supervision of an institution of training, education, medical treatment or social care (curatorship) at the time when the damage was caused.

3. The obligation of the persons indicated in the preceding Paragraph of this Article to redress for the damage shall terminate when the person who caused the damage attains the age of majority or

when he, before attaining majority, acquires the property or earnings sufficient for the compensation of damage.

Article 6.277. Civil liability of parents with restricted parental authority to compensation for damage caused by their minor children

Parents with parental authority restricted due to their fault shall be liable for compensation of damage caused by their minor children on the general grounds where the actions of their minor children result from improper exercise of their parental authority, except in those cases when a guardian or a curator is appointed to the minor.

Article 6.278. Liability to compensation for damage caused by a natural person declared legally incapable

1. If damage is caused by a natural person declared legally incapable, compensation shall be due from the latter's guardian or an institution charged with the custody of the person unless they prove that the damage was caused not through their fault.

2. Obligation of a curator or a relevant institution to compensate for damage shall not terminate even if the person who caused the damage is recognised as legally capable after the injurious act was committed.

3. Where the guardian dies or has no sufficient means to compensate the damage caused to another person's health or life by an incapable person under his guardianship, while the person who caused the damage possesses sufficient means for its reparation, the court may, taking into consideration the property status of both the incapable person and the aggrieved person, as well as other circumstances relevant to the case, order recovery from the property of the incapable person.

Article 6.279. Liability to compensation for damage caused jointly by several persons

1. Where several persons jointly take part in causing damage, they shall be solidarily liable for compensation thereof.

2. In order to determine the reciprocal claims of solidarily liable persons, the different degree of gravity of their respective fault shall be taken into consideration, except in cases when it is otherwise provided for by laws.

3. The aggrieved person may not claim more from all the liable persons than he could claim if only one person were liable.

4. Where damage may have resulted from different actions performed by several persons and they are liable to compensation, even though it is determined that the damage actually resulted from actions of only one of those persons, the obligation to compensate the damage shall rest upon all these persons jointly unless the other persons prove that the damage could not have resulted from the event (actions) for which they are liable.

Article 6.280. The right of recourse against the person who caused damage

1. A person who has compensated the damage caused by another person shall have the right of recourse (the right of counterclaim) against the person by whom the damage was caused in the amount equal to the paid compensation unless a different amount is established by the law.

2. The person who has compensated for the damage caused by several persons jointly shall have the right of recourse against every of them in proportion to the degree of gravity of the fault of each of them. Where it is impossible to determine the degree of gravity of the fault of each of them, the portions of damage under compensation attributable to each of them shall be considered to be equal.

3. Parents, a guardian, or a curator, likewise the institutions indicated in Articles 6.275, 6.276 and 6.278 of this Code shall not have the right of recourse against a minor or a natural person declared legally incapable after having compensated for the damage caused by them.

Article 6.281. The manner and amount of compensation for damage

1. The court, in awarding compensation for damage and taking into consideration the circumstances of the case, shall obligate a person liable for causing that damage to compensate for it in kind (to deliver a thing equivalent in kind and quality, to repair the damaged thing, etc.) or to perform the compensation in full.

2. Where the court judgement on the compensation of damage in kind is not executed within reasonable time, the creditor shall have the right to demand compensation in money.

Article 6.282. Assessment of damage in the light of the degree of the aggrieved person's fault and the property state of the person who caused the damage

1. If the aggrieved person's gross negligence contributed to causing or increasing damage, depending on the degree of the aggrieved person's fault (and on the degree of the fault of the person by whom the damage was caused, in the event of the existence of such fault), the extent of the compensation can be reduced or the claim for the compensation dismissed unless the laws provide for otherwise.

2. The fault of the aggrieved person shall not be taken into consideration in recovering compensation for the damage caused by the death of the breadwinner and in compensating the costs of funeral expenses.

3. The court may, taking in consideration difficult property situation of the person who caused the damage, reduce the amount of the reparable damage, except in cases when the damage was caused intentionally.

Article 6.283. Compensation for damage caused to another person's health

1. Where the damage sustained by a natural person is bodily harm, i.e. he is mutilated or his health is impaired with in any other way, the person liable for the damage caused shall be bound to compensate to the aggrieved person for all his damages suffered, including non-pecuniary damage.

2. Damages in cases referred to in Paragraph 1 of this Article shall be composed of the incomes the aggrieved person would have received had he not sustained the bodily harm, expenses related with the rehabilitation of health (medical treatment costs, expenses incurred for additional nourishment, medication, prosthetics, care of the injured person, acquisition of specialised transport means, retraining costs and other expenses necessary for the rehabilitation of health).

3. If the health of the aggrieved person deteriorated after the judgement on the compensation for damages was passed, he shall have the right to bring an action for compensation of the additional expenses, except in the cases when the damage was compensated in the form of a definite lump sum.

4. This Article shall apply to the extent that the aggrieved person is not covered by social insurance against accidents at work within the procedure established by laws.

Article 6.284. Liability to compensation for damage caused by fatal injury

1. In the event of death of a natural person, the right to compensation for damage caused by the latter's death shall be acquired by the persons who were under his support or at the time of his death were entitled to be supported by him (minor children, spouses, parents incapable of work, or other factual dependants incapable for work), likewise the children of the deceased born after his death. These persons shall also have the right to compensation for non-pecuniary damage.

2. Persons who have the right to compensation for damage caused by the death of their breadwinner shall be compensated for that part of the deceased person's income which they received or were entitled to receive when the deceased person was alive.

3. The amount of the damage to be compensated cannot be changed, except in cases when a child is born after the death of the breadwinner.

4. This Article shall apply only to the extent that the aggrieved person is not insured by social insurance against accidents at work in accordance with the procedure established by laws.

Article 6.285. Damages awarded for damage caused to the health of a minor under fourteen years of age

1. In the event of mutilation or other impairment of health of a minor under fourteen years of age who has no independent income, the person liable for the damage caused shall be obliged to compensate for the expenses connected with the impairment of health of the aggrieved person and non-pecuniary damage.

2. Upon the attainment of the age of fourteen years by the aggrieved person, the person liable for the damage caused shall also be bound to compensate to such minor for the damage connected with the loss or reduction of his labour capacity taking into consideration the skills which the minor had prior to the damage, as well as the property state of his parents and that of the person by whom the damage was caused, likewise any other circumstances of importance to the case.

3. If at the time of the impairment to his health the natural person under fourteen years of age had independent income, he shall be entitled to compensation in the amount equal to his independent income lost due to the impairment to his health.

Article 6.286. Change of the amount of compensation upon the demand of the aggrieved person subsequent to a change of his labour capacity

An aggrieved person who has partially lost his labour capacity shall have the right at any time to demand from the person liable for the damage a corresponding increase of the compensation for the damage sustained if the labour capacity has decreased thereafter in connection with the causing of impairment of health in comparison with that which remained at the time of awarding compensation, except in cases when the damage was awarded in the form of a definite lump sum.

Article 6.287. Change of the amount of compensation upon the demand of persons from whom the compensation for damage is awarded

A person from whom the compensation of damage which caused mutilation or other impairment of the health of another is awarded shall have the right to demand corresponding reduction of the compensation if the labour capacity of the aggrieved person has increased in comparison with the remaining labour capacity he had at the time when the compensation was awarded, except in cases when the compensation for the damage was awarded in the form of a definite lump sum.

Article 6.288. Payment of the compensation for damage

1. Damage shall be compensated from the day when it was caused; if the damage appeared later, it shall be compensated from the day of its appearance.

2. Where the persons who have the right to compensation for damage apply for such compensation after a lapse of three years from the day when the damage was sustained, the compensation shall be paid from the day it was applied for.

3. Damages owed to the aggrieved person for mutilation or any other impairment of health sustained, as well as for fatal damage shall be compensated by periodical payments or in the form of a lump sum payment. Where the damage is compensated by periodical payments, these instalments shall be indexed in accordance with the conditions established by laws.

Article 6.289. Compensation for damage after the termination of a legal person or after the death of a natural person obliged to compensate for the damage

1. In the event of a reorganisation of a legal person obliged to compensate for the damage which has caused impairment of health of a natural person or loss of his life, all claims for the compensation of the damage indicated above shall be placed upon the successor of the rights of the reorganised legal person. Where a state or municipal enterprise or institution is liquidated, the obligation to compensate for the damage shall be transferred to the state or the municipality. In the event of death of the natural person obliged to compensate for the damage, claims for the compensation of the damage shall be placed on the heirs of the deceased. The latter shall satisfy such claims in accordance with the rules established in Book Five of this Code.

2. Where a legal person, obliged to compensate for the damage resulting from the injury to a natural person's health or from a natural person's death, is liquidated, the respective sums for compensation of damage shall be capitalised by an immediate recovery of a concrete lump sum in accordance with the procedure established by laws, or by concluding a contract of insurance.

Article 6.290. Imputation of social insurance payments

1. Payments of social insurance awarded in cases of impairment of health or death shall be included into the amount of the repairable damage.

2. Payments of voluntary insurance shall not be included into the amount of the repairable damage.

3. Institutions of social insurance which have paid insurance payments, shall acquire the right of recourse against the person by whom the damage was caused, except in the cases where insurance premiums on behalf of the aggrieved person were paid by the same person who caused the damage.

Article 6.291. Compensation of funeral expenses

1. In the event of death of the aggrieved person, the person liable for the damage which is related with the death shall be obliged to compensate the expenses for the funeral to the person who incurred those expenses. Only such funeral expenses that conform to the criterion of reasonableness shall be subject to compensation.

2. Funeral allowance payable in the cases established by laws shall be included into the funeral expenses.

SECTION FOUR
LIABILITY TO COMPENSATION FOR DAMAGE CAUSED BY DEFECTS OF PRODUCTS OR SERVICES

Article 6.292. Liability of a producer and a supplier of services

1. A producer or a supplier of services shall be bound to compensate for damage caused by defective products or defective services.

2. A "producer" means the manufacturer of a finished product, a component part of a product, or of raw materials, or the supplier of services who marks the product (services) with his name, trade mark or any other distinctive sign.

3. Any person who in effectuation of his commercial activity imports into the Republic of Lithuania a defective product with the aim of selling, leasing or distributing it in any other way shall be held liable as a producer.

4. In the event where it is impossible to identify the producer of a product, any person involved in the sale of the product shall be regarded as producer unless he provides the aggrieved person with information about the producer or the supplier of the product. This rule shall also apply in the cases where a product was imported into the Republic of Lithuania without its importer being indicated though the producer of the imported product is known.

5. Provisions of this Section shall apply only where the products (services) are obtained for the purposes of consumption but not for commercial purposes.

Article 6.293. Definition of a product and services

1. For the purposes of this Section, "a product" means any movable thing (property), including primary agricultural products and game, as well as a movable thing (property) incorporated into another movable or immovable thing. Electricity shall also be regarded as a product.

2. For the purposes of this Section, "a service" means any activity by which a concrete material or non-material need of a consumer is being satisfied, with the exception of health services, legal services, education services, heating, gas and water supply, waste water disposal and transport services.

Article 6.294. Definition of defectiveness

1. A product (services) shall be considered defective if it does not conform to the safety requirements which a consumer could reasonably expect thereof. Whether a product (services) is defective or not shall be determined on the basis of the following criteria:

1) given characteristics (advertisement) of a product (services);

2) whether a product (services) may be used for the intended purpose;

3) time when a product (services) was put into circulation;

4) defects of the construction or composition of a product (services), or any other defects thereof;

5) other circumstances.

2. A product can not be considered of defective quality for the sole reason that a better product has subsequently been put into circulation.

Article 6.295. Conditions of liability

Damage shall be compensated if the aggrieved person proves the occurrence of damage, existence of defects in the product (service) and the causal link between the defects and the damages.

Article 6.296. Solidary liability

Where damage results from the actions performed by several persons (e.g., those of the producer of a defective product and a person who incorporates the defective product into another product), they shall all be held solidarily liable.

Article 6.297. Fault of an aggrieved person

In the event where the aggrieved person himself or the person who has the right to claim damages contribute through their fault to the arising or increasing of the damage, the amount of damage subject to compensation may be reduced or the recovery of the damage may be excluded at all, taking into account all the circumstances of the case.

Article 6.298. Exemption from liability

1. The producer shall be exempted from liability if he proves that:

1) the product was not put into circulation by him;

2) taking into consideration the circumstances, the product was not of inferior quality at the time when it was put into circulation, or that its quality deteriorated later;

3) the product was manufactured not for the purposes of sale, lease or for any other form of commercial distribution, nor it was manufactured or distributed in the course of the producer's business activities;

4) the defect of quality of the product resulted from the observance of mandatory rules established by the corresponding state institutions;

5) at the time of putting the product into circulation, the level of scientific and technical knowledge was not sufficient to prevent the defect of quality or identify it;

6) the product manufactured by him was incorporated into another product and the damage occurred because of the construction of the other product, or because of the instructions for use provided by the producer of the whole product.

2. The liability of the producer shall not be reduced if the damage has been caused by both the defectiveness of the product and by the conduct (active or passive actions) of a third person.

3. The liability of the producer may be reduced or he may be exempt from liability if, taking into account all the circumstances, damage has been caused by both the defectiveness of the product and the fault of the aggrieved person or that of another person for whom the aggrieved person is responsible.

4. Paragraph 1 of this Article shall not apply where it is otherwise provided for by the laws.

Article 6.299. Damage subject to compensation

1. For the purposes of this Section, the notion “damage” means:

1) damage caused by death or personal injury, including non-pecuniary harm;

2) harm caused to the aggrieved person’s property which was normally used for domestic needs.

2. Damage shall be compensated in full, with the exception of cases when the amount of damage subject to compensation is limited to a definite maximum amount.

Article 6.300. Prescription

1. Actions for compensation of damages (damage) caused by the consumption of defective products (services) shall be prescribed by the lapse of three years from the day on which the aggrieved person became or should have become aware of the damage caused to him, the defect and the identity of the producer.

2. The right to bring an action referred to in Paragraph 1 of this Article shall be extinguished by the lapse of ten years from the day on which the defective product that caused the harm was put into circulation by the producer.

SECTION FIVE
COMPENSATION OF DAMAGE RESULTING FROM MISLEADING ADVERTISING

Article 6.301. Concept of misleading advertising

1. For the purposes of this Section, “misleading advertising” means any information related to economic-commercial, financial or professional activities which is promulgated in any form and by any means of conveyance with the aim to promote sales (supply) of goods or services, including sales (supply) of immovable property, rights and obligations, where such information in any way, including the manner of its presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches, and which causes damage by reason of its deceptive nature.

2. In determining whether the advertising which has caused damage is misleading, account shall be taken of its truthfulness, comprehensiveness and the criteria of its presentation:

1) propositions presented in advertising shall be incorrect if the advertiser cannot prove their truthfulness at the moment of their announcement. The adequacy of data to prove the truthfulness of propositions shall be decided on a case-by-case basis taking into consideration concrete circumstances of the case. Testimony of persons whose activities are not related with the promulgated information shall not be considered adequate data to prove the truthfulness of that information;

2) information communicated in an advertisement shall not be considered comprehensive if a certain element of information is omitted which, taking into account other information presented in that advertisement, is necessary in order to avoid deception of the consumers of advertising;

3) the advertising is presented in such a manner and form which enables its consumers to perceive an inferred misleading proposition in that advertisement;

4) taking into account the manner and form of advertising, the consumers of advertising conclude that the communicated information is truthful and comprehensive and make such decisions which can be expected in the relevant circumstances from ordinary consumers of advertising.

3. In determining whether advertising is misleading, account shall be taken of the information it contains concerning:

1) the advertiser or another person, their activity, registered office, firm name, trade or service mark, copyright or neighbouring rights, patents, licences, etc.;

2) goods and services: their origin or the place of production, identity, experience or qualification of the producer or the supplier of services, date and method of manufacture, purpose, quantity, composition, energy value, uses, fitness for designation and suitability for consumption (use), date, place and method of tests or checks carried out on the goods or services, ways of consumption (use), compliance of goods (services) to the established standard, certification, official

acknowledgement and awards at fairs and exhibitions, distinctions, awards or prizes awarded to the supplied goods or services; likewise the used scientific or professional terms, technical or statistical data of experiments, etc.

3) conditions under which goods are supplied (or services provided) and used: the price or the manner in which the price is calculated, terms of payment, guarantees, terms of supply, change, repair, maintenance or return, the volume of sale and supply, the reason or purpose of a special offer, etc.

4) comparison of goods and services with other goods or services.

Article 6.302. Subject of liability

1. Damage resulting from misleading advertising shall inflict liability either on the advertiser, producer, intermediary or publisher of advertising.

2. The advertiser shall be liable unless he proves that the damage has resulted not through his fault.

3. The advertiser, intermediary in advertising, or publisher shall be liable for damage resulting from misleading advertising only in that event if they knew or should have known that the advertising was misleading or that the consumers were deceived by their actions in producing and publishing the advertisement, or if the producer, the intermediary or the publisher of the advertisement fail to prove the identity of the advertiser (producer).

Article 6.303. Conditions of liability

Persons indicated in Article 6.302 of this Code shall be liable for damage resulting from misleading advertising unless they prove that the published information corresponds to reality, and that there is no fault of theirs in relation to the content or presentation of the information and the occurrence of damage.

Article 6.304. Prohibition and denial of misleading advertising

Upon the request of the interested persons, the court hearing the case on the compensation for damage may order prohibition of further promulgation of misleading advertising or the prohibition of misleading advertising which has not yet been published but publication of which is imminent; the court may likewise order to publish an adequate denial of the misleading advertising.

PART FOUR
NOMINATE CONTRACTS

CHAPTER 23
PURCHASE-SALE

SECTION ONE
GENERAL PROVISIONS

Article 6.305. Concept of the Contract of Purchase-Sale

1. A contract of purchase-sale is a contract by which one person (the seller) obligates himself to transfer ownership or trust of the thing (good) to another person (the buyer) and the latter obligates himself to accept the thing (good) in exchange of a fixed money consideration (price).

2. The provisions of this Chapter shall also be applicable to the purchase-sale of securities, currency, unless other laws establish special rules of the purchase-sale thereof.

3. Specific peculiarities of purchase-sale of things (goods) of certain types may be established by the relevant laws.

4. The provisions of this Chapter shall apply to the purchase-sale of the rights of property to the extent this is in conformity with the origin and essence of the said rights.

Article 6.306. Subject Matter of Contract of Purchase-Sale

1. The things which form the subject matter of a contract of purchase-sale may be either existing things, owned or possessed by the seller, or things to be manufactured or acquired by the seller in future, securities and other things or property rights.

2. Yield, crop and other future goods things may also form the subject matter of a contract of purchase-sale.

3. The subject mater of a purchase-sale contract may be characterised both by individual characteristics and by its kind.

4. The term of a contract of purchase-sale regarding the subject matter of the contract shall be deemed to have been agreed provided the contents of the contract allows to determine the name and quantity of the thing/good.

Article 6.307. Sale of the Thing of another

1. A contract of purchase-sale under which the thing is sold by a person other than the owner or than a person charged with its sale or authorised to sell it by the owner or entitled under law to sell it may be declared null on the basis of an action filed by the owner, manager or buyer.

2. Such contract of purchase-sale may not be declared null if the seller becomes the owner of the thing sold during the performance of the contract.

3. Where the contract is declared null on the ground provided in paragraph 1 of this Article, the thing shall be returned to the owner, except in the cases provided in Article 4.96 of this Code.

Article 6.308. Prohibition to Buy or Sell a Thing

1. A person charged with the sale of a thing of another may not acquire such thing, even through an intermediary, save for the exceptions established by laws. The same prohibition applies to a person charged with administration of property of another according to the provisions of Title Four of this Code.

2. Furthermore, to a person charged with administration of property of another may not sell his own property for a price paid out of the property which he administers.

3. Persons specified in paragraphs 1 and 2 of this Article may not apply for the annulment of the contract of purchase-sale concluded in violation of the rules laid down in this Article.

Article 6.309. Promise of Sale or of Purchase

1. The promise of sale of a thing with delivery thereof to the future buyer for actual possession is equivalent to purchase-sale of the thing.

2. Any amount paid on the occasion of a promise of sale is presumed to be a deposit (in advance) on the price unless otherwise agreed buy the parties.

3. Failure by the promissor, whether he be the seller or the buyer, to execute the deed in the form prescribed by laws entitles the beneficiary of the promise to obtain a judgement in lieu thereof.

Article 6.310. Expenses Incidental to the Formation of a Contract of Purchase-Sale

1. Unless the parties agree otherwise, the expenses incidental to the formation of a contract of purchase-sale shall be assumed by the buyer.

2. The expenses of delivery of the things, weighing and calculating (checking the quantity) thereof shall be assumed by the seller, unless otherwise agreed by the parties.

3. The expenses incidental to the acceptance of the things, the drawing up of the deed of transfer-acceptance thereof shall be assumed by the buyer.

Article 6.311. Form of the Contract of Purchase-Sale

The form of the contract of purchase-sale shall be established by the rules set for the form of conclusion of transactions. Laws may prescribe special rules for the formation of certain contracts of purchase-sale.

Article 6.312. Contract of Purchase-Sale Imposing a Condition concerning the Use of the Thing being Sold

1. The person who is a seller of a thing may include a clause in the contract stipulating that the thing must be used for a certain purpose, without infringing the rights and lawful interests of other persons.

2. In the event of breach by the buyer of the above condition imposed by the contract of purchase-sale, the seller shall be entitled to bring an action for the fulfilment of the condition or for dissolution of the contract, recovery of the thing and damages.

Article 6.313. Price

1. The price of the thing being sold shall be fixed in cash by agreement between the parties.

2. Where the price is not fixed in the contract of purchase-sale either expressly or impliedly, or the manner for fixing the price is not agreed by the contract, it shall be considered, unless otherwise agreed by the parties, that the parties have impliedly made reference to the price generally charged at the time of the conclusion of the contract for such thing sold under comparable circumstances in the trade concerned and, where the price is non-existent, the price meeting the criteria of reasonableness.

3. Where the price must be fixed according to the weight of the things, it shall be determined by the net weight, unless otherwise agreed by the parties.

4. If the price is to be fixed by one of the parties and the price fixed in the said manner clearly fails to meet the criteria of reasonableness, the price in the contract must be replaced by a price meeting the criteria of reasonableness regardless of the agreement between the parties.

5. Where the price is to be fixed by a third person, but he does not or cannot fix the price, the price which meets the criteria of reasonableness shall be deemed to be the price of the contract.

6. Where the price is to be fixed on the basis of criteria which are non-existent or have disappeared or which cannot be established, the price shall be fixed on the basis of the criteria of the closest value.

7. Where the contract provides that the price must be changed having regard to certain indices affecting the price (cost, expenses, etc.) without, however, referring to the procedure for price change, the price shall be determined according to the ratio of the indices at the moment of conclusion of the contract and delivery of the thing. If the seller delays delivery of the thing, the price shall be fixed according to the ratio of the said indices at the moment of conclusion of the contract and delivery of the thing provided in the contract.

Article 6.314. Payment of Price

1. Unless bound to pay the price at a specified place, the buyer must pay the seller the price at the place of delivery of the thing.

2. Unless bound to pay the price at a specified time, the buyer must pay the price at the time of delivery under the contract or this Code of the thing or documents of disposal thereof to the buyer.

3. The buyer is not obligated to pay the price before he has had an opportunity to examine the things, except where the agreement between the parties provides otherwise.

4. Unless otherwise provided by the contract, the buyer must pay the entire price in a lump sum.

5. If the buyer fails to pay for the things delivered to him by the set date, the seller shall be entitled to demand payment of the price and interest prescribed by law or under contract.

6. If the buyer refuses to accept delivery of the thing and to pay the sale price, the seller may, at his discretion, demand from the buyer the payment of the price refuse to perform the contract.

7. Where the seller is bound under contract to deliver to the buyer not only the things for which the buyer has not yet paid the price, but also other things, the seller may suspend the delivery of the latter things until the buyer pays the whole of the price of the previously delivered things, unless otherwise provided by law or the contract.

Article 6.315. Payment for the Thing in Advance

1. Where the contract provides that the buyer is bound to pay a part or the whole of the price in advance of delivery of the thing (advance payment), the buyer must pay the price at the date set in the contract.

2. If the buyer is in default to pay the price in advance, the seller shall be entitled to suspend the performance of the contract.

3. Where the seller, having received the advance payment, fails to deliver the thing to the buyer at the fixed date, the latter shall be entitled to demand from the seller delivery of the thing or restoration of the amount paid.

4. The seller who, after receipt of an advance payment, fails to deliver the thing to the buyer by the fixed date, is bound to pay interest on the received amount fixed by law or under the contract, unless otherwise provided by the contract. The seller owes interest from the day he was bound to deliver the thing and shall be bound to pay it until the day the buyer is actually delivered the thing or restored the price.

Article 6.316. Insurance of the Thing

1. The contract of sale may obligate the seller or the buyer to insure the thing.

2. Where the party which is bound to insure the thing fails to perform the obligation, the other party shall be entitled to insure the thing and claim reimbursement for the expenses incidental to insurance or repudiate the contract.

SECTION TWO
GENERAL OBLIGATIONS AND RIGHTS OF THE SELLER

Article 6.317. Obligation of the Seller to Deliver the Things

1. The seller is bound under the contract of purchase-sale to deliver the things to the buyer, i.e. put the things into the buyer's possession by the right of ownership (trust) and to warrant ownership of the things and the quality thereof.

2. The seller's warranty (guarantee) of ownership and quality of the things exists of right whether or not these warranties are stipulated in the contract of purchase-sale (warranty under law).

3. Unless otherwise provided by the contract, the seller is bound to deliver the things together with all their accessories in condition it is at the time of formation of the contract of purchase-sale.

4. The obligation to deliver the things shall be deemed performed when the seller puts the buyer in possession of the things or consents to his taking possession of it and all hindrances are removed.

5. Delivery expenses are assumed by the seller, unless the contract provides otherwise.

6. Where under the contract of purchase-sale the buyer is bound to pay the price after delivery of the things, the seller is not bound to deliver the things if the buyer has become insolvent since the sale.

Article 6.318. Place and Time of Delivery of the Things and Documents

1. Together with the seller is bound to surrender to the buyer the related documents and the titles of ownership in his possession, where this is prescribed by the contract or this Code. If the seller himself needs the above documents for enforcing other rights not related to the things sold, the seller is bound to deliver to the buyer copies of the documents validated in the established manner.

2. If the seller is not bound to deliver the things at any other particular place, his obligation to deliver consists:

1) if the contract of purchase-sale involves carriage of the things - in handing the things over to the first carrier for transmission to the buyer, unless otherwise provided in the contract;

2) if, in cases not within subparagraph 1, the contract relates to specific things to be drawn from a specific stock or to be manufactured, and at the time of the conclusion of the contract the

parties knew thereof - in placing the things at the disposal of the buyer or the person indicated by him at the place of the reserve or manufacture;

3) in the cases not specified in subparagraphs 1 and 2 above --in placing the things at the buyer's disposal at the place where the seller had his place of business or residence at the time of the conclusion of the contract or where the things are transmitted to the person indicated by the buyer.

3. The fruits and revenue from the things belongs to the buyer from the time of delivery of the things.

Article 6.319. Time Limit of Delivery of the Things

1. The seller is bound to deliver the things at the time provided in the contract of purchase-sale. Where the time of delivery is not specified in the contract, the things are bound to be delivered within a reasonable time after the conclusion of the contract of purchase-sale. In this case Article 6.53 of this Code shall apply accordingly.

2. The contract shall be deemed to state a condition prescribing the performance thereof at the fixed time, if the contract explicitly indicates that the seller, who is in breach of the time limit, shall forfeit interest in the contract. Where the contract contains such a condition, the seller shall be entitled to perform the contract by the expiration of the time limit or after the expiration thereof only where the buyer grants his consent.

Article 6.320. Risk of Accidental Perishing of or Damage to the Things

1. Unless the contract of purchase-sale provides otherwise, the risk of accidental perishing of or damage to the things shall pass to the buyer from the moment when the seller is deemed under the contract or law to have been duly discharged of his duty to deliver the things, regardless of the time of passing of the right of ownership.

2. The risk of accidental perishing of or damage to the things sold during the carriage thereof shall pass to the buyer from the time the contract of purchase-sale is made, unless the contract or custom of the trade provide otherwise.

3. The condition of the contract that the risk of accidental perishing of or damage to the things passes to the buyer after the handling of the thing to the first carrier, may be recognised as null and void at the buyer’s request if at the time of entry into the contract of purchase-sale the seller knew or should have known that the things had perished or had been damaged, however, he did not notify the buyer thereof.

4. If the things perished or were damaged after its sale through no fault of the seller, the buyer must pay the price to the seller. The above rule shall also apply in cases where the seller was unable to deliver the things to the buyer due to the latter’s insufficient co-operation with the seller and for this reason was in breach of the contract.

5. Where the subject matter of contract are things characterised by description of the kind of the things and the buyer refuses to accept the things or is otherwise in breach of the contract, the risk of accidental perishing of or damage to the things shall transfer to the buyer from the moment when the seller identifies the things and notifies the buyer thereof.

6. If the buyer brings a justified action for the nullity of the contract or replacement of the things, the risk of accidental perishing of or damage to the things shall be borne by the seller.

7. If the risk of accidental perishing of or damage to the things stays with the seller even after the delivery thereof to the buyer, the seller shall be liable for the perishing of or damage to the things, even though this might have been caused by reason of the actions of the buyer. However from the moment the buyer could have reasonably foreseen that he had to return the things to the buyer he shall be responsible for the safekeeping thereof.

Article 6.321. Seller’s Duty to Give Warranty of Ownership of the Things

1. The seller is bound to warrant the buyer that the things delivered is free from any right or claim of any third party, unless the buyer agreed in advance to accept the things subject to that right or claim, whereas the seller gave a due notice thereof to the buyer.

2. The seller is bound to discharge the things of all pledge (hypothecs) irrespective of the registration of the pledge or hypothec, unless the buyer, after he has been given notice by the seller of the encumbrances, agrees to buy the things.

3. The seller is bound to warrant the buyer that the delivered things have not been seized and is not an object of a legal action, also that the seller has not been deprived of the right to dispose of the things or that there are no encumbrances.

4. The seller of an immovable thing is a warrantor towards the buyer for any violation or restrictions of public law affecting the thing which are exceptions to the ordinary law of ownership.

5. Where at the time of the sale the seller has duly given notice to the buyer of the encroachment by the third persons on the things being delivered or of these encumbrances or where such rights of the third persons or such encumbrances have been registered in the public registers, the buyer may not invoke the circumstance that the seller has breached his obligation.

6. Where the seller breaches his obligations specified in paragraphs 1 - 4 of this Article, the buyer is entitled to demand reduction of the price or to rescind the contract, unless the seller proves that the buyer was aware or could not be unaware of the rights of the third persons to the things or these encumbrances.

Article 6.322. Obligations of the Seller and the Buyer in Case of an Action being Brought by the Third Party for the Taking of the Thing

1. Where an action for the taking of the thing is brought against the buyer by a third person on the grounds which appeared before the performance of the purchase-sale contract, the buyer must bring the seller to be a party to the suit and the seller must join in the suit on the part of the buyer.

2. If the buyer fails to bring the seller to be a party to the suit, the seller shall be exempt from liability with respect to the buyer, if he proves that by taking part in the suit he would have impeded taking of the sold thing from the buyer.

3. The seller brought by the buyer to be a party to the suit but did not participate therein, shall forfeit the right to argue that the buyer improperly performed the procedural steps.

Article 6.323. Seller's Liability where the Sold Thing is Revendicated against the Buyer

1. Where the court revendicates against the buyer the thing sold on the grounds which appeared due to non-performance of the contract, the seller must restore the price and pay the damages suffered by the buyer, unless the seller proves that the buyer was aware or could not have been unaware of the grounds.

2. Agreement between the parties to exclude or limit the liability of the seller shall be null and void if the seller, being aware that the third person has rights to the thing under sale, fails to notify the buyer thereof.

Article 6.324. Consequences of Failure to Perform the Obligation to Deliver the Thing

1. If the seller refuses without a good reason to deliver the thing to the buyer, the latter shall have the right to refuse to perform the contract of purchase-sale and claim damages.

2. Where the seller refuses to deliver specific thing, the buyer may resort to remedies provided in Article 6.60 and 6.213 of this Code.

Article 6.325. Consequences of Failure to Perform the Obligation to Deliver Fixtures, Accessories, and Deeds

1. In case of failure or refusal by the seller to deliver to the buyer the fixtures, accessories or deeds that he is bound to deliver under the contract or pursuant to law, the buyer shall have the right to fix a reasonable time limit for the seller to perform the obligation.

2. Where the seller fails to perform his obligation within the time limit fixed by the buyer, the buyer shall have the right to refuse acceptance of the thing, unless otherwise provided by the contract.

Article 6.326. Seller's Obligation to Preserve the Sold Thing

1. Where the right of ownership or trust passes to the buyer before the delivery of the sold thing, the seller is bound to preserve the thing and prevent the thing from deteriorating.

2. The buyer must reimburse the seller's expenses incidental to preservation of the thing, unless the contract provides otherwise.

Article 6.327. Requirements in respect of the Thing

1. The thing which is being sold must be of the quantity, quality and other description required by the contract or, where the contract contains no specific requirements, correspond to the regular requirements.

2. The seller shall not be liable under paragraph 1 of this Article for any lack of conformity of the thing if at the time of the conclusion of the contract the buyer knew or could not have been unaware of such lack of conformity.

3. The seller shall be liable under the contract and this Code for any lack of conformity which exists at the time when the right of ownership passes to the buyer, even though the lack of conformity becomes apparent only after that time.

4. The seller shall be also liable for any lack of conformity which occurs after the time indicated in paragraph 3 of this Article and which is due to a breach of any of the seller's obligations, including a breach of any guarantee that for a period of time the things will remain fit for their ordinary purpose or for some particular purpose or will retain specified qualities or characteristics.

5. The buyer shall forfeit the right to rely on a lack of conformity of the things if he does not give notice to the seller specifying the nature of the lack of conformity within a reasonable time after he has discovered or ought to have discovered it.

Article 6.328. Right to Examine the Thing

1. Unless otherwise agreed by the parties, from the moment of entry into the contract or presentation of the offer, before making the payment or before accepting the thing the buyer shall have the right to examine the thing at any place, at any time or in any manner which correspond to the criteria of reasonableness.

2. Unless otherwise agreed by the parties, the thing examination expenses shall be assumed by the buyer. The buyer shall have the right to claim reimbursement by the seller of the examination expenses if it is determined during the examination that the thing does not correspond to the requirements put to it.

Article 6.329. Quantity of Things

1. The quantity of things which the seller is bound to deliver to the buyer shall be established in the contract of purchase-sale in units of weight, quantity, volume or other units or in monetary terms. The contract condition regarding the quantity of the things may be agreed by the parties, establishing in the contract only the procedure for determining the quantity. Where the performance of the contract has been initiated, the contract shall be deemed concluded in respect of the quantity of things actually accepted by the buyer.

2. Where the quantity of the things subject to be delivered cannot be determined from the contents and interpretation of the contract, the contract of purchase-sale shall be deemed not to have been concluded.

Article 6.330. Legal Consequences of Breach of the Contractual Condition relating to the Quantity of the Things

1. If the seller delivers to the buyer a quantity of things less than that determined in the contract of purchase-sale, the buyer shall be entitled, unless the contract provides otherwise, either to demand the buyer makes up any deficiency in the quantity or to reject the delivered things and refuse to pay the price or, where the price has already been paid, to claim recovery of the price and damages.

2. Where the seller delivers to the buyer a quantity of things greater than that determined in the contract of purchase-sale, the buyer must give notice thereof to the seller within the time limit specified by laws or in the contract or, where there is no fixed time limit - within a reasonable time. If, upon receipt of the buyer's notice, the seller fails to notify within a reasonable time of further actions that should be taken, the buyer shall have the right to take delivery of all things or refuse to take the excess quantity, unless otherwise provided in the contract.

3. If the buyer takes delivery of all or part of the excess quantity, he must pay for it at the contract rate, unless otherwise agreed by the parties.

Article 6.331. Range of Things

1. Where it is determined in the contract of purchase-sale that the seller is bound to deliver things of specific sort, model, size, colour or property characterised by other description (range of things), the seller must deliver things which are in conformity with the range of things agreed between the parties.

2 Where neither the range of things nor the procedure of determination thereof is specified in the contract, but it is evident from the contents and substance matter of the contract that the things must conform with a certain range, the seller is bound to deliver to the buyer things of the range that would conform with the needs of the buyer of which the seller is aware of at the moment of entry into the contract or may repudiate the contract.

Article 6.332. Legal Consequences of Breach of the Conditions concerning the Range of Things

1. Where the seller delivers to the buyer things which do not conform with the range provided in the contract of purchase-sale, the buyer shall have the right to refuse to accept delivery and give payment for it or, if the payment has already been made, demand restoration of the price paid, unless the contract provides otherwise.

2. Where the seller delivers to the buyer both the things which conform with the range and those which do not, the buyer shall be entitled to choose:

1) to accept the delivery of the things which conform with the range and refuse accepting the non-conforming things;

2) to refuse to accept the entire delivery;

3) to demand replacement of the things which do not conform with the range with the things provided in the contract;

4) to accept the entire delivery.

3. Where the buyer refuses to accept the things which do not conform with the range or demands replacement thereof, he shall have the right to refuse to pay the price of the said things or, where the payment has already been maid, to demand restoration of the price paid.

4. The things which do not conform with the range shall be deemed accepted if the buyer fails, within a reasonable time after the receipt thereof, to give notice to the seller of his refusal to accept the things.

5. If the buyer does not refuse to accept the things which do not conform with the range, he is bound to pay for the delivery the price agreed with the seller. Where the seller fails through his own fault to agree with the buyer upon the price within a reasonable time, the buyer is bound to pay for the things at the rate usually paid at the moment of conclusion of the contract under analogous circumstances for analogous things.

6. The rules laid down in this Article shall be applied to the extent the contract of purchase-sale does not provide otherwise.

Article 6.333. Quality of Things

1. The seller is bound to deliver to the buyer things, the quality whereof meets the conditions of the contract of purchase-sale and the requirements of the documents determining the quality of things. The seller shall be liable for the defects of the things provided the buyer proves that the defects

appeared before the delivery of the things or due to reasons which appeared before the delivery of the things.

2. The laws or the contract may provide for the seller's obligation to warrant the buyer that the things meet the conditions of the contract and to warrant, at the moment of conclusion of the contract, against any latent defects which render them unfit for the use for which the things were intended or which so diminish their usefulness that the buyer would not have bought it or paid so high a price had he been aware of them. The seller is not bound, however, to warrant against any latent defect known to the buyer or any apparent defect that can be perceived by a prudent and diligent buyer without any need of expert inspection.

3. If the seller warrants the quality of the things, he shall be liable for the defects thereof unless he proves that the defects appeared after the delivery of the things to the buyer due to improper use or violation of the rules of preservation thereof or through the fault of third persons or as a result of superior force.

4. Where the quality of the things is not agreed upon in the contract, the seller is bound to deliver them to the buyer in the condition fit for the use for which it is usually intended. If, however, at the time of conclusion of the contract the buyer made known to the seller the particular purpose for which he buys the things, the seller must deliver to the buyer things of such quality which would make the things fit for the particular purpose.

5. Where the contract is concluded according to a sample, model or description, the seller is bound to deliver to the buyer things which correspond with the sample, model or description, except for the derogations considered in the contract.

6. The things shall be deemed not to meet quality requirements if they lack the qualities which the buyer could have reasonably expected, i.e. which are necessary for the things to be fit for the purpose they would ordinarily be used or for a particular purpose.

7. The things shall be deemed not to conform with the contract if the quantity, volume or weight of the things does not conform with the conditions of the contract or things of the kind other than that agreed in the contract have been delivered.

8. Sale under judicial authority does not give rise to the seller's obligation to warranty the quality of the sold things, whereas the buyer may not refer to the sale of things not of the quality required by the contract, except where the seller was aware of the defects of the things sold.

9. Where the rights of succession are sold without specifying the property, the seller is bound to warranty only that he is the successor.

10. The producer, distributor, supplier, importer or any other persons distributing the things in his own name is bound to give a warranty of the quality of the things, provided for in paragraph 2 of this Article.

Article 6.334. Rights of Buyers of Things of Unsatisfactory Quality

1. Where the things sold do not correspond to the quality requirements and the seller did not discuss the defects with the buyer, upon buying things of unsatisfactory quality the buyer shall be entitled to demand, at his own choice;

1) to replace the thing which is characterised in the contract by its kind by the thing of satisfactory quality unless the defects are minor or appeared due to the fault of the buyer;

2) to reduce the purchasing price;

3) that the seller eliminates the defects within a reasonable time without any additional payment or reimburses the buyer's expenses for the elimination of defects if these may be eliminated;

4) to restore the price and repudiate the contract, where the sale of things of unsatisfactory quality is an essential breach of contract.

2. If the bought things perished by reason of a latent defect that existed at the time of conclusion of the contract of purchase-sale, the seller is bound to restore the price. If the loss results from superior force, or is due to the fault of the buyer, the buyer shall deduct from his claim the value of the things in the condition they were in at the time of the loss.

3. If the things perished by reason of a latent defect of which the seller was aware or could not have been unaware, he is bound not only to restore the price, but also to pay all damages suffered by the buyer.

4. The conditions of the contract excluding or limiting the seller's liability for the defects of the things shall be null and void unless he has disclosed to the buyer the defects of which the seller was aware or could not have been unaware or in the case where a buyer buys things at his own risk from a seller who is not a professional seller.

Article 6.335. Period of Warranty of Quality of Things

1. The law or the contract may provide that the warranty of quality of things given by the seller is valid for a certain period of time. In this case the warranty shall be valid for all its component parts unless otherwise established by the law or the contract.

2. The period of warranty shall start to run from the moment of delivery of things unless the contract provides otherwise.

3. Where obstacles within the seller's control prevent the buyer from using the things for which a period of warranty of quality has been set, the warranty period shall not run until the seller removes the obstacles.

4. Unless otherwise determined in the contract, the period of warranty shall be extended for the period the buyer was unable to use the things due to the defects, provided the buyer duly notified the seller of the perceived defects.

5. The component parts shall have the same period of warranty of quality as the principal thing, which shall commence to run together with the period of warranty of quality of the principal thing, unless otherwise provided by the contract.

6. If the seller replaces a thing or its component part with a fixed period of warranty of quality, the period of warranty of quality that has been fixed for the replaced thing or its component part shall be applied with respect to the thing or the component part presented in replacement, unless the contract provides otherwise.

Article 6.336. Period of Fitness for Use of Things

1. Law or other legal statutes may fix periods of time upon the expiration whereof relevant items of things shall be deemed unfit for their ordinary purpose (time period of fitness for use). In such cases the producer, importer, seller or any other person who distributes the things in his own name must explicitly indicate the period of fitness for use of the things.

2. A thing for which the period of fitness for use has been fixed must be delivered to the buyer by the seller within the time limit which would allow the buyer to use the thing for the purpose before the expiration of the period of its fitness for use.

3. The period of fitness for use shall be fixed by indicating the date of manufacture of the thing and the period of time running from the said date during which the thing is fit for use or by indicating the specific calendar day of expiration of its fitness for use period.

Article 6.337. Inspection of Quality of Things

1. The laws or the contract of purchase-sale may prescribe mandatory inspection of quality of the things and the procedure and time limits for performing the inspection.

2. Unless the procedure and time limits of quality inspection the things are established by laws or the contract, the inspection of quality of the things must be made within a reasonable time period and according to usually applied terms and conditions of the quality inspection of things and custom of the trade.

3. Where the laws or the contract of purchase-sale provide for the seller's duty to inspect the quality of the things which are delivered to the buyer (trial, examination, measurement, etc.), the seller is bound to hand over to the buyer documents certifying the performance of the quality inspection of the things together with the things.

Article 6.338. Time Limits for Filing Claims regarding the Defects of the Sold Things

1. Unless the contract or laws establish otherwise, the buyer shall have the right to file claims regarding the defects of the things sold, provided they were established within the time period specified in this Article.

2. Where the time period of warranty of quality or fitness for use of the item of the thing has not been established, the buyer may file claims regarding the defects of the thing within a reasonable time but not later than within two years from the day of sale of the thing, unless a longer time period is provided by law or the contract. The time period for filing claims in respect of the defects of the thing transported or conveyed by post shall run from the day of arrival of the thing to the appointed destination.

3. Where the time period of warranty of quality of the thing has not been fixed, claims regarding the defect of the thing may be filed provided the defects are established within the period of warranty. If the period of warranty of quality valid for the component parts is shorter than the period of warranty of quality of the principal thing, the claim regarding the defects of the component part may be filed within the period warranty of quality of the principal thing. Where a period of warranty of quality applied in respect of the component part is longer than that of the principal thing, a claim regarding the defects of the component part discovered within the period of warranty may be filed regardless of the expiration of the period of warranty of quality of the principal thing.

4. The buyer may file claims regarding a thing, in respect of which a time period of fitness for use has been fixed, provided the defects are discovered within the time period of fitness for use of the thing.

5. Where the period of warranty of quality fixed for a thing in the contract is less than two years and the defects of the thing are discovered after the expiration of the time period but not after the lapse of two years from the day of delivery of the thing, the seller shall be liable for the defects of the thing if the buyer proves that the defect appeared before the delivery of the thing or due to the reasons which appeared before the delivery and for which the seller is liable.

Article 6.339. Completeness of Things

1. The seller is bound to deliver to the buyer things which are in conformity with the conditions of the contract of purchase-sale, laying down the requirement of completeness of things.

2. If the completeness of things is not referred to in the contract, the seller is bound to deliver things complete with all accessories so that they would be consistent with the custom of the trade and the usually set requirements.

Article 6.340. Complete Set of Things

1. If the contract of purchase-sale provides for the seller's duty to deliver to the buyer a certain assortment of things constituting a set (set of things), the seller shall be deemed to have fulfilled his obligation only provided he delivers all items constituting the set.

2. The seller is bound to deliver to the buyer all items of the set at the same time, unless under the contract or according to the specifics of the obligation the contract may be performed otherwise.

Article 6.341. Legal Consequences of Delivery of Incomplete Things

1. In case of delivery by the seller of incomplete things, the buyer has the right to demand, at his choice:

1) reduction of the price of the thing;

2) delivery by the seller of the missing accessories within a reasonable time.

2. Where the seller fails to deliver the missing accessories within a reasonable time, the buyer shall be entitled, at his choice, to:

1) demand that the incomplete things be replaced with complete things;

2) refuse to perform the contract and demand restoration of the price, where the breach of contract is essential.

3. The rules provided in paragraphs 1 and 2 of this Article shall also be applicable in cases where the seller is in breach of his obligation to deliver to the buyer a set of things, unless the rules are not applicable under the contract or due to the specifics of the obligation.

Article 3.342. Containers and Packaging of Things

1. Unless the contract or the nature of the obligation provides otherwise, the seller is bound to deliver to the buyer things in containers and packaged, except in cases where due to the nature of the things there is no need to deliver them in containers or packaged.

2. Where the contract provides no requirements regarding the containers and packaging of things, the things shall be delivered packaged in the manner customary for such things, whereas in cases where the containers and packaging may be varied, the things is bound to be packaged in such a manner or in such containers which would ensure fitness of the type of things during storage or carriage under normal conditions.

3. Where mandatory requirements regarding containers or packaging are established by laws or other legal acts, the seller-businessman is bound to deliver the things to the buyer in containers or packaging which conform to the requirements set by laws or other legal acts.

Article 6.343. Legal Consequences of Violation of Requirements relating to Containers and Packaging of Things

1. Where the seller, in breach of his obligation, delivers to the buyer things not packaged or not in containers or in unfitted containers, the buyer shall refuse to accept them and demand that the seller package the things or deliver them in containers, unless otherwise provided by the contract or determined by the nature of the obligation or things.

2. Unless the contract provides otherwise, in the cases specified in paragraph 1 of this Article the buyer may make demands established in Article 6.334 of this Code instead of the demands established in paragraph 1 of this Article.

SECTION THREE
GENERAL OBLIGATIONS AND RIGHTS OF THE BUYER

Article 6.344. The Buyer's Obligation to Pay the Price and other Expenses

1. The buyer is bound to pay the price of the things within the time limits fixed in the contract or laws and at the set place.

2. The buyer owes interest on the sale price from the time of delivery of the things or the expiration of the period agreed by the parties, unless the contract or laws provide otherwise.

3. The buyer is also bound to pay any expenses incidental to the deed of purchase and sale.

4. Where the laws establish that the contract of purchase-sale must be concluded in a notarised form and thereafter must be registered in the public register, the buyer is bound to pay the price of purchase into the notary's deposit account at the time of conclusion of the contract, whereas the notary shall transfer the money to the seller following the registration of the contract in the public register, unless a different settlement procedure is provided by the agreement between the parties.

5. Where the buyer has sufficient grounds to believe that due to the seller's fault an action may be brought against him for revendication of the things being sold or restriction of rights thereto, he may suspend payment of the price, unless the seller guarantees possible payment of damages to the buyer.

Article 6.345. Legal Consequences of the Buyer's Non-performance of the Obligation to Pay the Price

1. Where the movable things have already been delivered to the buyer but the latter fails to pay the sale price, the seller shall have the right to repudiate the contract, notifying the buyer thereof in writing and recover the things. If only a part of the price has not been paid, the seller may recover only the unpaid part of the thing, provided the thing is divisible. The seller shall retain the right of recovery

only until the things are in the country of their delivery or have not passed into the hands of a third person or of a hypothecary creditor or the ususfructuary right has not been laid down.

2. In case of insolvency of the buyer, the seller cannot recover the things for which the price has not been paid if within a reasonable time the buyer's administrator offers to pay the price or presents a guarantee of performance of the obligation.

3. In all other cases not specified in paragraphs 1 and 2 of this Article the legal consequences provided in Article 6.314 of this Code shall emerge.

Article 6.346. Buyer's Obligation to Accept the Things

1. The buyer is bound to accept the delivered things, unless he is entitled to demand replacement of the things or rescission of the contract.

2. Unless otherwise provided by laws or the contract, the buyer is bound to take such measures and perform such actions which are required under the usually stated demands seeking to ensure due delivery and acceptance of things.

3. Where the buyer, in breach of his obligation, does not accept or refuses to accept things, the seller have the right to demand that the buyer accept the things or refuse to perform the contract.

Article 6.347. Obligation of the Buyer to Preserve the Things

1. Where the buyer has the right under the law or the contract to return to the seller the things delivered to him, the buyer must take such steps as are reasonable in the circumstances to preserve the things subject to be returned until their return. In this case the buyer is entitled to retain them until he has been reimbursed his reasonable expenses by the seller.

2. If the dispatched things subject to be returned have been placed at the buyer's disposal at their destination, he is bound to return them at his own expense, unless the seller or his agent is present at the destination or provided this does not cause the buyer unreasonable inconvenience or unreasonable expense.

3. If the things are subject to rapid deterioration, the rules laid down in paragraph 5 of Article 6.375 shall apply.

Article 6.348. The Buyer's Obligation to Notify the Seller of Improper Performance of the Contract

1. The buyer is bound to notify the seller of the breach of any condition of the contract specifying the quality, quantity, range, completeness, containers and packaging of the things within the time period fixed by law or contract or where the time period is not fixed - within a reasonable time after the breach of a certain condition was discovered or, in view of the type and purpose of the things, ought to have been discovered.

2. In case of failure by the buyer to perform the obligation laid down in paragraph 1 of this Article, the seller shall have the right to refuse to fully or in part meet the buyer's demands to replace the things, to deliver the missing things, to eliminate the defects of the things, to complete the things, to pack the things or deliver them in containers or to replace the containers or packaging, provided that he proves that following the breach of the obligation by the buyer his demands can no longer be met or that meeting of the demands would cause the seller unreasonable expenses compared to those the seller would have incurred if the buyer duly notified the seller of the breach of the contract.

3. If the seller was aware or could not have been unaware of the non-conformity of the things delivered by him to the conditions of the contract of purchase-sale, he shall lose the right to invoke the rules laid down in paragraphs 1 and 2 of this Article.

Article 6.349. Prohibition to Dispose of Things

1. If the contract of purchase and sale provides that the title to delivered things is reserved until the payment of full price or fulfilment of other conditions, before the title to the things passes to the buyer, the latter shall have no right to sell or otherwise dispose of the things, unless the purpose of the contract or characteristics of the things determine otherwise.

2. In case of non-fulfilment of the conditions of the contract of purchase-sale, on which the passing to the buyer of the title to the things is made conditional under the contract, the seller shall have the right to recover the things from the buyer, unless otherwise provided by the contact.

SECTION FOUR
SPECIFICS OF CONSUMER CONTRACTS OF PURCHASE -SALE

Article 6.350. Concept of Consumer Contract of Purchase-Sale

1. Under the consumer contract of purchase-sale the seller who is the person engaged in trade, or his agent obligates himself to sell a good - a movable thing - to the buyer - a natural person for his personal, family or household needs not related to business or profession, while the buyer obligates himself to pay the price. The rules of retail trade shall be approved by the Government.

2. The consumer contract of purchase-sale shall contain no conditions aggravating the consumer's (buyer's) position or abolishing or restricting the consumer's (buyer') right to bring an action against the seller for breach of contract conditions.

3. In a consumer contract of purchase-sale the seller shall be prohibited from:

1) making the conclusion of the contract of purchase-sale conditional on the purchase of a certain quantity of things;

2) offering the buyer entitlement to a gift or other supplement to the product, receivable immediately or within a certain time period after the conclusion of the contract, except for advertising samples, or promising entitlement to the purchase of accessories to the things;

3) attempting to exert influence on the buyers by offering things or services, showing price reduction in the price lists, price tags, in shop windows, or trying to induce the buyers to make a purchase by other ways and means which are contrary to good morals and public order.

4. If the seller has violated the buyer's rights, the buyer shall be entitled to apply to the institutions protecting consumers' rights or the court according to the procedure prescribed by law for the protection of his rights.

Article 6.351. Form of the Consumer Contract of Purchase and Sale

Unless the laws provide otherwise, a consumer contract of purchase and sale shall be deemed concluded from the moment the buyer chooses the thing to be purchased or expresses his will in any other manner.

Article 6.352. Public Offer

1. Presentation of the things in advertisements, general circulation catalogues shall be deemed a public offer, provided that the principal conditions of the contract of purchase and sale are specified.

2. Display of things in shop windows, on the counter or in other places of their sale, also demonstration of samples of the things or offering of information on the things on sale (description, catalogues, photographs, etc.) in the place of their sale shall be considered as public offer, irrespective of whether or not the price of the thing or other conditions of the contract of purchase and sale are indicated, unless the seller explicitly and unambiguously states that certain things are not for sale.

Article 6.353. Seller's Obligation of to Inform the Buyer

1. The seller is bound to provide the buyer with the necessary, accurate and comprehensive information about the things offered for sale, indicating on their labels or otherwise: their price (inclusive of all taxes and charges), quality, method of use and safety, warranty period, period of fitness for use as well as other qualities of the things and characteristics of their use, having regard to the type of things, their purpose, personality of the consumer and requirements of retail trade. The seller who is in breach of the above obligation is bound to compensate for the damages suffered by the buyer for that reason.

2. The information about the things offered for sale shall not be misleading.

3. It shall be obligatory to indicate the selling price of every thing or of the things of one kind and the price of a suitable standard unit of the thing. The selling price of things or the price of a standard unit need not be indicated where the things:

1) are supplied in the performance of services;

2) are sold by auction or are objects of art or antiques.

4. The price of a standard unit of the things need not be indicated:

1) if these are things whose price does not depend on their weight or measurement;

2) if the price of the standard unit is the same as the selling price;

3) for things or groups of things the list whereof shall be approved by the Government or the institution authorised by it.

5. Only the price of the standard unit of things must be indicated if the things are not packaged and their quantity is ascertained in the presence of the customer.

6. The selling price and the standard unit price must be conspicuous, clearly legible, unambiguous and easily identifiable.

7. In any advertisement of the thing the indicated selling price must be accompanied by the standard unit price, save for the exceptions specified in paragraphs 3 and 4 of this Article.

8. The buyer shall be entitled to examine the products before entering into the contract and to demand that the seller inspect the things in his presence or demonstrate the way they are used, provided this is possible, bearing in view the character of the things and rules of retail trade.

9. In case of failure by the seller to promptly provide the buyer with an opportunity to obtain the information specified in paragraphs 1-7 of this Article at the place of sale of the things, the buyer shall have the right to claim from the seller compensation of damages for any loss occasioned by avoidance to conclude the contract or, where the contract has been concluded - to rescind the contract unilaterally within a reasonable time and to demand refund of the price paid and compensation of other damages.

10. The seller who fails to provide the buyer with an opportunity to receive the relevant information about the things shall be liable for the defects of the things which appeared after the delivery of the things to the buyer, if the buyer proves that the defects appeared because he did not possess the relevant information.

11. In the Republic of Lithuania the rules of marking and indication of prices of things exposed for sale shall be approved by the Government or the institution authorised by it.

Article 6.354. Expenses of and Incidental to Contract Formation

The expenses of and incidental to the formation of a consumer contract of purchase and sale shall be assumed by the buyer only provided that at the moment of entry into contract the seller contemplated the expenses as a special and individual item or specified the criteria for the calculation of the expenses.

Article 6.355. Sale of Things Conditional on Acceptance thereof by the Buyer within a Certain Period

1. Consumer contract for purchase and sale may contain a provision that the buyer is bound to accept the things within a certain period fixed in the contract, within which the seller shall have no right to sell the things to another buyer.

2. Unless otherwise provided in the contract and if the buyer fails to arrive within the fixed period or fails to perform other actions necessary in order to accept the things within the period fixed in the contract, the buyer shall be deemed to dissolve the contract.

3. The seller’s extra expenses incidental to the transfer of the things to the buyer within a certain time period shall be included in the price of the things, unless the contract or laws provide otherwise.

Article 6.356. Sale of Things by Sample

1. Consumer contract of purchase and sale may be concluded by the sample of things the seller offers to the buyer (description of the goods, catalogues of goods, models, etc.).

2. Unless otherwise provided by laws or the contract, a contract by sample shall be deemed concluded when the seller delivers the things to the destination specified in the contract, and in case there is no indication of the destination in the contract - to the customer's place of residence.

3. Before the transfer of the things the buyer shall have the right to repudiate the contract by sample. However, in such case the buyer must reimburse the seller's reasonable expenses incidental to the performance of the contract prior to the repudiation, unless the contract provides otherwise.

Article 6.357. Sale of Things inside the Premises not Intended for Trade

1. A contract of purchase and sale concluded inside the premises not intended for trade is a contract entered into by the seller and consumer during a visit outside the business premises or during the seller's visit at the place of residence of the consumer during his working hours, study hours or other time. The provisions of the Article shall apply mutatis mutandis also to contracts of consumer services.

2. The rules of sale of things inside the premises not intended for trade shall be approved by the Government or the institution authorised by it.

3. This Article shall not apply to contracts:

1) for the purchase or delivery of food products or other things intended for everyday use;

2) for purchase-sale or supply of services, where the seller or service supplier arrives upon an express order given by the consumer, except where the customer is delivered things or supplied services other than those ordered by him;

3) for the supply of insurance services;

4) for the purchase-sale of securities;

5) for the purchase-sale of things or supply of services where under the contract the customer is charged LTL 200 or less;

6) where the contract entered into has been notarised.

4. In case the seller offers a thing for sale in the premises not intended for trade, he is bound to hand in to the buyer a document indicating:

1) the date of delivery of the thing to the consumer;

2) the name of the thing;

3) the price of the thing, inclusive of all taxes and charges;

4) the seller's name and address;

5) the name (name, surname) of the person to whom the consumer who repudiates the contract may address the notice of repudiation of the contract;

6) the consumer' right to rescind the contract according to the procedure laid down in paragraphs 6-11 of this Article.

5. The onus duty of proving delivery to the consumer of the document referred to in paragraph 4 of this Article shall be on the seller.

6. The buyer shall have the right to repudiate (rescind) the contract entered into in the premises not intended for trade, notifying the seller thereof within 7 days from the day of receipt of the document specified in paragraph 4 of this Article. This right of the buyer shall not be subject to any restrictions in the form of additional undertakings or payments or to any limitation or abolition. In case of non-delivery to the buyer of the document specified in paragraph 4 of this Article, the buyer shall have the right to rescind the contract within 3 months from the date of entry into contract.

7. The buyer shall be entitled to exercise the right provided for in paragraph 6 of this Article if the thing is not damaged or there are no material changes in its appearance. Changes in the thing or its packaging that were necessary in order to examine the received thing shall not be treated as material changes in the appearance of the thing. An expert examination maybe ordered in the event of a dispute about the appearance. The expenses incidental to the expert examination shall be born by the guilty party.

8. The buyer may not exercise the right to rescind the contract provided for in paragraph 6 of this Article if the contract is for the supply of services, which was started with the consumer's consent before the expiration of the time period specified in paragraph 6 of this Article.

9. Upon receipt of the notice of rescission of the contract provided for in paragraph 6 of this Article the seller must within 15 days take back the thing returned by the buyer and refund the buyer the amount paid for the thing. In this case performance of the obligations by the parties must be concurrent conditions.

10. If the buyer repudiates the contract according to the procedure provided for in paragraph 6 of this Article, but the thing cannot be returned as it perished or was damaged through the buyer's fault, the buyer is bound to return the seller the value of the thing that perished or was damaged or the amount of the reduction of its value only provided he did not act as carefully as the person preserving the property would have been.

11. The buyer is bound to pay for the use of the thing and for other services supplied to him before the moment he exercised the right to repudiate the contract according to the value of the above thing or supplied services. However, the buyer is not bound to compensate for the reduction of the value of the thing due to its use for its purpose.

12. Agreements between the parties which are not in conformity with the provisions of this Article and are detrimental to the consumer's position shall be null and void.

Article 6.358. Sale of Things by Slot-Machines

1. If things are sold by slot-machines, the owner of the machines must inform the buyer in a notice on the machine or in any other way about the seller (seller's name and registered office), mode of operation of the machine, as well as the actions the buyer is bound to perform in order to be delivered the thing and the sequence of the actions.

2. In this case the contract shall be deemed concluded from the moment the buyer performs the actions required in order to obtain delivery of the thing from the slot-machine.

3. In case of non-delivery to the buyer of the thing payment for which has been made, the seller must promptly upon the buyer's demand deliver the thing or restore the price.

4. The rules specified in this Article shall also be applicable where the machines are intended for money exchange, acquisition of token money or exchange of currency, unless special rules establish otherwise.

Article. 6.359. Sale of Things Conditional on their Delivery to the Buyer

1. Where a consumer contract for purchase-sale provides that the things must be delivered to the buyer, the seller is bound to deliver the things within the time period specified in the contract to the place indicated by the buyer and where there is no indication of the place of delivery - the buyer's place of residence.

2. The contract shall be deemed performed from the moment of delivery of the things to the buyer or, in the buyer's absence, from the delivery of the things to the person who presents a receipt or any other document confirming conclusion of the contract or giving a formal acknowledgement of delivery of the things, unless the contract provides otherwise.

3. Where the time period of delivery of the things to the buyer is not specified in the contract, the things must be delivered within a reasonable time after the seller received the buyer's order for the delivery thereof. If the things are not delivered within a reasonable time, the buyer shall have the right to rescind the contract and shall not be bound to bear the thing delivery expenses, unless the contract provides otherwise.

Article 6.360. Price of the Things and its Payment

1. The buyer is bound to pay the price of the things charged by the seller at the moment of entry into the into the contract unless the contract or laws provide otherwise.

2. It shall be a prohibited practice for the seller to unilaterally increase the price of the thing after the conclusion of the contract. If the seller unilaterally increases the price after the conclusion of

the contract, the buyer shall be entitled to repudiate the contract upon communicating a written notice thereof to the seller, except in the cases where the contract provides for the delivery of the things to the buyer after the lapse of more than three months after the conclusion of the contract, whereas the seller has the right to unilaterally increase the price of the property during the said period.

3. Where the contract for purchase-sale provides for payment for the things to be made in advance, whereas the buyer fails to pay the price within the time limit fixed in the contract, it shall be deemed that the buyer repudiated the contract, unless otherwise provided in the contract.

4. Where the things are purchased in instalment sale (on credit), the buyer shall have the right to pay for the things before the expiration of the time limit set for payment.

5. Where the buyer fails to pay the instalments when due, default interest on the unpaid amount shall not be calculated.

Article 6.361. Hire-Purchase Contract

1. It may be stipulated in the contract that until the passing of ownership of the things to the buyer he remains the lessee of the delivered things (hire-purchase contract).

2. Unless the contract provides otherwise, the buyer shall become the owner of the things upon full payment of the sale price.

Article 6.362. Replacement and Return of Things

1. The buyer shall be entitled to replacement of the purchased things, other than food products, at the place of purchase or elsewhere, as indicated by the seller, within fourteen days from the delivery thereof to the buyer, unless the seller has set a longer time period, receiving in exchange analogous things of different measurements, form, colour model or completeness. In case of a difference in prices between the things to be replaced and things offered in replacement, the buyer is bound to pay the seller the recalculated price.

2. If the buyer does not possess things suitable for replacement, the buyer shall have the right to return the things to the buyer within the time period set in paragraph 1 of this Article and recover the money paid.

3. The buyer's claim for replacement of the things shall be satisfied provided the things have not been in use, have not been damaged, have retained their fitness for use, and have not lost their merchantability and the buyer is in possession of proof confirming that he purchased the things from the seller.

4. The things listed in the Rules for the Return and Replacement of the Things shall not be subject to replacement or return according to the procedure laid down in this Article. The Rules shall be approved by the Government or the institution authorised by it.

Article 6.363. Quality of Things and Buyer's Rights upon being Sold Things of Improper quality

1. The things that are being sold must be safe. The requirements for the safety of things shall be laid down in laws and other legal acts. The seller shall be deemed to guarantee the quality of things in all cases (statutory warranty).

2. The things being sold must be of satisfactory quality, i.e. the characteristics of the things cannot be inferior than those provided for in the financial regulation applied to the thing (if any) and in the contract for purchase and sale of the thing. It shall be against the law to sell things whose time period of fitness for use has expired.

3. The characteristics of the thing are in conformity with the conditions of purchase and sale, provided:

1) the thing conforms to the requirements of the regulations specified by the producer of the thing;

2) the thing is fit to be used for the purpose for which the things of the type are normally used;

3) the thing conforms to the quality requirements that may be expected having in mind the nature of the thing as well as public representations about the quality of the thing made by the producer, his agent, or seller of the thing.

4. The buyer who has been sold things of improper quality (save for the food products) with defects that the seller has not given notice of shall be entitled, at his own choice, to demand from the seller, within the time limit specified in 6.338 of this Code:

1) to replace the thing of improper quality with a thing of satisfactory quality;

2) to reduce the price accordingly;

3) to eliminate the defects without any payment within a reasonable time ;

4) to reimburse the buyer's expenses for the elimination of defects if the buyer has not eliminated the defects on his own or with the help of third persons.

5. In all cases the buyer shall be entitled to be reimbursed for the expenses sustained due to the sale of a thing of improper quality.

6. The buyer shall be entitled to demand replacement of a technically complex and expensive thing in case of material violation of quality requirements laid down for the thing.

7. Where the defects of the thing cannot be eliminated due to the properties of the thing (food products, chemical products, etc.), the buyer shall be entitled, at his choice, to demand replacement of such thing of improper quality with a thing of satisfactory quality or insist on appropriate reduction of the price of the thing.

8. Instead of putting forward the demands provided for in paragraphs 4-7 of this Article, the buyer may unilaterally rescind the contract and demand restoration of the price. In this case the buyer must, upon the seller's request, return the thing of improper quality, the expenses incidental thereto being born by the seller. Refunding to the buyer the money paid, the seller shall have no right to deduct the amount whereby the value of the thing has been reduced due to its use or loss of appearance or due to other circumstances.

9. In the cases provided for in this Article the buyer may bring an action for the recovery of the price paid by him within a two-year period allowed by the limitation of actions.

10. The institutions protecting the rights of consumers shall be entitled under law to offer protection, on their own initiative, to consumers whose rights have been violated through the sale of things of improper quality.

Article 6.364. Compensation of the Difference in Prices

1. Where the seller replaces a thing of inferior quality with another analogous thing of proper quality, he shall have no right to demand that the buyer should compensate him the difference between the price provided in the consumer contract for purchase-sale and the current price of the thing at the time of its replacement or at the moment of making of the decision by the court or any other institution binding to replace the thing.

2. Where a thing of inferior quality is replaced by another analogous thing which is of a different size, model, type or differs in other qualities, the buyer is bound to compensate the difference between the contract price and the current price of the new thing at the time of its replacement. In case of failure by the buyer to compensate the difference between the prices, it shall be determined based on the prices current at the time of adoption by the court or any other institution of the decision to replace the thing.

3. When the buyer demands that the price of the thing of inferior quality be reduced accordingly, account shall be taken of the price of the thing at the moment the demand is presented, whereas in case of refusal by the seller to satisfy the buyer's demand, regard shall be had to the current price at the time the court or any other institution passes a decision regarding price reduction.

4. Returning a thing of inferior quality to the seller, the buyer shall have the right to claim recovery of the difference between the price fixed by the contract and the current price at the moment of satisfaction of his claim or, when the seller refuses to satisfy the claim, the difference at the moment of rendering of the decision by the court or any other institution.

Article 6.365. Seller's Liability and Performance of the Obligation in Kind

In case of failure by the seller to perform his obligation under the consumer contract of purchase-sale, compensation of damages or payment of penalty shall not release the seller from performance of the obligation in kind.

Article 6.366. Sale of Things under Distance Contracts

1. A distance contract of purchase and sale of things concluded by means of communication is a contract for the sale of things concluded between the seller and the buyer (consumer) exclusively by means of communication (one or several). The provisions of this Article shall apply mutatis mutandis to consumer contracts for the supply of services and other consumer contracts.

2. The regulations for the sale of things and supply of services under distance contracts concluded by means of communication shall be approved by the Government or the institution authorised by it.

3. The provisions of this Article shall not apply to contracts concluded:

1) for the provision of financial services;

2) by auction;

3) for the sale-purchase and/or delivery of food products or other things intended for everyday consumption;

4) for the provision of accommodation, transport, catering or leisure services, where the provider of services undertakes to provide the services on a specific date or within a specified time period;

5) for sale by automatic vending machines (Article 6.358 of this Code);

6) through the operator of the means of communication, i.e. the person whose business consists of provision of one or several communication services which may be used by the seller or provider of services for concluding with the consumer a contract for the purchase-sale of things or supply of services.

4. Before the conclusion of the contract the seller must submit to the buyer through the means of communication used by him relevant information containing:

1) information about the seller;

2) main characteristics of the thing;

3) the selling price of the thing;

4) price of delivery of the thing;

5) procedure of payment, delivery or provision;

6) procedure for exercising the buyer's rights to repudiate the contract in accordance with the provisions of Article 6.367 of this Code;

7) rates of charges for the use of means of communication, when calculated otherwise than in the regular manner;

8) period of validity of the offer and price;

9) shortest period of the contract, where a contract is concluded for the supply of things or supply of services on the continuing basis.

5. The commercial character of the information specified in paragraph 4 of this Article must be expressed unequivocally and clearly and correspond to the means of communication used. Where the telephone is used, the seller must clearly describe the commercial goal of conversation.

6. The buyer must be provided information in writing before the conclusion of the contract and, where the things are subject to delivery, before the delivery (if the things are delivered by the third person authorised by a person other than the buyer), unless the buyer has been provided such written information before the conclusion of the contract, on:

1) the offered thing (name, principal characteristics);

2) the seller; the buyer is informed to what address and to whom he may address any of his complaints;

3) procedure for exercising the buyer's rights to repudiate the contract in accordance with the provisions of Article 6.367 of this Code;

4) procedure of payment, delivery or performance, the services of maintenance of the thing provided by the seller and warranties, if given;

5) conditions of contract repudiation where the contract is of indefinite duration or its duration is over one year.

7. The onus duty of proving delivery to the buyer of written information specified in paragraph 6 of this Article shall be on the seller.

8. Unless the contract provides otherwise, the seller is bound to deliver the things within 30 calendar days from the date of conclusion of the contract.

Article 6.367. The Buyer's Right to Repudiate a Distance Contract Concluded by Means of Communication

1. The buyer shall have the right to repudiate the distance contract of purchase-sale concluded by means of communication by notifying the seller thereof in writing within seven working days from:

1) the date of delivery of the thing, where the contract is for the sale of a thing;

2) the date of conclusion of the contract for the supply of services.

2. If information specified in paragraph 6 of Article 6.366 is not delivered to the buyer in writing, he shall be entitled to repudiate the contract within three months from the date of conclusion thereof.

3. It shall be prohibited to subject the buyer's right to repudiate the contract, provided under this Article to any restrictions in the form of additional undertakings or payments or to any other limitation or rescission except in cases provided for in this Article.

4. The buyer shall not be entitled to exercise the right specified in paragraphs 1 and 2 of this Article if the contract has been concluded:

1) for delivery of audio and video works and phonograms in any video or audio media or computer programmes and the buyer has broken the seal integrity of packaging;

2) for delivery of newspapers, magazines or other periodicals;

3) for participation in games and lotteries.

5. In case of purchase-sale of things the buyer may exercise the right to rescind the contract if the thing is not damaged or there are no material changes in its appearance. Changes in the thing or its packaging that were necessary in order to examine the received thing may not be treated as material changes in the appearance of the thing. An expert examination may be ordered in the event of a dispute about the appearance of the thing. The expenses incidental to the expert examination shall be born by the guilty party.

6. If the buyer exercises the right to repudiate the contract where the price of the thing is paid in part or in full under the consumer credit agreement concluded for the purpose between the seller and the buyer, or the seller and the third party, the said consumer credit agreement shall be rescinded without any additional obligations being imposed on the buyer.

7. Upon receipt of the notice of repudiation of the contract, referred to in paragraph 1 of this Article, the seller must within 15 days take back the thing and refund the buyer the amount paid for the thing.

Article 6.368. Supply of Unsolicited Things

1. It shall be prohibited to supply unsolicited things if payment is demanded therefor.

2. In case of delivery of unsolicited things the consumer may use them at his own pleasure without payment.

Article 6.369. Time-sharing Contract

1. A time-sharing contract is a contract concluded for an at least three-year period, under which the buyer, irrespective of the type of the concluded contract, shall acquire the right to use a dwelling at a certain time for the time interval of at least one week in a year.

2. Before concluding the time-sharing contract, the seller must present to the buyer a prospectus. The prospectus shall contain the following: information about the dwelling and other

persons possessing the right to use the dwelling under the time-sharing system; the owner of the dwelling; the rights of the buyer; information regarding the charges for the right to use the dwelling and other surcharges. The minimum list of mandatory information that may be presented in the prospectus and in the time-sharing contract shall be determined by the Government or the institution authorised by it. The prospectus relating to the dwelling offered for use under time-sharing contract shall be not severable from the contract.

3. The prospectus and the contract shall be written out and executed in the State language. If the dwelling for the use whereof the contract is concluded is located in another state, the seller must present to the buyer a translation of the contract into one of the official languages of that state.

4. Any advertisement for the conclusion of the time-sharing contract must indicate where and how the buyer may obtain the prospectus.

Article 6.370. Buyer's Right of Repudiation in the Case of Time-sharing Contracts

1. Under the time-sharing contract the buyer shall have the right of repudiate the contract upon notifying the seller thereof in writing ten days before the date of conclusion of the contract. If the buyer is not provided with the prospectus on the day of conclusion of the contract or if certain mandatory information is missing in the prospectus, the buyer shall have the right to repudiate the contract within four months from the conclusion thereof. If the prospectus containing all mandatory information is presented within the said four months, the period for exercising the right of repudiation by the buyer shall be ten days from the presentation of the prospectus.

2. If the buyer exercises the right of repudiation where payment for the right to use the dwelling under the time-sharing contract has been made in part or in full under the consumer credit contract concluded for the purpose between the seller and consumer or the seller and the third person, the consumer credit contract may be rescinded.

3. The buyer's right of repudiation of the contract provided for in this Article shall not be subject to any restrictions in the form of additional undertakings or payments or to any limitation or abolition.

4. The seller shall have no right to request payment from the buyer in advance before the expiration of the repudiation period. Where payment in advance has been made, the seller, having received the buyer's notification of repudiation, must within ten days refund the paid amount to the consumer.

SECTION FIVE
CONTRACTS OF WHOLESALE PURCHASE-SALE

Article 6.371. Concept of Contract of Wholesale Purchase-Sale

1. Under the contract of wholesale purchase-sale the seller who is the person engaged in trade, or his agent obligates himself to deliver on the fixed date things manufactured or purchased by him into the ownership (trust) of the buyer for the latter's business needs or other needs not related to personal, family or household need whereas the buyer obligates himself to pay the price.

Article 6.372. Period of Time for the Delivery of Things

1. Where a long-term contract has been concluded for the purchase-sale of things, under which things are delivered in lots and the period of time for the delivery of things is not provided in the contract, the lots of things shall be delivered on a monthly basis in equal parts, unless a different conclusion is to be drawn having regard to the custom of the trade or the essence of the obligation.

2. In case of failure by the seller to deliver all things within the specified period of time, the things that have not been delivered by the due date must be delivered within the remaining time period/periods, except where the contracts provides otherwise.

Article 6.373. Delivery of Things

1. If the means of transportation and terms of transportation of the things by the seller to the buyer are not specified in the contract, the seller is bound to arrange for carriage of the things by means of transportation appropriate in the circumstances and according to the usual terms for such transportation, unless it is reasonable to infer otherwise in view of the custom of the trade or the essence of the obligation.

2. The contract may stipulate the buyer's obligation to take over the things from the stock at the seller's place of business or any other place (warehouse, railway station, etc.)

Article 6.374. Acceptance of Things

1. The buyer must take necessary measures to ensure that all delivered things are accepted in due manner within the time period fixed in the contract or, where the time period is not fixed - within a reasonable time and to examine the quantity and quality of the things according to the procedure set in the contract and promptly notify the seller of the discovered defects and deficiency in the quantity.

2. Where the buyer is bound to receive the things from the carriers' organisation, he must check conformity of the things with the information given in the shipping documents and accept the things in accordance with the regulations of the means of transportation.

Article. 6.375. Preservation of the Unaccepted Things

1. The buyer who refuses to accept the things delivered to him under contract must preserve the things (responsible preservation) and promptly notify the seller of his refusal.

2. Upon receipt of the notice specified in paragraph 1 of this Article the seller shall within a reasonable time period take the things back or inform the buyer what he should do with them. In case of failure by the seller to do so, the buyer shall have the right to re-sell the things or return them to the seller.

3. The seller is bound to reimburse the buyer for the necessary expenses incidental to the preservation, sale or return of the things. Having sold the things, the buyer shall make the necessary deduction of expenses incidental to the sale and preservation of the things and restore the balance to the seller.

4. In case of refusal by the buyer to accept the things in the absence of the grounds provided for by law or the contract, the seller shall have the right to demand from the buyer payment of the full price.

5. In case the goods are perishable and subject to rapid deterioration and the application of the rules laid down in paragraph 2 of this Article is not possible for the said reason, the buyer may re-sell the things without waiting for the seller's response.

Article 6.376. Taking Possession of the Things

1. In case the buyer is bound under the contract to take possession of the things at the seller's place of business or any other place, when taking possession of the things at the place of their delivery the buyer must examine their quantity and quality, unless the contract provides otherwise.

2. If the buyer fails to take possession of the things within the time period fixed in the contract or, where the period is not fixed, within a reasonable time period after the seller transmitted a notice that the things may be taken possession of, the seller shall have the right to repudiate the contract or demand payment of the price and reimbursement of expenses incidental to preservation of the things.

3. If the buyer is bound to indicate the things he is purchasing by specifying their volume, form or otherwise, but fails to do so within a reasonable time, the seller may himself do this having regard to the needs of the buyer he is aware of.

Article 6.377. Containers and Packaging

1. Unless otherwise provided in the contract, the buyer must return to the seller at his own expense the returnable containers and packaging in which the things were delivered.

2. Other containers shall be returned only in cases provided for in the contract.

Article 6.378. Sale of Things of Improper Quality or Completeness

Where the things transferred by the seller are of inferior improper quality or completeness, the buyer may make demands specified in Articles 6.334 and 6.341 of this Code, except in cases where the seller upon the receipt of the buyer's notice promptly replaces the things of inferior improper quality with quality things or delivers the product in its completeness.

Article 6.379. Unilateral Rescission of the Contract

1. The buyer shall have the right to unilateral rescission of the contract in the event of a fundamental breach thereof by the seller.

2. A breach of the contract committed by the seller shall be deemed fundamental if:

1) the delivered things are of inferior improper quality and their defects cannot be eliminated within the time period the buyer finds acceptable;

2) the seller has more than twice missed the deadline set for the delivery of the things where under the long-term contract the things had to be delivered within the fixed time limits.

3. The buyer shall be considered to have committed a fundamental breach of contract and the seller shall acquire the right to a unilateral rescission of the contract if the buyer:

1) has more than twice failed to make timely payment for the things delivered when due;

2) has more than twice failed to take possession of the things delivered on the set date.

SECTION SIXTEEN
PUBLIC PROCUREMENT CONTRACTS

Article 6.380. Concept of Public Procurement Contract

Under the public procurement contract a state or municipal institution or a state or municipal enterprise, office or organisation shall purchase things or make payment for works or services (lease including) with the resources of the State Budget, municipal budgets, State Social Insurance Fund Budget and other state and municipal funds for the purpose of meeting the needs of the State or municipality, or the needs of state or municipal institutions, enterprises, offices and organisations.

Article 6.381. Specifics of Conclusion of Public Procurement Contracts

Public procurement contracts shall be concluded by holding competitive bidding, except where the laws establish otherwise.

Article 6.382. Regulation of Public Procurement Contracts

The provisions of this Code shall apply to public procurement contracts to the extent it is not established otherwise by other laws.

SECTION SEVEN
CONTRACTS FOR PURCHASE-SALE OF ENERGY

Article 6.383. The Concept of the Contract of Purchase-Sale of Energy

1. Under the contract of purchase-sale of energy (or energy resources) an energy supply enterprise undertakes to supply the subscriber (consumer) via the connected energy supply network an amount of energy of the type provided for in the contract, whereas the subscriber (consumer) obligates himself to pay for the supplied energy and comply with the energy consumption regime specified in the contract, ensuring safety of exploitation of the energy supply network and maintenance in good condition of the installations and facilities owned by him.

2. A contract for purchase-sale of energy shall be concluded with the subscriber only provided he is in possession of energy consuming devices and internal network which meet the prescribed technical requirements and are connected to the energy supply network and has energy metering devices installed. Where a new energy supply network is being built, the provisions of this paragraph

shall not apply to the futures contracts for the purchase-sale of energy. A contract for the purchase-sale of heat, hot and cold water may be concluded with a household consumer also where there is no direct accounting of the above energy resources between the energy supplier and consumer.

3. A contract for the purchase-sale of energy is a public contract (Article 6.161 of this Code).

4. Where a contract for the purchase-sale of energy is a consumer contract, i.e. the subscriber is a natural person purchasing energy for personal, family or household needs (consumer), Article 6.188 of this Code and other articles of this Code, specifying the characteristics of consumer contract for purchase-sale shall apply mutatis mutandis to the contract for purchase-sale of energy.

Article 6.384. Conclusion and Extension of a Contract for the Purchase-sale of Energy

1. Where under the contract the subscriber is a natural person who uses energy for domestic consumption, the contract shall be deemed concluded from the moment the consumer equipment is connected to the energy transmission network. The contract shall be considered concluded for the term of unlimited duration, unless the contract provides otherwise.

2. If by the expiration of the term of the contract neither of the parties declares that the contract will be terminated or modified or that a new contract will be concluded, the contract for the purchase-sale of energy concluded for a term of limited duration shall be deemed extended for the same period and under the same conditions.

3. If by the expiration of the contract's term of limited duration a party to the contract proposes to conclude a new contract, pending the conclusion of the new contract the conditions of the previous contract shall apply to the relations between the parties.

Article 6.385. Energy Amount and Rates (Tariffs)

1. The energy supply enterprise is bound to sell to the subscriber the amount of energy provided for in the contract in compliance with the energy supply regime agreed between the parties. The amount of the energy supplied and consumed shall be determined on the basis of energy meter readings or in any other manner specified in the contract.

2. The contract may provide for the subscriber's right to change the amount of energy received provided that the subscriber would compensate for the losses incurred by the energy enterprise due to the requirement to ensure the supply of a larger amount of energy not provided for in the contract.

3. The subscriber, who is a natural person - a consumer using energy for domestic consumption, may use as much energy as he needs.

4. Energy rates (tariffs) shall be fixed according to the procedure established by law.

Article 6.386. Energy Quality

1. Energy quality must conform to the standards of the contract and quality standards as well as to the requirements established by other regulations.

2. If the energy supply enterprise violates the energy quality requirements, the subscriber may refuse to pay for the energy. However, in this case the energy supply enterprise shall be entitled to request that the subscriber compensate for the value of what the subscriber saved without a legal justification by using energy.

3. The subscriber shall be entitled to compensation of damages incurred by him due to the supply of energy of improper quality.

Article 6.387. Buyer's Duties relating to the Maintenance of Installations

1. The subscriber must ensure adequate condition of the energy supply network, other facilities and installations owned by him and safety of their exploitation, also comply with the established energy consumption regime and notify the energy supply enterprise without delay of any accident, fire, damage of energy metering equipment or any other violations related to the use of energy.

2. If the subscriber is a natural person - consumer using energy for his domestic consumption, the energy supply enterprise must ensure adequate technical condition and safe exploitation of the

energy supply network, energy metering equipment and their safe use, unless otherwise provided by the contract or laws.

Article 6.388. Payment for Energy

1. The subscriber shall pay for the amount of energy actually used according to the readings of the energy meters, unless the contract establishes otherwise.

2. Unless legal acts provide otherwise, payment procedure shall be established by agreement between the parties.

Article 6.389. Sub-subscriber

1. The subscriber may, without exceeding the capacity permitted for use, transmit to another person (sub-subscriber) electricity received from the energy supply enterprise without the latter's consent.

2. The subscriber may transmit heat, cold and hot water to another person (sub-subscriber) only provided the supply enterprise gives its consent thereto.

3. In the cases provided for in paragraphs 1 and 2 of this Article the subscriber shall still be held liable to the energy supply enterprise under the energy purchase-sale contract.

Article. 6.390. Modification and Rescission of the Contract

1. If under the contract of purchase-sale of energy the subscriber is a natural person -consumer using energy for domestic consumption, he shall be entitled to unilateral rescission of the contract notifying the energy supply enterprise thereof, provided the he has paid for the energy used. The consumer residing in a multi-apartment house may exercise this right only if such an act will not be detrimental to the residents of other apartments of the house.

2. If the subscriber is a legal person, the energy supply enterprise may unilaterally refuse to perform the contract on the grounds provided in Article 6.217 of this Code unless otherwise provided in the contract.

3. Termination, suspension or limitation of energy supply shall only be allowed by agreement between the parties, except in cases where state energy supervisory institutions establish such defects of the subscriber's installations, which endanger people's life and safety. The energy supply enterprise must notify the subscriber in advance of the termination, suspension or limitation of energy supply.

4. Termination, suspension or limitation of energy supply without an appropriate agreement with the subscriber or without his notification in advance shall be allowed only in cases when this is necessary in order to prevent an accident or as a response to an accident in the energy supply network. However in such cases the subscriber must also be promptly notified of the termination, suspension or limitation of energy supply.

5. Termination of electricity and heat, hot water and gas supply to multi-apartment houses due to arrears in payment of individual apartment owners (tenants) for the electricity, gas and water consumed shall be prohibited.

Article 6.391. Scope of Application

The provisions of this Article shall apply with respect to supply of electricity, heat energy, gas, oil and oil products, water and other energy through the distribution network, unless the laws establish otherwise or unless, taking into account the essence of the obligation, a different conclusion should not be made.

SECTION EIGHT
CONTRACTS OF PURCHASE-SALE OF AN IMMOVABLE THING

Article 6.392. Scope of Application

1. The norms of this Section shall apply with respect to purchase-sale of land, residential houses, apartments, and other immovable things.

2. The norms of this Section shall apply to the purchase-sale of enterprises to the extent the norms of Section Nine of this Chapter (Articles 6.402-6410 of this Code) do not establish otherwise.

Article 6.393. Form of the Contract

1. A contract for the purchase-sale of an immovable thing shall be subject to notarial certification.

2. Non-compliance with the requirements of the form shall render the contract null and void.

3. A contract for purchase-sale of an immovable thing may be invoked against third persons only in the event of it being registered in the public register according to the procedure established by laws.

4. Ownership of an immovable thing shall pass to the buyer from the moment of delivery of the thing. The fact must be registered in the document executed according to the procedure established by Article 6.398 of this Code. If any of the parties avoids registering the fact of passing of ownership of the immovable thing, the court may, at the request of the other party, adopt a decision on the registration of the contract. In such case the contract shall be registered based on the court decision. The party which avoided without any reason to register the passing of ownership right, must compensate the other party for the damages incurred by reason thereof.

Article 6.394. Rights to a Land Plot

1. Under the contract for purchase-sale of a building, installation or other immovable thing the seller shall transfer to the buyer, together with the right of ownership to the thing, the rights specified in paragraphs 2 and 3 of this Article to the part of the land plot, which is occupied by the thing and which is necessary for the thing to be fit for the purpose it would ordinarily be used.

2. Where the seller is the owner of the land plot on which the immovable thing being sold is situated, the buyer shall be transferred the rights of ownership to the land plot or the right of land lease or right of superficies, whatever is provided by the contract. A contract in which the rights of the buyer to the land plot are not contemplated may not be certified by a notary and if certified, shall be null and void.

3. Where the owner of the immovable thing is not the owner of the land plot on which the thing is situated, he may sell the immovable thing without the consent of the owner of the land plot only provided this is in compliance with the conditions of use of the land plot set down by laws and (or) the contract. In the event of sale of such an immovable thing the buyer shall acquire the right to use the appropriate part of the land plot under the same terms and conditions as the seller of the immovable thing.

Article 6.395. Rights to an Immovable Thing in the Event of Sale of a Land Plot

1. In the event of sale of a land plot containing buildings, structures, installations, plantations or other objects, the issue of passing of the right of ownership therein must be contemplated in the contract. If the issue is not contemplated in the contract, the right of ownership in the buildings, structures, installations, plantations or other objects situated on the land plot shall be deemed to have passed to the buyer of the land plot.

2. If the land plot containing buildings or other immovable things belonging to the seller by the right of ownership is sold without transferring to the buyer the rights of ownership in the above-mentioned immovable thing, the seller shall retain the right to use the part of the land plot which is occupied by the immovable thing and is necessary for the use thereof by the right of superficies or any other right and under the terms and conditions provided for in the contract.

3. Where the seller’s right to use a part of the land plot and the conditions of use are not contemplated in the contract of purchase-sale, the servitude shall be established for the seller with respect to the part of the land plot which is occupied by the immovable thing and which is necessary for it to be used for the purpose it would ordinarily be used.

Article 6.396. Subject Matter of the Contract

1. The contract for purchase-sale of an immovable thing shall contain information relating to the immovable thing which the seller is bound under contract to transfer to the buyer, also indication of the location of the thing in the relevant land plot or location of the immovable thing being sold in another immovable thing.

2. A contract in which the information specified in paragraph 1 of this Article is not presented may not be certified by a notary and, if certified, shall be null and void.

Article 6.397. Price

1. The price of the immovable thing being sold must be indicated in the contract of purchase-sale of the immovable thing. The regulations set forth in paragraphs 1-6 of Article 6.313 of this Code shall not be applicable to contracts of purchase-sale of an immovable thing. If the price is not indicated in the contract, the contract shall be deemed not to have been concluded.

2. The price of the land plot being sold shall include the price of the buildings, structures, installations, plantations and other objects located on the plot, unless the laws and contract provide otherwise.

3. Where only the price of the area or any other measurement unit of the thing is indicated in the contract of purchase-sale of an immovable thing, the price of the entire thing shall be determined according to the size of the immovable thing actually transferred to the buyer.

Article 6.398. Transfer of a Thing

1. Transfer and acceptance of an immovable thing must be executed by the transfer-acceptance deed or any other document provided for in the contract, signed by the seller and buyer.

2. Unless otherwise provided for by the laws or contract, the seller's obligation to transfer the immovable thing shall be deemed performed from the moment of transfer of the thing to the buyer and signing of the relevant document regarding the transfer thereof.

3. Where one of the parties to the contract avoids signing the document of transfer specified in the contract, it shall be deemed that the buyer refuses to accept and the seller refuses to transfer the thing.

4. The circumstance that the buyer accepted an immovable thing which does not conform with the terms and conditions of the contract shall not constitute grounds for releasing the seller from liability for improper performance of the contract even in the cases where such non-conformity was contemplated in the document of transfer of the thing.

Article 6.399. Transfer of a Thing of Improper Quality

Where the seller transfers to the buyer under the contract of purchase-sale of an immovable thing a thing of improper quality, the provisions of Article 6.334 Code shall be applicable, except with respect to the buyer's right to request replacement of the thing of improper quality with a thing of proper quality.

Article 6.400. Conditions and Contents of Contracts for Purchase-sale of a Residential House or Apartment

In addition to the conditions provided for in Articles 6.396 and 6.397 of this Code, the basic condition of the contract of purchase-sale of a residential house or apartment which at the moment of its sale is inhabited by the persons who, according to laws, retain the right to use the residential premises after the change of its owner shall be listing (list) of such persons and the contents of their right to use the residential premises which are being sold.

Article 6.401. Contract of Purchase-sale of a Planned House or Apartment

1. The buyer - a natural person may conclude a preliminary contract for the sale of a planned residential house or apartment whereby the seller - a legal person obligates itself to build the residential house or apartment provided in the contract by itself or upon enlisting the help of other

persons and thereafter conclude with the buyer a contract for the purchase-sale of the residential house or apartment, whereas the buyer obligates himself to purchase the built house or apartment for the price indicated in the preliminary contract.

2. The following shall be indicated in the preliminary contract:

1) the buyer's right to repudiate the preliminary contract within ten days from the date of conclusion of the contract;

2) the price of the planned house or apartment and the terms and conditions of its revision or changing;

3) description of the subject matter of the contract and the works which the seller must perform;

4) time limits of construction of the residential house or apartment;

5) encumbrances of the right to the residential house or apartment (both present and future);

6) the contractor, architect, engineer and other persons who will carry out and supervise the construction work;

7) legal status of the land plot on which the house or apartment will be built and the rights to the land plot of the buyer of the house or apartment.

3. Where the preliminary contract provides for the seller's right to claim indemnity from the buyer for the losses the seller would suffer if the buyer exercised the right specified in subparagraph 1 of paragraph 2 of this Article, the indemnity never exceeds one-fifth of the price of the immovable thing indicated in the contract of purchase-sale.

4. The project of the residential house, its estimate and other documents shall constitute an inseparable part of the preliminary contract.

5. It may also be stipulated in the preliminary contract that the buyer finances the construction of the residential house or apartment under the conditions provided in the contract whereas the seller shall perform the functions of customer. In this case the buyer shall acquire the right of ownership to the residential house or apartment upon payment of the construction price provided in the preliminary contract.

6. Unless otherwise provided for in the preliminary contract, a party to the preliminary contract may mortgage the planned residential house or apartment only in case the other party gives its written consent thereto.

SECTION NINE
PURCHASE-SALE OF AN ENTERPRISE

Article 6.402. Concept of Purchase-sale of an Enterprise

1. Under the contract of purchase-sale of an enterprise the seller obligates himself to transfer to the buyer by the right of ownership as an object of property the whole enterprise or a substantial part thereof, with the exception of the rights and duties which the seller has no right to transfer to other persons, while the buyer obligates himself to accept the said object and to pay the price.

2. The right to the name of the firm, trade name or service name or to other marks identifying the seller or his goods or services supplied by him, also to the rights possessed by the seller under the licence agreement shall pass to the buyer, unless otherwise provided by the contract.

3. The seller's rights which he acquired under licences shall be transferred to the buyer only provided the possibility of such transfer has been stipulated by the laws or the licence. The transfer to the buyer alongside with the enterprise of obligations which he cannot perform since he does not have a licence for the performance of such obligations shall not release the seller from liability to creditors for non-performance of obligations. In such cases the seller and buyer shall be jointly liable to creditors for non-performance of the obligations.

Article 6.403. Form of the Contract

1. The contract for the purchase-sale of an enterprise must be a document in writing, signed by both parties and be accompanied by the requisite accompanying documents specified in Article 6.404 of this Code.

2. Non-compliance with the requirements of the form of the contract shall render the contract null and void.

3. The contract of purchase-sale of an enterprise may be set up against the third parties only provided it has been registered in the public register in the manner established by law and relevant amendments have been made in the register of legal persons.

Article 6.404. Contents of the Contract and the Accompanying Documents

1. The contract must specify the compositions of assets of the enterprise being sold and the price of the enterprise as well as the person who shall be paid and who shall settle with the creditors of the enterprise (Article 6.405 of this Code).

2. The following accompanying documents must be drawn up, agreed between the parties and signed before the signing of the contract:

1) deed of inventory of the enterprise assets;

2) the balance sheet of the enterprise;

3) the opinion of the independent auditor regarding the composition and price of the assets of the enterprise ;

4) the list of debts (obligations) of the enterprise , specifying the amount of the debt, time limits of performance and kinds of security of the obligations, creditors and their addresses.

3. The assets, rights and duties specified in the documents provided for in paragraph 2 of this Article shall be transferred to the buyer, save for the exceptions indicated in the contract and Article 6.402 of this Code.

Article 6.405. Protection of Rights of Creditors of the Enterprise

1. The buyer must not later than twenty days before the conclusion of the contract notify in writing all creditors of the enterprise named in the list of enterprise debts (obligations) of the intended sale of the enterprise. In the event of failure by the buyer to fulfil the above duty, the seller's creditors shall have the right to submit their claims directly to the buyer. There is no need to notify the creditors of the enterprise of the sale thereof if the price of the enterprise is paid in cash and the amount thereof is sufficient to settle with all creditors of the enterprise.

2. Having received the notification specified in paragraph 1 of this Article, the creditor of the enterprise must within twenty days from the date of receipt thereof notify the buyer in writing of the share and nature of his claim.

3. The buyer shall pay part of the price provided for in the contract to the person specified in the contract, who shall be charged to settle with the creditors of the enterprise, while the remaining amount shall be paid to the seller. Only a bank, other credit institution or insurance company may be chosen by the parties as the person to be charged with settling with the creditors.

4. The person charged with settling with the creditors of the enterprise shall within twenty days from the day of payment of the price draw up and send to the creditors the deed of price distribution for the settlement of debts of the enterprise that is being sold.

5. Unless the creditors contest the deed of price distribution, they shall be paid the share of the price proportionate to the amount of their claims.

6. In the event the creditor/creditors file objections to the deed of price distribution within ten days from the receipt of the deed of price distribution, the person who has been paid the price must apply to the court for the determination of the priority of creditors and procedure of satisfaction of claims.

7. The buyer need not comply with the procedure laid down in this Article if he presents to all creditors of the enterprise an acceptable security for the satisfaction of claims. If the buyer duly performed his duties specified in this Article, the creditors of the enterprise shall lose the right to raise

claims to the latter or against the assets of the sold enterprise, however, they shall retain the right to address their claims to the seller.

Article 6.406. Legal Consequences of Violation of Right of the Enterprise Creditors

1. In case of improper performance by the buyer of the duties laid down in Article 6.405. of this Code, the fact of sale of the enterprise may not be set up against the creditors of the enterprise whose right of claim arose before the conclusion of the contract for the purchase-sale of the enterprise, unless the buyer satisfies the creditors' claims by paying for the value of assets of the purchased enterprise.

2. The claims of creditors provided for in paragraph 1 of this Article may be satisfied if submitted within a year's period from the day on which they found out or should have found out about the sale of the enterprise and provided that not more than three years have elapsed from the date on which they found out

3. The seller and buyer of the enterprise shall be jointly and severally liable for the actions of the person who was paid the price and who had to settle with the creditors, however, the buyer shall only be liable to the extent of the value of the purchased assets of the enterprise.

4. The creditors of the enterprise whose claims were secured by pledge (hypothec) and who were excluded from the distribution of the price or whose claims were not fully satisfied shall retain their rights in any case.

Article 6.407. Transfer of the Enterprise

1. The seller shall transfer the enterprise to the buyer under the deed of transfer-acceptance. The deed shall contain information relating to the enterprise and its assets, the condition of its assets, obligations of the parties to the creditors of the enterprise and the performance thereof.

2. Unless the contract provides otherwise, the seller shall be bound to prepare the enterprise for sale and draw up the deed of transfer-acceptance at his own expense.

3. The enterprise shall be deemed transferred to the buyer from the moment the deed of transfer-acceptance is signed by both parties.

4. The risk of accidental perishing of or damage to the assets of the enterprise shall pass to the buyer from the moment of signing of the deed of transfer-acceptance of the enterprise.

5. Where the contract provides that the seller shall retain the right of ownership to the enterprise until the buyer pays the full amount of the price or until he/it fulfils other conditions, the buyer shall be entitled to use the assets of the enterprise and the incidental rights to the extent and in the manner that is required for the purpose for which the enterprise was acquired.

Article 6.408. Legal Consequences of Sale of a Defective Enterprise

1. In case the seller is transferred an enterprise which does not conform to the quality and other requirements contemplated in the contract, the buyer may exercise the rights provided for in Articles 6.321-6.323, 6.330, 6.334, 6.341, unless otherwise provided in paragraphs 2 to 4 of this Article or in the contract.

2. Where the enterprise is transferred and accepted under the transfer-acceptance deed in which the defects of the enterprise or its assets are specified, the buyer shall be entitled to demand reduction of the price if under the contract he is not entitled to present any other demands in such a case.

3. The buyer shall be entitled to demand reduction of the price if he has been assigned the seller's debts (obligations) not specified in the contract or enterprise transfer-acceptance deed, except in cases where the seller proves that the buyer was aware or could not be unaware of the debts (obligations) at the moment of conclusion of the contract and transfer of the enterprise.

4. If the seller receives the buyer's notification of discovery of defects of the transferred assets or of the fact that certain assets provided for in the contract are altogether missing, the seller shall have the right to promptly replace the assets of inferior quality with other analogous assets of proper quality or to offer to the buyer the missing assets.

5. Where the defects of the enterprise for which the seller is liable render the enterprise unfit for the use indicated in the contract and the defects cannot be eliminated or the seller did not eliminate them within the fixed lime period, the buyer shall have the right to apply to the court for the dissolution or revision of the contract and compensation for the damage.

Article 6.409. Arising of Effects of Nullity of Transactions and other Legal Effects of Dissolution or Change of a Contract

The legal effects of nullity of transactions, amendment or rescission of the contract provided for in this Code for the contract of purchase-sale of an enterprise shall arise only provided this does not essentially violate the rights of the seller's and buyer's creditors and their interests protected under law and is not contrary to public order.

Article 6.410. Cases when the Norms of this Section shall not be Applicable

The norms of this Section, regulating purchase-sale of an enterprise shall not be applied in the cases of sale of mortgaged assets of the enterprise, also when the assets of the enterprise are sold by its administrator or by the court bailiff.

SECTION TEN
INSTALMENT SALE

Article 6.441. Contract of Instalment Sale

1. Under the contract of instalment (credit) the seller shall retain the right of ownership to the thing which is being sold until the payment of the full sale price set in the contract, unless the contract provides otherwise.

2. A reservation of ownership in respect of the thing which is not subject to registration, acquired for the service or operation of an enterprise, has an effect against third person only if the purchase-sale contract has been registered in the public register according to the procedure prescribed by law.

Article. 6. 412. Risks of Accidental Perishing or Damaging of Thing

The risks of accidental perishing or damaging of thing transferred to the buyer shall be borne by the buyer, except in consumer contracts, unless otherwise provided by the contract of instalment sale.

Article. 6. 413. Form and Contents of the Contract

1. The contract of instalment sale shall be in writing.

2. The price of the thing and the amount of regular instalments, the schedule of payment of regular instalments and settlement procedure must be specified in the contract.

Article 6.414. Price and Settlement Procedure

1. The price of the thing and the procedure of effecting settlement in the sale thereof under an instalment contract shall be established by agreement between the parties. Unless the parties establish otherwise in the contract, subsequent change in the price of the thing sold by instalment shall not affect mutual settlement between the parties. Where, in case of a reservation of ownership right to the thing, the buyer fails to comply with the schedule of payment of regular instalments laid down in the contract, the seller may demand immediate payment of the instalments due or take back the sold thing. If the buyer has paid more than a half or the price of the thing, the seller shall have no right to take back the thing, unless the contract provides otherwise. The expenses incidental to amortisation and use of the thing provided for in the contract shall be deducted from the repayable instalments.

2. Where the right of ownership passes to the buyer from the moment of delivery of the thing, it shall be considered from the moment of delivery of the thing to the buyer until the payment of the

full price that the thing has been pledged to the seller seeking to secure performance of obligations by the buyer (legal pledge (hypothec), unless the contract provides otherwise.

3. Where the buyer without having obtained the seller's consent transfers to another person the things delivered to him or the things are seized due to unlawful actions of the buyer, the seller shall have the right to demand immediate payment of the balance of the sale price due.

4. If the contract of sale of things by instalment has been registered, the seller, having taken the things back, must within twenty days or within sixty days, where the subject matter of the contract is an immovable thing, cancel the registration of the contract according to the procedure established by law.

Article 6.415. Interest

1. The buyer's obligation to pay interest in case of his default in the timely payment of regular instalments must be provided for in the contract of instalment sale. In this case the period for which the interest is payable shall run from the day of lapse of the time limit until the payment of instalments.

Article 6.416. Specifics of Instalment Sale

Where the buyer is a consumer, Article 6.188 of this Code and other provisions protecting the rights of consumers shall accordingly apply to the contract of sale of things by instalment.

SECTION ELEVEN
SALE WITH RIGHT OF REDEMPTION

Article 6.417. Contract of Sale with Right of Redemption

1. Under a contract for sale with a right for redemption the seller obligates himself to sell the thing at the same time reserving the right to redeem the sold thing, whereas the buyer obligates himself to possess, use and dispose of the thing in such a way as to allow the seller to exercise the right of redemption.

2. A contract of sale with the right of redemption in respect of any thing not subject to registration, which has been acquired for the service or operation of an enterprise, shall have effect against third persons only if the it has been registered in the public register according to the procedure established by law.

3. The seller's right of redemption may not be stipulated for a term exceeding five years. In case the contract provides for a longer term of the above right, it shall be reduced to 5 years.

Article 6.418. Exercise of the Right of Redemption

1. The seller wishing to exercise his right of redemption shall give notice of his intention to the buyer or any other person against whom he intends to exercise this right. Such a notice must be published not later than twenty days before the day of exercise of the right of redemption if the thing is movable and not later than before sixty days if the thing is immovable. In case the contract has been registered, notice of the intention to exercise the right of redemption shall also be given to the administrator of the public register.

2. Where the seller exercises his right of redemption, he shall take back his thing free of any charges or encumbrances, or additional contributions or compensation to the buyer provided the notice of the intention to exercise the right of redemption was published according to the procedure laid down in this Law.

3. If the buyer of an undivided part of a property subject to a right of redemption acquires the remaining part of the undivided property he shall have the right to oblige the seller, if the seller wishes to exercise his right, to buy the rest of the property acquired by the buyer.

4. Where the thing is sold by several sellers jointly by way of a single contract, and they wish to redeem the thing or where several heirs left by the seller wish to exercise the right to redeem the

thing, the buyer shall be entitled to require one seller or heir to buy back not only his share but also the whole thing.

5. Where it is provided in the contract that the object of the right of redemption is to secure a loan, the seller is deemed to be a borrower (receiver of the loan) and the buyer is deemed to be a hypothecary creditor.

6. The specifics of purchase-sale of securities with he right of redemption shall be established by separate laws.

SECTION TWELVE
AUCTION SALES

Article 6.419. Sale of Things by Auction

1. Sale of things by auction means a sale by which things are offered for sale to several persons through the intermediary - the auctioneer, and the contract is deemed concluded with the buyer - the bidder of the highest price for the thing offered for sale.

2. An auction sale may be either voluntary or forced. The peculiarities of an action as a forced sale shall be determined by the Code of Civil Procedure.

3. The regulations laid down in this Section shall apply to the purchase-sale by auction of things owned by the State and municipalities to the extent it is not provided otherwise by other laws.

Article 6.420. Price and Conditions of the Auction

1. The seller may fix the reserve price of the thing offered for sale and any other conditions of the auction. However, the conditions of the auction that have not been communicated to the bidders may not be set up against the bidders, save in the cases where the auctioneer announced the conditions to the bidders before receiving bids.

2. The seller shall have the right to refuse to disclose his identity but, if his identity is not disclosed to the successful bidder, the auctioneer shall become bound by all the obligations of the seller to the successful bidder.

3. The bidder shall have no right to withdraw his bid.

Article 6.421. Moment of Conclusion of the Contract

1. The contract of purchase-sale by auction shall be deemed concluded when the auctioneer announces this by the fall of his hammer or any other customary action. If at the moment when the completion of the auction sale of the thing is announced by the fall of the auctioneer’s hammer, a new bid is received, the auctioneer shall have the right to extend the auction or declare the thing sold for the last price bid before the fall of the hammer.

2. Entry of the bid and the name of the successful bidder makes proof of the sale. In the absence of such an entry proof by testimony by the witnesses shall be admissible.

3. In case an immovable thing is sold at the auction, a contract in the form prescribed by law must be within ten days from the sale concluded between the seller and the buyer.

4. Where an enterprise is sold at auction, the requirements provided in Articles 6.403-6.407 of this Code must also be complied with.

Article 6.422. Payment of the Price

1. The buyer must pay the price according to the procedure and within the time limits prescribed by the conditions of the auction.

2. If the buyer does not pay the price in compliance with the established procedure and within the set time limits, the auctioneer shall be entitled to exercise all rights of the buyer. Moreover, the auctioneer may, in addition to the ordinary remedies of a seller, announce, after a notice given to the buyer within a reasonable time, that he is holding a new auction for the resale of the thing. In such event a false bidder may not bid again at a new auction. He is bound to cover the auctioneer’s

expenses incidental to arranging and holding a new auction and also pay the difference in prices if the thing was resold at a lesser price than the price false bidder did not pay.

Article 6.423. Withdrawing the Thing from Auction

If the auctioneer invites to make bids, the thing, for the sale whereof auction sale has been announced, may not be withdrawn, except in cases where no bid is received within a reasonable time. In a special auction, the thing for the sale whereof the auction is held may be withdrawn at any time.

……Missing Article 6.424……..

SECTION THIRTEEN
PURCHASE-SALE OF RIGHTS

Article 6.425. Contracts for Purchase-sale of Rights

The provisions of this Chapter shall apply to contracts of purchase-sale of rights to the extent this is not contrary to the nature and essence of the rights.

Article 6.426. Sale of Rights of Succession

1. A person who, upon accepting the property received by succession, sells rights of succession without specifying in detail the property affected, is bound to warrant to the buyer only his quality as an heir.

2. The seller is bound to hand over to the buyer all the fruits and revenues he has received from the succession together with the capital of any claim due and the price of any things he has sold which formed part of the succession.

3. The buyer is bound to reimburse the seller for the expenses incidental to accepting the succession and pay the amounts due to the seller from the succession.

4. The buyer is bound to reimburse the seller for the debts of the succession that he has paid.

5. The buyer shall also pay the debts of the succession for which the seller is liable.

Article 6.427. Sale of Litigious Rights

1. A right is litigious when it is contested by a person bringing an action or there is reason to presume that such an action maybe brought.

2. No advocate, judge, notary or court bailiff or their family members or close relatives may acquire contested litigious rights. Contracts, concluded by the above persons for purchase-sale of litigious rights shall be null and void.

3. Where litigious rights are sold, the person from whom they are claimed is fully discharged by paying to the buyer the sale price, the cost related to the sale and interest on the price. This right of redemption may not be exercised, where the sale is made to a creditor in payment of what is due to him or to a coheir or co-owner of the rights sold. Nor may the right of redemption be exercised where a court has rendered a judgement affirming the right sold.

SECTION FOURTEEN
PECULIARITIES OF CONCLUSION OF OTHER CONTRACTS OF PURCHASE-SALE

Article 6.428. Contracts of Purchase-sale of Securities and Currency

Peculiarities of conclusion of contracts of purchase-sale of securities and currency shall be established by other laws.

Article 6.429. Conclusion of a Contract of Purchase-sale of Securities and Currency

1. A contract of purchase-sale shall be concluded by way of a tender by the seller with the buyer determined by the tender commission according to the conditions of the tender.

2. Conclusion of a contract of purchase-sale by way of a tender shall be regulated by this Code and the regulations of the tender. The regulations shall be approved by the organiser of the tender or any other authorised person.

Article 6.430. Conclusion of Contracts of Purchase-sale on the Exchange

1. Conclusion of contracts for the purchase-sale on the commodity or stock exchange shall be regulated by the laws determining the activities on commodity and stock exchanges.

2. The general rules of conclusion of contracts of purchase-sale provided for in this Chapter shall be applicable to the contracts concluded on the commodity or stock exchanges to the extent that they are in conformity with the laws regulating the activities on the exchange or the essence of the contract.

6.431. Contract for Purchase-sale with a Reservation regarding the Right of Ownership

1. Under the contract for purchase-sale with a reservation clause regarding the right of ownership, the seller shall retain the right of ownership to the thing being sold until the performance by the buyer of the obligations provided for in the contract.

2. Under a contract of purchase-sale with a reservation clause relating to the right of ownership, the buyer shall have no right of disposal of the thing being sold until he fulfils all the conditions specified in the contract.

CHAPTER XXIV
EXCHANGE

Article 6.432. Concept of contract of exchange

1. Under a contract of exchange, each of the parties shall be obliged to transfer to the ownership of the other party one thing in exchange for another.

2. To the contract of exchange shall apply the norms regulating purchase-sale contracts (Chapter XXIII of this Book) if this is not contrary to the provisions of the present Chapter and the essence of exchange. Within the contract of exchange, each of the parties shall be deemed to be the seller of the goods he is obliged to transfer and the purchaser of the goods he is obliged to accept in exchange.

Article 6.433. Price and expenses of concluding a contract

1. Unless it arises otherwise from the contract of exchange, it shall be presumed that the goods subject to exchange are of equal value and exchanged without any extra payment, while the expenses for the transfer and acceptance thereof shall be effectuated in each instance by that party which bears the respective duties.

2. When in accordance with the contract the goods to be exchanged are considered not to be of equal value, the party obliged to transfer the good whose price is lower than the price of the good being granted in exchange shall not be bound to pay to another party for the difference in prices unless otherwise provided for by the contract.

Article 6.434. Performance of the obligation to transfer things

Both parties shall be bound to perform the obligation to transfer the respective things simultaneously unless otherwise provided for by the contract.

Article 6.435. Legal consequences for eviction of things acquired under a contract of exchange

1. In the event when a thing acquired by a party under a contract of exchange is evicted pursuant to the claim of a third person, this party shall have the right to claim from the other party either damages or recover the things transferred to the latter in exchange.

2. If a party after having received the things transferred to him in exchange becomes aware that the other party was not the owner of those things, he shall have the right to return the things

received to the party who has transferred them. In this event the other party (in bad faith) may not demand from the party who has returned the things to deliver the things the latter has promised in exchange.

CHAPTER XXV
GIVING IN PAYMENT AND ALIENATION FOR RENT

Article 6.436. Concept of a contract of giving in payment

1. Under the contract of giving in payment, the debtor shall transfer his property which is not pledged to a creditor to the latter's ownership in payment of his monetary or any other property debt.

2. The contract of giving in payment shall be governed by the rules pertaining to contracts of purchase-sale. The person who transfers property according to the contract of giving in payment (debtor) shall assume all duties of a seller.

3. The contract of giving in payment shall be deemed to be concluded at the moment when the property is delivered to the creditor.

Article 6.437. Prohibition to agree on giving in payment in advance

The parties shall be prohibited to include a clause in the contract by which the creditor reserves irrevocable right to become the owner of the property of the debtor or the right to dispose of it if the debtor fails to perform his obligation. Such contract clauses shall be null and void.

Article 6.438. Contract of alienation for rent

1. Under a contract of alienation for rent, the lessor shall transfer the ownership of an immovable thing to the lessee in exchange for a rent. The obligation to pay the rent shall rest on the lessee.

2. The rent shall be payable at the end of each year in money or in kind from the day on which the contract enters into force unless the contract provides for otherwise.

3. The lessee (payer of rent) may relinquish at any time periodical annual payments of rent by informing about this the lessor (recipient of rent) and offering instead to pay the capital value of the rent in a lump sum payment. Nevertheless, the lessee (payer of rent) may not transfer the obligation to pay the capital value of the rent in a lump sum payment to the insurer of the thing or to any other person.

4. The lessee shall be personally liable towards the lessor for the payment of rent. He shall not be discharged from the performance of his obligations upon relinquishing his ownership right in the immovable or due to its destruction by force majeure.

5. Any other relationships between the lessee and the lessor which are not established in the present Article shall be regulated by the corresponding rules pertaining to contracts of purchase-sale and to life annuities.

CHAPTER XXVI
RENT

SECTION ONE
GENERAL PROVISIONS

Article 6.439. Concept of a contract of rent

1. Under a contract of rent one party – the payer of rent (debtor) – undertakes an obligation gratuitously or in exchange for the capital transferred to his ownership to perform periodical payments to the other party – the recipient of the rent – of a monetary amount determined in the contract (rent) or to grant maintenance to the recipient of rent in any other form.

2. Duty to pay rent may be established not only by a contract but likewise by laws, a court judgement or a will. In such cases, payments of rent shall be correspondingly governed by the provisions of this Chapter.

3. It shall be presumed that a non-returnable loan constitutes a life annuity for the benefit of the lender.

Article 6.440. Capital transferable under a contract of rent

1.Under a contract of rent, the recipient of the rent can undertake an obligation to transfer to the ownership of the payer of rent a movable or an immovable thing or a sum of money.

2. Where the transfer of an immovable thing for payment is provided for by a contract, such a contract shall constitute a contract of purchase-sale for rent and shall be correspondingly governed by the provisions regulating a contract of sale.

3. If the capital is a sum of money, it may be paid in a lump sum or by instalments.

Article 6.441. A contract of rent for the benefit of a third person

It may be provided under a contract of rent that the recipient of the rent shall be a third person but not the person who transfers ownership of the capital for the benefit of the payer of rent.

Article 6.442. Duration of contract of rent

1. It may be provided under the contract of rent that a rent is constituted for the life of the recipient of rent (annuity for life), in perpetuity (permanent rent) or for a fixed term.

2. Rent for life (life annuity) may be established as maintenance for life.

3. It may be stipulated in the contract that the payment of rent shall be continued after the death of the recipient of rent for the benefit of his heir or any other person.

4. A contract of rent set up for a deceased person or a person who dies within the following thirty days from the day when the contract was formed shall be null and void. The same rule shall apply also in the case where a rent is constituted for a person who does not exist on the day when the contract is formed unless the recipient of rent has already been conceived at that time and is born alive.

5. Where a life annuity is set up for the lifetime of several persons successively, it shall have effect only if the first of those persons existed on the day the contract was concluded or if he was already conceived at that time and was born alive.

6. In all cases, the duration of contract of rent shall be limited to one hundred years from the day on which the contract of rent was formed.

Article 6.443. Form of a contract of rent

1. A contract of rent shall be subject to notarial certification.

2. A contract of rent providing for the alienation of an immovable thing under payment of rent may be invoked against third persons only upon that contract being registered in the Public Register within the procedure established by laws.

Article 6.444. Encumbrance of rights in an immovable thing by rent

1. A rent shall be deemed to encumber the right in an immovable thing if this thing is transferred under the condition of payment thereof. In the case of alienation of such thing by the payer of the rent, his obligations under the contract of rent shall pass to the acquirer of the thing.

2. The person who has transferred an immovable thing, the rights in which are encumbered by rent, to the ownership of another person shall be subsidiary liable with the new owner of the thing with regard to the claims of the recipient of the rent for violation of the contract of rent unless their solidary liability has been established by laws or the contract.

Article 6.445. Security for payment of rent

1. When an immovable thing is transferred under condition of payment of rent, the recipient of the rent shall acquire the right of pledge on this immovable thing as security of the obligation of the payer of the rent (forced hypotheque).

2. If under the contract of rent a movable thing or a sum of money is transferred to the payer of rent, the essential condition of the contract of rent shall be the duty of the payer of rent to grant security for the performance of his obligation or to insure his civil liability for the failure to perform or improper performance of the contract of rent.

3. If the payer of rent fails to fulfil the duties provided for in Paragraph 2 of this Article, likewise in the event of loss or essential deterioration of the thing by which performance of obligations of the payer of rent is secured under the circumstances for which the recipient of rent is not liable, the recipient of rent shall have the right to dissolve the contract and claim for compensation of damages.

Article 6.446. Interest for delay of payment of rent

In the event of delay of the payment of rent, the payer of rent shall pay the interest established by laws or a contract to the recipient of rent.

Article 6.447. Protection of interests of a recipient of rent

1. The capital accumulated for the payment of annuity shall not be subject to seizure on the ground of claims of the payer's creditors and no exaction may be levied thereon. In the event of a dispute, the amount of non-seizable means shall be established by the court.

2. A stipulation to the effect that the rent is inalienable or that no exaction may be levied thereon shall be without effect unless the rent is paid gratuitously to the recipient as support. In such event, the stipulation shall have effect only in respect of the amount of rent necessary to support the recipient.

Article 6.448. Substitution of a payer of rent

1. A payer of rent may transfer his duty to an insurance enterprise duly authorised to engage in this type of activity by paying the value of the rent. In such event, the insurance enterprise shall acquire all rights and duties of the payer of rent.

2. No agreement of the recipient of rent shall be necessary for the substitution of the payer of rent provided for in Paragraph 1 of this Article, however, the recipient of rent may require the duty to pay rent to be transferred to another insurance enterprise than the one chosen by the payer of rent.

SECTION TWO
RENT IN PERPETUITY (PERMANENT RENT)

Article 6.449. Recipient of rent in perpetuity (permanent rent)

1. Only natural persons or non-profit organisations engaged in guardianship and curatorship may be recipients of rent in perpetuity (permanent rent) to the extent that this is not contrary to laws and the documents of their activities.

2. The rights of the recipient under a contract of rent in perpetuity (permanent rent) may be transferred by means of assignment of claim, or inheritance, or by reorganisation of the legal person unless otherwise provided for by laws or by the contract.

Article 6.450. Form and amount of rent in perpetuity (permanent rent)

1. Rent in perpetuity (permanent rent) shall be paid in money. Its amount shall be established by the contract of rent.

2. It may be stipulated in the contract of rent in perpetuity (permanent rent) that the payment of rent shall be effectuated by means of transferring things, fulfilling some work, or rendering services whose price corresponds to the value of the monetary amount of the rent.

3. Unless otherwise provided for by the contract, the amount of rent to be paid shall be indexed taking in regard the minimum monthly wages established by legal acts.

Article 6.451. Periods of payment of rent in perpetuity (permanent rent)

Unless otherwise provided for by the contract of rent, the rent in perpetuity (permanent rent) shall be paid at the end of every month.

Article 6.452. Right of the payer of rent to purchase rent in perpetuity (permanent rent)

1. The payer of permanent rent shall have the right to refuse further payment of rent by means of purchasing it.

2. The refusal to pay rent shall be valid only on condition that the recipient is notified by the payer of rent not later than three months prior to the termination of the payment of rent or within a longer period established by the contract. Nevertheless, even in this event, the obligation to pay rent shall not terminate until the entire amount of the purchase is received by the recipient of the rent unless otherwise provided for by the contract.

3. A clause of a contract of rent in perpetuity (permanent rent) upon the waiver of the payer's right to purchase rent shall be null and void.

4. It may be provided for by a contract of rent that the right of purchase of rent in perpetuity (permanent rent) may not be effectuated during the life of the recipient of rent or during another period which cannot exceed thirty years from the day of concluding the contract of rent.

Article 6.453. Purchase of rent in perpetuity (permanent rent) at the demand of the recipient of rent

1. The recipient of rent in perpetuity (permanent rent) shall have the right to demand the purchase of rent by the payer thereof in the instances when:

1) the payer of rent fails to effectuate the payment within the set time-limit by more than one year unless otherwise provided for by the contract;

2) the payer of the rent violates his obligation to secure the payment of rent (Paragraph 2 of Article 6.445 of this Code);

3) the payer of rent is acknowledged to be insolvent or other circumstances have arisen which obviously testify that the payer of the rent will not be able to pay the rent in the amount and within the time-limits which have been established by the contract;

4) the immovable thing transferred under the contract of rent has become common ownership of several persons;

5) in other cases established by the contract.

Article 6.454. Purchase price of rent in perpetuity (permanent rent)

1. The purchase of rent in perpetuity (permanent rent) shall be made at the price determined by the contract of rent.

2. If the price of the purchase of rent is not determined the contract, the property which has been transferred for payment under the contract of rent in perpetuity (permanent rent), shall be purchased at the price corresponding to the yearly amount of the payable rent.

3. If the price of the purchase of rent is not determined in the contract, the property which has been transferred under payment of rent gratuitously shall be purchased at the price corresponding to the sum equal to the yearly amount of the payable rent and the value of the transferred property.

Article 6.455. Risk of accidental perishing or damage of property transferred under payment of rent in perpetuity (permanent rent)

1. The risk of accidental perishing or damage of property transferred gratuitously under payment of rent in perpetuity (permanent rent) shall be borne by the payer of rent.

2. In the event of accidental perishing or damaging of property transferred for payment under payment rent, the payer of rent shall have the right to demand either termination of his obligation to pay the rent or a change of the conditions for the payment thereof.

SECTION THREE

RENT FOR LIFE

Article 6.456. Recipient of rent for life

1. A rent for life may be paid to a natural person who has transferred property under the condition of payment of rent or to another natural person specified by him.

2. A rent for life may be paid to several natural persons. In this case the participatory share of right to receive rent shall be equal unless otherwise provided for by the contract of rent.

3. In the case of death of one of the recipients of rent, his participatory share in the right to receive rent shall pass to the recipients of rent who survive him unless otherwise provided for by the contract of rent. The obligation to pay the rent shall terminate upon the death of the last recipient of rent. In the event of rent being constituted for the benefit of both spouses, on the death of either of the spouses the rent shall be reverted upon the life of the surviving spouse unless otherwise provided for by the contract of rent.

4. The contract of rent for life set up for the lifetime of a person who was dead at the moment of concluding the contract shall be null and void.

Article 6.457. Amount of rent for life

1. A rent for life shall be determined in the contract as a sum of money to be paid periodically to the recipient of rent during his life.

2. Rent for life shall be paid in sums and within periods stipulated in the contract. In the instances where the periods of the payment are not indicated in the contract, the rent shall be paid every month by the first day of the following month.

Article 6.458. Dissolution of contract of rent for life at the demand of the recipient of rent

1. In the case of essential violation of a contract of rent for life by the payer of rent, the recipient of rent shall have the right to demand from the payer of rent the purchase of rent on the conditions provided for by Article 6.454 of this Code or dissolution of the contract and compensation of damages.

2. If an apartment, dwelling house or other property under payment of rent for life has been alieanated gratuitously and the contract has been violated essentially by the payer of rent, the recipient of rent shall have the right to require a return of that property. In this case, the value of the property shall be shall be set-off into the purchase price of the rent.

Article 6.459. Risk of accidental perishing or accidental damaging of property transferred under payment of rent for life

Accidental perishing or accidental damaging of property transferred under payment of rent for life shall not relieve the payer of rent from the obligation to pay it on the conditions established in the contract.

SECTION FOUR

LIFE ANNUITY

Article 6.460. Contract of life annuity

1. Under a contract of life annuity, the annuitant – a natural person – shall transfer a dwelling house, apartment, land plot or other immovable thing belonging to him to the ownership of the debtor of the annuity and the latter shall be obliged to maintain the annuitant and/or another person (persons) specified by him for life.

2. The provisions of Section Three of this Chapter which regulate rent for life shall apply to a contract of life annuity unless otherwise provided for by the present Section.

Article 6.461. Duty to grant life annuity

1. The duty of the debtor of the annuity to grant rent to the annuitant shall include provision thereof with a dwelling, clothes and other wear, alimentation, and in where the state of health of the annuitant so requires, also provide care for him. The duty of the debtor of the annuity to pay the expences of funeral services of the annuitant may also be established in the contract.

2. The value of the entire amount of annuity may be determined by the parties in the contract of life annuity. In this case, the value of the total amount of maintenance per month may not be less than the amount of one minimal monthly wages.

3. When deciding on the dispute between the parties concerning the content and amount of annuity, the court must be guided by the criteria of good faith, reasonableness and justice.

Article 6.462. Replacement of a life annuity by periodical payments

The possibility of replacing a life annuity in kind by the payment of periodical payments in money may be established by the parties in the contract. These periodical payments shall be paid during the life of the annuitant.

Article 6.463. Right of the debtor of the annuity to dispose and use alienated property

1. The debtor of the annuity shall have the right to alienate, pledge or by any other means encumber the right in an immovable thing transferred to him in exchange for life annuity only upon prior written consent of the annuitant. Such written consent must be confirmed by a notary.

2. The debtor of the annuity must take all necessary measures in order to prevent any decrease of the value of the thing transferred to him.

Article 6.464. Termination of life annuity

1. The obligation of life annuity shall terminate with the death of the recipient of the annuity.

2. In the event of essential violation by the debtor of the annuity of his obligations, the annuitant shall have the right to demand from the debtor the return of the immovable thing transferred to him or the payment of the purchase price thereof on the conditions established in Article 6.454 of this Code. In this case, the debtor of the annuity shall have no right to demand compensation of the expenses incurred by the maintenance of the annuitant.

CHAPTER XXVII

GIFT

Article 6.465. Concept of contract of gift

1. Under a contract of gift, one party (donor) transfers by gratuitous title property in ownership or a property right (claim) to another party (donee) or relieves the donee of a property duty to himself or to a third person.

2. A promise to gift a property or a property right or to relieve someone of a property duty in the future shall not constitute a contract of gift. However, the beneficiary of the promise to be gifted in the future shall have the right to claim from the promisor damages incurred in preparing to accept the gift if the donor has refused to conclude the contract of gift without any justifiable grounds.

3. A contract of gift providing for the right of the donor to recover by his unilateral decision the gifted property or the property right shall be null and void.

4. Requirements in regard of a contract of gift whose parties are spouses are established by the provisions of Book Three of this Code.

Article 6.466. Transactions not deemed to be a gift

1. A contract providing for the transfer of a gift to the ownership of the donee after the death of the donor shall be null and void. Relations of such kind shall be governed by the provisions regulating legal relationships of inheritance.

2. The donee's unconditional renouncement of succession or a property right that he has not yet acquired shall not constitute a gift.

3. When between the parties to a contract of gift there exists a counter transfer of a certain property or property rights, or counter obligations, such contract shall not be deemed to be a gift. Legal consequences resulting from simulated transactions shall occur in such event. When one person transfers to another person property or a property right for remuneration, the contract of gift may be deemed to be constituted only for the part of the property or the property right in excess of the remuneration unless a different conclusion may result from the essence of the obligation concerned.

Article 6.467.Contract of gift under condition

1. A person, in gifting the property, may establish a condition for the property to be used exclusively for a definite purpose without prejudice to the rights and lawful interests of another persons.

2. In the event when the donee fails to perform a condition established in the contract of gift, the donor may demand within judicial proceedings the compliance with that condition or annulment of the contract of gift and return of the property.

3. A contract of gift providing for a duty of the donee to repay debts or perform other obligations which do not exist at the moment when the contract is formed, shall be null and void, except in cases where the future debt or obligation is clearly specified in the contract.

Article 6.468. Right of refusal of a donee to accept gift

1. The donee shall have the right to refuse the gift at any time before it is transferred to him.

2. If the contract of gift is made in the written form, the donor shall have the right to demand from the donee who has unreasonably refused to accept the gift compensation of damages caused by the refusal.

Article 6.469. Form of contract of gift

1. A contract of gift of a sum of money exceeding five thousand litas must be concluded in the written form.

2. A contract of gift of immovable property likewise a contract of gift whose object exceeds fifty thousand litas must be made in the form of notarial act.

3. A contract of gift of a thing or a property right in it shall create legal consequences to the third persons only in the event if the contract is registered in the public register.

Article 6.470. Capacity to make and receive gifts

1. A person lacking legal active capacity may not act in the capacity of a donor. The guardian of a person lacking legal active may not make gifts in the name of the latter, except those of symbolic character, the value of which does not exceed one minimum amount of subsistence level.

2. Only the guardian of a person lacking legal active shall have the right to accept gifts made to the latter, except those of symbolic character, the value of which does not exceed one minimum amount of subsistence level.

3. A contract of gift shall be null and void if the donor is a person who does not own the gift or is not properly authorized to conclude such contract.

4. A gift shall not be permitted to the administrators and other employees of health, treatment or social care establishments, if it is made by the donor who receives treatment or maintenance at that establishment or by his close relatives, except gifts of symbolic character, the value of which does not exceed one minimum amount of subsistence level.

5. A gift shall not be permitted to politicians, officials of state and municipal institutions, and other public servants, as well as to their close relatives where it is connected with the official position of the politician, official or public servant or with the performance of their official duties.

6. A contract of gift of property which does not exist at the time of contract formation likewise a contract of gift of property to be created in future shall be null and void.

7. A contract of gift may be annulled upon the action of the donor or of his heirs if at time when the contract of gift was concluded, the donor was terminally ill, which rendered him incapable of expressing his true will.

Article 6.471. Limitations to make a gift

1. The gift of property in joint common ownership shall be permitted exclusively upon written consent of all the participants of the joint common ownership.

2. The gift of property managed by the right of trust shall be permitted exclusively upon written consent of the owner of the property unless otherwise provided for by laws or the contract.

3. The gift of the right of claim shall be effectuated in compliance with the rules established in Articles from 6.101 to 6.104 and 6.107 of this Code.

4. A gift by means of the performance for the donee of his obligation to a third person or by acceptance of the debt of the donee to a third person shall be effectuated in compliance with the rules established in Articles 6.50, 6.115, 6.116, 6.118 and 6.119 of this Code.

5. A power of attorney to perform a gift in which the subject matter of the contract of gift is not specified and the donee is not named shall be null and void.

Article 6.472. Revocation of gift

1. The donor shall have the right to start judicial proceedings with the action in revocation of a gift if the donee has committed an attempt on his life or the life of his close relatives, or has intentionally caused them serious bodily injury, also if taking into consideration the nature of the gift, the personal qualities of the parties to the contract of gift and their interrelations, the donnee has committed against the donor such actions which are undoubtedly strictly reprehensible from the point of good morals. In the event of the intentional deprivation of life of the donor made by the donnee, the right to bring an action in revocation of a gift shall be possessed by the heirs of the donor.

2. The donor shall also have the right to start judicial proceedings with the action in revocation of a gift if the treatment by the donee of the gifted property, which is of great non-pecuniary value to the donor, creates a real threat of its loss.

3. The revocation of a gift shall obligate the donnee to restore to the donor the property he has received under the contract of gift in accordance with the provisions of this Book pertaining to restitution if this property still exists at the moment of revocation of the gift.

4. The action in revocation on the grounds provided for in this Article may be brought by the donor or by his heirs within a one-year prescription period which is calculated from the day the donor or his heirs became or should have become aware of the arising of such grounds.

5. The provisions of this Article shall not apply to ordinary gifts of domestic character and to presents of minor value.

Article 6.473. Duties of a donor

1. The donor shall transfer in accordance with the contract the property subject to be gifted without any encumbrance of the right thereto which is not established in the contract and which would hinder the use or disposal, as well as the possession of the property by the donee.

2. The donor may transfer only those rights in connection with the property gifted which he himself holds therein.

3. The donor shall not be liable for the latent defects in the property gifted if he was not or could not have been aware thereof.

4. The donee may claim from the donor compensation of damages if the donee suffered expenses in connection with the payment made to free the encumbered rights in the property given or with the elimination of defects in that property, and if the donor was aware or should have been aware of those encumbrances and defects but failed to disclose that to the donee.

5. The donor shall pay the expenses related with the conclusion and performance of the contract unless otherwise provided for in the contract.

Article 6.474. Liability of the donee for debts of the donor

Unless otherwise provided for by laws or the contract, the donee shall only be liable for the debts of the donor which are directly connected with the received gift.

Article 6.475.Compensation for injury

Injury caused to the life, health or property of the donee as a consequence of defects of the property gifted shall be compensated by the donor on the general grounds if it is proved that the

defects arose before the transfer of the property to the donee and were not obvious, while the donor, although being aware of them, failed to disclose this to the donee.

Article 6.476. Donations (aid and charity)

1. A gift of property or property right for certain useful purposes shall be deemed to be a donation.

2. No authorisation or consent shall be required for the acceptance of donations.

3. A donation must be used for the determined designation. If the donation is accepted by a legal person, the latter must carry out accountancy of all operations relating to the use of the donated property.

4. The designation of the donation may be stated by the person who makes the donation or expressed by the request or actions of the person receiving the donation. If the use of donated property in accordance with the specified designation becomes impossible in the consequence of a change of circumstances, it may be used for another designation only with the consent of the donor, and in the event of the donor's death (termination), only by a decision of the court.

5. In the event of donated property being used not in accordance with the designation specified by the donor, the donor or his successors shall have the right to demand within judicial proceedings revocation of the donation. This provision shall not apply in respect of donations of domestic character or those of minor value.

6. Article 6.467 of this Code shall not apply to donations.

CHAPTER XXVIII

LEASE

SECTION ONE

GENERAL PROVISIONS

Article 6.477. Concept of a contract of lease

1. Under a contract of lease one party (lessor) shall be obliged to grant to the lessee a thing for payment in temporary possession and use, and the other party (lessee) shall obligate himself to pay a lease payment.

2. A subject-matter of a contract of lease may be any durable thing. The kinds of things, the leasing of which is not permitted, may be established by laws.

3. A thing or its features enabling to define the thing which is to be transferred by the lessor to the lessee must be specified in the contract of lease. In the absence of such features in the contract, and if the subject-matter of the contract of lease cannot be determined according to other features, the contract of lease shall not be considered concluded.

4. A lessor may be the owner of the property under lease or persons empowered by laws or by the owner to lease out a thing owned by another person.

Article 6.478. Form of a contract

1. A contract of lease for a period of more than one year must be concluded in written form.

2. A contract of lease for immovable things for a period of more than one year may be invoked against third persons only in the event if it is registered in the Public Register in accordance with the procedure established by laws.

Article 6.479. Period of a contract of lease

1. A contract of lease may be fixed-term or concluded for an indefinite period, but in all cases the period of lease may not exceed one hundred years.

2. A period of a contract of lease shall be determined by the agreement of the parties. If the period of the contract of lease has not been determined in the contract, the contract of lease shall be considered to have been concluded for an indefinite period.

3. Other periods may be established by laws for the leasing of property which is owed by the state.

Article 6.480. Consequences of a contract of lease concluded for an indefinite period

If the contract of lease is indeterminate, both of the parties shall have the right at any time to repudiate the contract having warned the other party one month in advance, and in the event of the lease of immovable things, three months in advance. A more extensive period may be established in the contract of lease for the issue of warning about the termination thereof.

Article 6.481. Continuance of use of property after the expiry of period of contract

A contract of lease shall be considered to become concluded for an indefinite period where the lessee continues to use the property for more than ten days after the expiry of the period of the contract without any opposition from the lessor.

Article 6.482. Preferential right of the lessee to renew a contract of lease

1. The lessee who has duly performed his duties accepted according to the contract of lease shall have a preferential right before other persons to renew the contract upon the expiry of the period thereof.

2. The lessor must inform the lessee in writing within the period determined in the contract of the latter’s right to conclude a contract of lease for a new term, and if such period is not determined in the contract, within a reasonable period before the termination of the contract of lease.

3. When concluding a contract of lease for a new period, the conditions of the contract may be modified by the agreement of the parties.

4. If the lessor refused to conclude a contract with the lessee for a new period, but within a year from the termination of the contract of lease concluded a contract of lease upon the same thing with another person without informing the previous lessee, the latter shall have the right at his choise to claim either the transfer to him of the rights and duties of the lessee under the contract of lease concluded or compensation of damages incurred in the result of the refusal to conclude a contract of lease for a new period.

SECTION TWO

RIGHTS AND DUTIES OF PARTIES TO A CONTRACT OF LEASE

Article 6.483. Delivering property to the lessee

1. The lessor shall be obliged to deliver property to the lessee in the state corresponding to the conditions of the contract and designation of the property. The lessor shall be bound to guarantee that the thing is fit to be used for the purpose for which it is leased throughout the whole period of the lease.

2. The lessor shall not be held liable for the defects of the property leased which were stipulated by him when concluding the contract.

3. The lessor shall be obliged to deliver to the lessee the documents relating to the thing leased and appurtenances thereof (technical passport, certificate of quality, etc.) which are necessary for the use of that thing unless otherwise provided for by the contract.

4. Neither the lessor nor the lessee may change the form and designation of the leased property during the period of the lease.

Article 6.484. Consequences of non-delivering the thing to the lessee

In the event of the failure of the lessor to deliver into the use of the lessee the leased thing, its documents and appurtenances, the lessee shall have the right to recover this thing from the lessor and to claim damages caused by the delay of performance or to demand dissolution of the contract and compensation of damages caused by the non-performance of the contract.

Article 6.485. Liability of lessor for defects of the thing

1. The lessor shall be liable for defects of the thing leased out which wholly or partially obstruct the use thereof for its designation even in those instances where the lessor was not aware of those defects at the time of concluding the contract.

2. In the event of discovery of such defects as indicated in Paragraph 1 of this Article, the lessee shall have the right at his choice:

1) demand from the lessor either elimination of those defects without compensation or a commensurate reduction of the lease payment, or compensation of the expenses of the lessee incurred in the elimination of the defects;

2) withhold the amount of expenses incurred for the elimination of defects from the lease payment if the lessor was informed of this in advance;

3) demand the dissolution of the contract before time.

3. The lessor who is informed about the demands of the lessee or about the latter’s intention to eliminate the defects of the thing at the expense of the lessor shall have the righ to replace the leased thing of inferior quality with another analogous thing of proper quality or to eliminate the defects of the thing himself without compensation.

4. In the event where after the satisfaction of the demands of the lessee or after the withholding of expenses for the elimination of defects from the lease payment damages caused to the lessee are not fully compensated, he shall have the right to demand the reparation of the uncompensated part of the damages.

5. The lessor shall not be liable for those defects of the leased thing which were stipulated by him when concluding the contract or which should have been known to the lessee, or which should have been noticed by the lessee without any additional inspection when concluding the contract or delivering the thing, but which were not discovered through his own gross negligence

Article 6.486. Rights of third persons to leased property

1. A lease of a thing shall not terminate nor change the rights of third persons to that thing.

2. The lessor before concluding a contract of lease shall be obliged to inform the lessee about all rights of third persons to the thing upon lease (pledge, servitude, usufruct, etc.). If the lessor fails to perform this duty, the lessee shall have the right to demand a reduction of lease payment or dissolution of the contract and compensation of damages.

Article 6.487. Lease payment

1. The lessee shall be obliged to pay the lease payment on time. Unless otherwise provided for by laws or the contract, he shall have the right to demand a commensurate reduction of the lease payment if due to circumstances for which he is not responsible, conditions of the use of the thing established in the contract or the state of the thing have essentially got worse.

2. If the concrete amount of the lease payment or the method of its calculation is not determined in the contract, each of the parties to the contract shall have the right to apply to a court with the request to appoint independent experts for determination of the amount of the lease payment.

3. Upon the agreement of the parties, the lease payment may be established in the following forms:

1) in a fixed sum of money which must be paid in a lump sum or in instalments;

2) in a portion of the products, fruits or incomes received from the use of the leased thing;

3) by certain services supplied to the lessor by the lessee;

4) by the duty of the lessee to improve the state of the leased thing at his own expense;

5) by the duty of the lessee to transfer to the lessor a thing stipulated in the contract into his ownership or on lease.

4. The parties may agree on a combination of these forms for the determination of the amount of the lease payment or may establish another form of calculating the lease payment.

5. Unless otherwise provided for by the contract of lease, the lease payment may be changed by agreement of the parties within the periods agreed between them, but not more often than twice a year if laws do not foresee differently.

6. Unless otherwise provided for by the contract of lease, in the event of essential violation by the lessee of the periods for paying the lease payments, the lessor shall have the right to demand from the lessee effectuation of the lease payment in advance within the periods established by the lessor, though the amount may not exceed the payment for two periods in succession.

Article 6.488. Right of a lessee to incomes received from the leased thing

The incomes, fruits, livestock increase received from the leased thing shall belong to the lessee unless otherwise provided for by the contract.

Article 6.489. Use of leased property

1. The lessee shall be obliged to use the leased thing in accordance with the contract and designation of the thing.

2. The lessee shall be obliged to use the leased thing in such a way as not to hinder the use of that thing by other lawful users.

3. The lessee shall be liable towards the lessor and other lessees for the performance of the duty determined in Paragraph 2 of this Article. In addition, the lessee shall be liable for actions of other persons he entitles with the right or possibility to use the leased thing.

4. Where one of the lessees violates the duty provided for in Paragraph 2 of this Article, the other lessees may obtain a reduction of the lease payment if the lessor has been notified of the hindrances.

5. The lessor shall have the right without interfering with rights of the lessee to check if the lessee uses the leased thing in a proper way. In addition, the lessor shall have the right to show the leased thing to a prospective lessee or acquirer.

Article 6.490. Sublease

1. The lessee shall have the right to sublease the leased thing only with the written consent of the lessor unless otherwise provided for by the contract. The contract of sublease may not be concluded for a period exceeding the period of the contract of lease.

2. A refusal of the lessor to consent to the sublease of the thing must be reasonably motivated. If the lessor refuses to consent without any reasonable grounds, the lessee shall have the right to dissolve the contract before its expiry.

3. If the consent of the lessor for the sublease of a thing is not necessary, the lessee before concluding the contract of sublease, shall be bound to inform the lessor about the contract of sublease and the sublessee.

4. If the contract of lease is void, the contract of sublease shall also be void.

5. The rules established in this Article shall also apply to the lease for use.

6. The lessee shall be liable towards the lessor both in the event of sublease and the lease for use. If a sublessee violates the contract of sublease in essence and inflicts damage by his actions to the lessor or to other lawful users of that thing, the lessor shall have the right to demand dissolution of the contract of sublease.

7. In the event where the lessor fails to perform his obligations in accordance with the contract of lease, the sublessee may also submit a claim on behalf of the lessee.

Article 6.491. Assignment or encumbrance of rights and duties of a lessee

1. The lessee shall have the right upon the written consent of the lessor obtained in advance to assign his rights and duties under the contract of lease, to pledge the right of lease or to transfer it as a property contribution or to effectuate any other encumbrance thereof unless otherwise provided for by the contract of lease.

2. In the event of the assignment of rights and duties of the lessee to another person in accordance with the procedure established in Paragraph 1 of this Article shall relieve the lessee from his obligations towards the lessor resulting from the contract of lease.

Article 6.492. Duty of the lessor to make capital repair of a leased thing

1. The lessor shall be obliged to make capital repair at his own expense of the leased thing unless otherwise provided for by laws or the contract.

2. Violation by the lessor of the duty provided for in Paragraph 1 of this Article shall vest the lessee with the right, upon obtaining the authorization of the court, to make the capital repair and to recover from the lessor the price of the repair, or to withhold it from the lease payment, or to dissolute

the contract and claim damages caused by failure to perform the contract. In this event the lessee shall be bound to submit to the lessor the estimate and account of the work of capital repair.

3. The lessee shall be obliged to provided for all the conditions necessary for the proper performance of the duty of the lessor indicated in Paragraph 1 of this Article.

4. In the performance of his duty indicated in Paragraph 1 of this Article, the lessor shall have the right to require from the lessee to temporarily desist from the use of the leased thing if the capital repair is necessary and urgent. If the capital repair is not urgent and the lessee does not agree to be temporarily dispossessed of the leased thing, the lessor must obtain the authorization of the court for the temporary restriction of the lessee's right to use the leased thing.

5. The lessee whose right to use the leased thing is restricted shall have the right to obtain reduction of the lease payment, to demand compensation, or to apply for the dissolution of the contract of lease.

Article 6.493. Duty of a lessee with regard to maintenance of a leased thing

1. The lessee shall be obliged to maintain the leased thing in a proper state and to bear expenses for the maintenance of this thing and to make its current repair at his own expense unless otherwise provided for by laws or the contract.

2. The lessee, on becoming aware of damage or any other serious defects of the leased thing for the elimination of which urgent capital repair is necessary, shall be bound immediately to inform the lessor thereof.

3. In the event where the lessor, after he was informed by the lessee, fails to eliminate the defects, the lessee shall have the right to undertake the necessary repair work even without the authorization of the court if it is necessary to ensure the preservation of the leased thing; in doing so the lessee shall inform the lessor accordingly and subsequently submit to him the document confirming the value of the performed work as well as the replaced parts of the thing. Where necessary, the lessee may perform the inevitable repair of the thing by withholding the amount of the expenses from his payment of lease.

Article 6.494. Validity of a contract in the event of the transfer of a thing to another owner or in the event of death of a lessee

1. Transfer of the right of ownership of the leased thing from the lessor to another person, shall preserve validity of the registratable contract of lease towards the new owner/shall preserve the registratable contract of lease being in force towards the new owner, provided the rights resulting from that/such contract of lease are registered in the Public Register within the procedure established by laws.

2. The contract of lease shall preserve its validity even where the thing is passed from one state (local government) institution (lessor) to another.

3. Transfer of the right of ownership to the leased property from the lessor to another person shall be the grounds for the termination of the contract of lease in case of a demand of the lessee.

4. In the event of death of a lessee – natural person – who was leasing an immovable thing, his rights and duties under the contract of lease shall be passed to his heirs unless otherwise provided for by laws or the contract. In such event, the lessor shall have no right to refuse the heir of the deceased lessee the assignment of the rights and duties of the previous lessee for the remaining period of the lease, except in the cases when the conclusion of the contract was conditioned by the personal qualities of the lessee.

5. In the event of expropriation of the thing for public interests, the contract of lease shall terminate at the moment from which the new owner of the expropriated thing (possessor) acquires possession of that thing.

Article 6.495. Duty of a lessor to inform about a contract of lease

The lessor, in selling or in any other way transferring a leased thing, as well as pledging it or otherwise encumbering the right of ownership thereto, shall be bound to inform the purchaser of the thing or the party of any other contract about the contract of lease in operation, likewise to inform the lessee of the intended sale, any other alienation of the thing, or of the encumbrance of the right thereto.

SECTION THREE

TERMINATION OF A CONTRACT OF LEASE

Article 6.496. Termination of a contract of lease upon expiry of its time-limit

A contract of lease with a fixed term shall be terminated upon expiry of its time-limit unless it is renewed by the parties by forming/making/entering into a new agreement or within the order provided for by Article 6.481 of this Code.

Article 6.479. Dissolution of a contract before time upon demand of the lessor

1. The lessor shall have the right to bring an action into a court for the dissolution of a contract of lease before time, if:

1) the lessee uses the thing in violation of the contract or not according to the designation of the thing;

2) the lessee intentionally or through negligence worsens the state of the thing;

3) the lessee fails to pay the payment of lease;

4) the lessee fails to perform capital repair in those cases where the laws or the contract obligate him to do so;

5) there exist other grounds provided for by the contract of lease.

2. Unless otherwise provided for by the contract of lease, termination of the contract of lease before time shall also entail the termination of the contract of sublease.

3. The lessor shall have the right to demand dissolution of the contract of lease before time only after having sent a written warning to the lessee about the necessity to perform the obligation or eliminate violations within reasonable time, however the lessee after reception of such warning failed within reasonable time to perform the obligation or to eliminate the violations.

Article 6.498. Dissolution of a contract before time upon demand of a lessee

1. The lessee shall have the right to bring an action to a court for dissolution of a contract of lease before time, if:

1) the lessor fails to carry out the repair he is obliged to;

2) the thing by virtue of circumstances for which the lessee is not liable becomes not fit for use;

3) the lessor fails to transfer the thing to the lessee or hinders the use of the thing in accordance with its designation and the conditions of the contract;

4) the thing transferred has defects which were not stipulated by the lessor and were unknown to the lessee and which render the thing impossible to be used in accordance with its designation and the conditions of the contract;

5) there exist other grounds provided for by the contract of lease.

Article 6.499. Return of a thing to the lessor

1. Upon the termination of the contract of lease, the lessee shall be bound to return the thing to the lessor in the state he received it, taking into account normal wear and tear, or in the state agreed in the contract.

2. In the event where the lessee returns the thing after the term, the lessor shall have the right to demand effectuation of the lease payment for the entire time of the delay and compensation for damages incurred by such delay.

3. In the event of the failure on the part of the lessee to return the leased thing, he shall be bound to compensate to the lessor the amount of the value of that thing, likewise to effectuate the payment of lease and compensate for other damages incurred by the lessor.

Article 6.500. Liability of a lessee for deterioration of a thing

In the event of the lessee causing deterioration of the leased thing, he shall be bound to compensate to the lessor damages caused by the deterioration, except in the cases where the lessee proves that the deterioration occurred not due to his fault.

Article 6.501. Improvement of a thing

1. In the instances where the lessee with the permission of the lessor has made improvements of the leased thing, he shall have the right to compensation of the necessary expenses incurred by him for that purpose.

2. In the event where the improvements made by the lessee without the permission of the lessor are separable without harm to the leased thing, and where the lessor does not agree to compensate for them, they may be taken out by the lessee.

3. The value of improvements which are not separable without harm to the leased thing made by the lessee without the permission of the lessor shall not be subject to obligatory compensation.

Article 6.502. Liability of a lessee for loss of a thing

1. The lessee shall be liable for the loss of a thing unless he proves that the loss was not due to his fault or that of the persons he, upon the permission of the lessor, granted the right of use of the leased thing or allowed access thereto.

2. The lessee shall not be liable for the loss of an immovable thing by the reason of fire unless it is proved that the fire occurred due to his fault or that of the persons he, upon the permission of the lessor, granted the right of use of the leased thing or allowed access thereto.

Article 6.503. Purchase of leased property

1. It may be provided for by laws or the contract of lease that the leased thing shall pass to the ownership of the lessee upon the expiry of the time-limit of the contract of lease or before the

expiry thereof if the lessee pays the entire amount of the price stipulated by the contract of sale by instalment.

2. If the condition on the purchase of the leased thing is not provided in the contract, it may be established by an additional agreement of the parties in which they may agree upon the set-off of the previously paid lease payment against the price of the thing.

3. A prohibition of purchase of the leased thing may be established by laws or the contract.

SECTION FOUR

CONSUMER LEASE

Article 6.504. Concept of a contract of consumer lease

1. Under the contract of consumer lease the lessor, i.e. the person whose permanent business activity is leasing of things, shall be obliged to grant a movable thing to the lessee (consumer) in his temporary possession and use for payment for the personal purposes of the lessor or his family, or for household purposes thereof, provided that it is not connected with business or professional activity, while the lessee shall be obliged to pay the payment of lease under a contract of consumer lease.

2. A contract of consumer lease is a consumption contract and shall be regulated, *mutatis mutandis*, by the rules governing consumption contracts established by this Code.

Article 6.505. Time-limit of a contract of consumer lease

1. The time-limit of a contract of consumer lease may not exceed the period of one year.

2. Rules established in Articles 6.481 and 6.482 of this Code shall not apply to the contract of consumer lease.

3. The lessee shall have the right to repudiate the contract at any time, having warned the lessor about that not later than ten days before the repudiation of the contract.

Article 6.506. Form of a contract of consumer lease

A contract of consumer lease shall be concluded in written form or in any other specially determined form (invoice, tag, etc.).

Article 6.507. Duty of the lessor to make a repair of the thing under a contract of consumer lease

The lessor shall be obliged to make the capital and current repair of the thing leased under the contract of consumer lease.

Article 6.508. Granting of a thing to the lessee

A lessor who has concluded the contract of consumer lease shall be obliged in the presence of the lessee to check the state of the thing being leased under the contract of consumer lease, to familiarize the lessee with the rules for the use of that thing or to furnish him written instructions on the use thereof.

Article 6.509. Elimination of defects in a leased thing

1. In the event of the discovery of defects in the leased thing which wholly or partly obstruct the use thereof, the lessor shall be obliged within ten days from the date of receiving the statement of

the lessee concerning the defects unless a shorter period has been determined by the contract of consumer lease, to eliminate the defects without compensation on the site or to replace it with analogous thing in proper state.

2. In the instances where the defects of the thing appeared as a consequence of a violation by the lessee of the rules for the use and maintenance of the thing, the lessee shall be obliged to compensate to the lessor the expenses caused by the repair and transportation of the thing.

Article 6.510. Lease payment

1. The lease payment shall be determined in the contract of consumer lease in the form of a sum of money to be paid in a lump sum or in several instalments.

2. In the event where the lessee returns the thing to the lessor before time, the latter shall be obliged to return to the lessee the corresponding part of the lease payment calculated from the day following the day of the actual return of the thing.

3. The lessor shall have no right to unilaterally increase the lease payment after the contract was concluded.

Article 6.511. Limitation of the rights of the lessee

The lessor under a contract of consumer lease shall have no right to sublease a leased thing, to transfer his rights and duties under the contract of consumer lease to another person, to conclude a contract of loan for use in respect of that thing, to pledge the rights under the contract of consumer lease, or transfer them in the form of property contribution.

SECTION FIVE

LEASE OF MEANS OF TRANSPORT WITH GRANTING OF SERVICES RELATING TO DRIVING AND TECHNICAL MAINTENANCE

Article 6.512. Concept of lease of means of transport with granting of services relating to driving and technical maintenance

1. Under a contract of lease of means of transport with granting of services relating to driving and technical maintenance, the lessor shall take an obligation to grant means of transport to the lessee for his temporary use for payment and render services with regard to the and technical thereof, while the lessee undertakes an obligation to pay the lease payment.

2. The rules established in Articles 6.481 and 6.482 of this Code shall not apply to a contract of lease of means of transport with granting of services relating to driving and technical maintenance.

Article 6.513. Form of a contract

Irrespective of its duration, a contract of lease of means of transport with granting of services relating to driving and technical maintenance shall have to be formed in written form.

Article 6.514. Duty of the lessor relating to maintenance of means of transport

The lessor throughout the entire period of the contract of lease shall be obliged to ensure the proper technical state of the means of transport leased out, likewise to effectuate current and capital repair and grant necessary appurtenances.

Article 6.515 Duty of the lessor to grant services relating to driving and technical maintenance

1. The lessor shall be obliged to grant services with regard to driving and technical maintenance of means of transport, which would allow ensuring its normal and safe exploitation in accordance with the conditions of lease specified in the contract. The parties may foresee in the contract of lease of means of transport a more extensive group of services to be granted to the lessee by the lessor.

2. The lessor shall be obliged to ensure that the skills of the person or persons who drive the means of transport as well as other requirements established thereto conform to the criteria determined in laws and the contract of the lease of means of transport.

3. Persons driving the leased means of transport shall be workers of the lessor. They shall be subordinate to the instructions of the lessor with respect to the driving and technical maintenance of the means of transport, as well as to the requirements of the lessee with respect to the use of the means of transport.

4. Unless otherwise provided for by the contract of lease of means of transport, expenses relating to the sustenance of the persons driving the leased means of transport, as well as their wages shall be borne by the lessor.

Article 6.516. Duty of the lessee to pay the expenses connected with the use of means of transport for commercial

Unless otherwise provided for by the contract of lease of means of transport, the lessee shall bear expenses arising from the use of means of transport for commercial purposes, the cost of fuel and other materials utilised, as well as the payment of dues.

Article 6.517. Insurance of means of transport

Unless otherwise provided for by the contract of lease of means of transport, the duty to insure the means of transport and the civil liability of its operator shall rest upon the lessor.

Article 6.518. Contracts with third persons

1. Unless otherwise provided for by the contract of lease of means of transport, the lessee shall have no right to sublease the means of transport to third persons without the consent of the lessor.

2. Unless otherwise provided for by the contract of lease of means of transport, the lessee shall have the right without the consent of the lessor to conclude in his own name with third persons contracts of carriage as well as other contracts where this is not contrary to the purposes of the use of the means of transport.

Article 6.519. Liability for damage caused to means of transport

In the event of the perishing or damaging of the leased means of transport, the lessee shall be obliged to compensate to the lessor for the damages caused if the lessor proves that the means of transport perished or were damaged due to circumstances libility for which falls upon the lessee.

Article 6.520. Liability for damage caused to third persons

The lessee shall be held liable for the damage caused to third persons by the leased means of transport. Having compensated the damage, the lessee shall have the right of recourse against the

lessor for recovery of the amount paid in the event where the damage was caused through the fault of the lessor.

Article 6.521. Peculiarities of lease of separate types of means of transport with granting of services relating to driving and technical maintenance

Peculiarities of lease of certain types of means of transport with granting of services relating to driving and technical maintenance may be determined by the Codes regulating separate types of means of transport.

SECTION SIX

LEASE OF MEANS OF TRANSPORT WITHOUT GRANTING SERVICES RELATING TO DRIVING AND TECHNICAL MAINTENANCE

Article 6.522. Concept of a lease of means of transport without granting services relating to driving and technical maintenance

1. Under a contract of lease of means of transport without granting services relating to driving and technical maintenance, the lessor shall take an obligation to grant means of transport to the lessee in temporary possession and use for payment, while the lessee undertakes an obligation to pay the payment of lease.

2. The rules established in Articles 6.481 and 6.482 of this Code shall not apply to the contract of lease of means of transport without granting services relating to driving and technical maintenance.

Article 6.523. Form of a contract

Irrespective of its duration, a contract of lease of means of transport without granting services relating to driving and technical maintenance shall have to be formed in written form.

Article 6.524. Duty to maintain the means of transport

The lessee throughout the entire period of lease shall be obliged to maintain the proper state of the means of transport leased, to effectuate current and capital repair unless otherwise provided for by the contract.

Article 6.525 Duty of the lessee in respect of operation and technical maintenance

The lessee shall ensure the operation and technical maintenance of the means of transport with his own forces and at his own expense.

Article 6.526. Duty of the lessee with regard to payment of expenses connected with the use of the means of transport and other expenses

Unless otherwise provided for by the contract of lease of means of transport, the lessee shall bear expenses related with the use and sustenance of the means of transport likewise to pay the insurance therefor.

Article 6.527. Contracts with third persons

1. Unless otherwise provided for by the contract of lease of means of transport, the lessee shall have no right without the consent of the lessor to sublease the means of transport to third persons on the conditions of the contract of lease.

2. Unless otherwise provided for by the contract of lease of means of transport, the lessee shall have the right without the consent of the lessor to conclude in his own name with third persons contracts of carriage as well as other contracts where this is not contrary to the purposes of the use of the means of transport.

Article 6.528. Liability for damage caused to third persons

The lessee shall be held liable for the damage caused to third persons by the leased means of transport.

Article 6.529. Peculiarities of lease of individual types of means of transport without granting services relating to driving and technical maintenance

Peculiarities of lease of certain types of means of transport without granting services relating to driving and technical maintenance may be determined by the Codes regulating individual types of means of transport

SECTION SEVEN

LEASE OF BUILDINGS, STRUCTURES AND INSTALLATIONS

Article 6.530. Concept of the contract of lease of buildings, structures and installations

1. Under a contract of lease of buildings, structures and installations, the lessor shall undertake an obligation to transfer for payment a building, structure or installation to the lessee in temporary possession and use or temporary use, while the lessee undertakes an obligation to pay the payment of lease.

2. The provisions of this Section shall apply to the lease of enterprises to the extent that they are not contrary to the provisions of Section Eight of this Chapter.

Article 6.531. Form of a contract

1. A contract of lease of buildings, structures and installations shall have to be formed in written form.

2. A contract of lease of buildings, structures and installations may be invoked against third persons only if it is registered in the Public Register.

Article 6.532. Rights to a land plot

1. Under a contract of lease of buildings, structures and installations, the rights of the use of that part of the land plot which is occupied by the relevant buildings, structures and installations and is necessary for the use thereof in accordance with their designation shall pass to the lessee simultaneously with the transfer of the subject-matter of lease.

2. In the event where the lessor is the owner of the land plot on which the leased buildings, structures or installations are situated, the land plot shall be provided for the use of the lessee under the

right of lease or on any other right stipulated in the contract of lease of buildings, structures and installations.

3. In the event where the rights of the lessee to the land plot occupied by the relevant buildings, structures or installations are not determined in the contract of lease of buildings, structures and installations, it shall be deemed that the lessee is granted for the period of the lease of the respective immovables the right to use gratuitously that part of land plot which is necessary for the use of buildings, structures and installations in accordance with their designation.

4. The lease of buildings, structures or installations situated on a land plot which does not belong to the lessor by the right of ownership shall be permitted without the consent of the owner of this plot exclusively where this is not contrary to laws or the contract between the owner of the plot and the lessor of the buildings, structures and installations.

Article 6.533. Right of the lessee to the use of a land plot in the event of substitution of its owner

In the event where the land plot occupied by the leased buildings, structures or installations is sold or transferred under any other grounds into the possession of another person under the right of ownership, the lessee shall retain the right to use that part of land plot which is necessary for the use of buildings, structures and installations in accordance with their designation under the same terms as existed before the alienation of the land plot into the ownership of another person, providing the contract of lease was registered in the Public Register in accordance with the procedure established by laws.

Article 6.534. Payment of lease

1. The payment of lease shall be determined upon the agreement between the parties.

2. The payment of lease established in the contract shall include payment for the use of the land plot on which the leased buildings, structures or installations are situated unless otherwise provided for by laws or the contract of lease.

3. In the instances where the payment of lease has been established per unit of space of the building, structure or installation or any other dimension thereof, the lease payment shall be determined by proceeding from the actual size of the leased building, structure or installation.

Article 6.535. Transfer of building, structure or installation

1. The transfer of a building, structure or installation and the acceptance thereof shall be effectuated under the act of transfer-acceptance. The act shall be signed by both parties.

2. Unless otherwise provided for by laws or the contract, the obligation of the lessor to transfer the building, structure or installation to the lessee shall be considered to have been performed after the factual granting of the building, structure or installation to the lessee or upon the signing of the act of transfer-acceptance.

3. In the event of one party of the contract avoiding to sign the act of transfer-acceptance of a building, structure or installation under the conditions agreed in the contract of lease, it shall be considered as a refusal respectively of the lessor to perform his obligation with regard to the transfer of the relevant building, structure or installation or of the lessee to accept them.

4. Upon the termination of a contract of lease of a building, structure or installation, they must be returned to the lessor in accordance with the rules determined in this Article.

SECTION EIGHT

LEASE OF ENTERPRISE

Article 6.536. Concept of the contract of lease of enterprise

1. Under a contract of lease of enterprise, the lessor shall take an obligation to grant to the lessee in temporary possession and use for payment an enterprise as a property complex used for business purposes, while the lessee undertakes an obligation to pay the payment of lease. The granting of an enterprise as a property complex to the lessee shall also comprise a transfer of the plot of land, buildings, structures, installations, equipment, other means of production specified in the contract, raw materials, stocks, working capital, rights to the use of land, water and other natural resources, buildings, structures or installations, likewise any other property rights connected with the enterprise, the rights to the product or service mark and the name of the firm as well as other exclusive rights. The transfer of an enterprise as a property complex shall also comprise the assignment of the rights to claim and obligation of debts determined in the contract of lease. The transfer of the rights of possession and use of property which is in the ownership of other persons, likewise the transfer of rights of possession and use of land and other natural resources shall be effectuated in accordance with the procedure established by laws.

2. The rights of the lessor acquired by him on the basis of an authorisation (licence) may not be transferred to the lessee under the contract of lease of enterprise, except in cases provided for by laws or the contract. The inclusion in the composition of obligations of the transferable enterprise of such obligations whose performance by the lessee is impossible in the absence of pertinent authorisation (licence) shall not relieve the lessor from the relevant obligations to the creditors.

Article 6.537. Rights of the creditors of the enterprise in the event of lease of enterprise

1. The lessor of an enterprise shall be obliged before the transfer thereof to the lessee to notify in writing the creditors of the enterprise about its lease.

2. A creditor of the enterprise who has not communicated to the lessor in writing his prior consent to the delegation of the debt, shall have the right within three months from the date of receiving notification about the lease of the enterprise to demand dissolution of the contract concluded by the lessor or performance of that contract before the time and compensation of damages.

3. A creditor of the enterprise who has not been informed about the lease of the enterprise in accordance with the procedure established in Paragraph 1 of this Article, shall have the right to bring the claims provided for in Paragraph 2 of this Article against the lessor within the period of one year from the date when he became aware or should have become aware of the lease of the enterprise.

4. Upon the lease of the enterprise, the lessor and the lessee shall be solidarily liable for the debts of the enterprise which were delegated to the lessee without the creditor’s consent.

Article 6.538. Form of a contract

1. A contract of lease of enterprise shall be concluded in written form by means of drawing up one document.

2. The failure to comply with the requirements to the form of the contract of lease of enterprise shall render the contract null and void.

3. A contract of lease of enterprise may be invoked against third persons only where it has been registered in the Public Real Property Register and the Register of Enterprises.

Article 6.539. Transfer of an enterprise

1. The transfer of a leased enterprise shall be effectuated under the act of transfer-acceptance.

2. The preparation of the enterprise for the transfer, including the drawing up of the act of transfer-acceptance shall be the duty of the lessor to be performed at his own expense unless otherwise provided for by the contract of the lease of enterprise.

Article 6.540. Use of property of a leased enterprise

1. Unless otherwise provided for by the contract of the lease of enterprise, the lessee shall have the right without the consent of the lessor to sell, exchange, transfer for temporary use raw materials, stocks, manufactured products which are part of the property of the leased enterprise, sublease them and transfer his rights and obligations in respect of those valuables under the contract of lease, on condition that this does not entail violation of the provisions of the contract of lease of enterprise and reduction of the value of the enterprise.

2. Unless otherwise provided for by the contract of the lease of enterprise, the lessee shall have no right without the consent of the lessor to make changes in the leased enterprise as a property complex, perform its reconstruction, modernisation, expansion of its capacity, technical re-equipping or introduce any other transformations.

Article 6.541. Duty of a lessee to ensure exploitation of a leased enterprise

1. The lessee of an enterprise shall be obliged within the entire period of operation of the contract of lease to ensure proper technical state of the enterprise and to perform its current and capital repair.

2. The lessee shall be obliged to bear all the expenses related with the exploitation of the leased enterprise, to pay for the insurance of the property of the enterprise and any effectuate other payments unless otherwise provided for by the contract of lease of the enterprise.

Article 6.542. Improvements of enterprise

1. The lessee of an enterprise shall have the right to compensation for the expenses incurred in respect of inseparable improvements of the enterprise providing that the consent of the lessor for such improvement was obtained, except in cases when otherwise provided for by the contract of lease of the enterprise.

2. The lessor may be relieved from the obligation to compensate expenses indicated in Paragraph 1 of this Article if he can prove that the expenses of the lessee increased the value of the enterprise incommensurately to the improvements of its quality and/or operational properties, or when effectuating such improvements the criteria of good faith and reasonableness were violated.

Article 6.543. Arising of effects of nullity of transactions and other legal effects to contract of lease of enterprise

The provisions of the present Code concerning the effects of nullity of transactions, the legal effects of dissolution or change of a contract, likewise those providing for the return of property or the recovery in kind shall be applicable to contract of lease of enterprise to the extent that this does not violate in essence the rights and interests of the lessor, lessee and other persons, and is not contrary to public order.

Article 6.544. Return of a leased enterprise

In the event of the termination of a contract of the lease of enterprise, the lessee shall be obliged to return the enterprise to the lessor in accordance with the rules established in Articles 6.536, 6.537 and 6.539 of this Code. The preparation of the enterprise for the transfer, likewise the drawing up of the act of transfer-acceptance shall be the duty of the lessee to be performed at his own expense unless otherwise provided for by the contract of the lease of enterprise.

CHAPTER XXIX

LEASE OF LAND

Article 6.545. Concept of a land lease contract

1. Under a land lease contract, one party (lessor) shall take an obligation to transfer for payment a plot of land to the other party (lessee) in temporary possession and use for the purposes specified in the contract and under conditions established therein, while the lessee undertakes an obligation to pay the payment of land rent indicated in the contract.

2. Separate laws of the Republic of Lithuania may stipulate the peculiarities in respect to the lease of land to diplomatic and consular missions of foreign states, likewise the lease of land plots located in free economic zones, the territory of the seaport or any other specific locations.

Article 6.546. Subject matter of a land lease contract

The subject matter of a land lease contract shall be a plot of land (or a part thereof) in the state or private ownership formed in accordance with the project of land-use planning or any other detailed document of territorial planning, and registered in the Public Register within the procedure established by laws.

Article 6.547. Form of a land lease contract

1. A land lease contract shall have to be formed in written form.

2. A land lease contract may be invoked by the parties against third persons only if it is registered in the Public Register within the procedure established by laws.

3. A land lease contract shall have to be appended with the plan of the land plot to be leased, and in the event of the land to be leased for the period of up to three years, with the scheme of the land plot. These documents shall form an inseparable part of the land lease contract.

Article 6.548. The lessor of land and the lessee of land

1. The lessor of land in private ownership shall be the owner of the private land.

2. A contract of lease of land in state ownership may be formed in accordance with their competence by a county governor, municipal or any other institution which performs the functions of the owner of land.

3. In the event of a plot of land belonging to several persons under the right of co-ownership, the land plot concerned may be leased upon the written consent of all the co-owners.

4. Lessees may be natural and legal persons of the Republic of Lithuania and foreign states.

Article 6.549. Duration of a land lease contract

1. The duration of a contract of lease of land in private ownership shall be established upon the agreement between the lessor and the lessee. The parties may also form a land lease contract for an indeterminate term.

2. The duration of a contract of lease of land in state ownership shall be established upon the agreement between the lessor and the lessee, nevertheless, the term may not exceed ninety-nine years.

3. A shorter maximum duration of a land lease contract may be stipulated by laws.

4. Where the land plot pursuant to the territorial planning documents is allocated to be used for public needs, such land plot shall be leased only for a period until it is expropriated for the purposes intended. In the event of the contract being concluded for a longer period, it shall be deemed to be concluded only for the duration until the expropriation of the land plot.

Article 6.550. Content of land lease contracts

1. The following must be stated in a land lease contract:

1) the lessor of the land;

2) the lessee of the land;

3) the data on the object of the land lease registered in the Land Cadastre and the Public Register;

4) duration of the lease of land;

5) the principal particular purpose of land utilisation;

6) conditions of use of the constructions and installations situated on the leased land and belonging to the owner of the land or any other persons under the right of ownership, as well as the conditions of erecting new buildings, structures, building of roads and water reservoirs, or other conditions, likewise the intended use of the buildings or installations upon the expiry of the time-limit of the land lease contract;

7) conditions of use of the surface and subterranean waters, mineral resources (with the exception of amber, oil, natural gas and quartz-sand) found in the land plot to the extent that they are not contrary to laws.

8) special conditions of the use of land;

9) restrictions of the use of land;

10) land servitudes and other real rights;

11) payment for the land lease. It shall include payment for the land-reclamation installations, roads, bridges, engineering equipment, etc., likewise indexing of the payment in the event of the lease of state land;

12) other commitments of the lessor and the lessee related with the use of the land plot and its return upon the expiry of the land lease contract;

13) liability for the infringements of the land lease contract.

2. A land lease contract may not provide for:

1) authorisation issued to the lessee to represent the owner of the land and dispose of the private land of this owner and any other immovable property situated therein;

2) the right of a lessee of land in private ownership to change the principal particular purpose of land utilisation.

3. The conditions of the land lease contract which determine the manner of the use of the leased land may not contradict to the interests of environment, those of the owners or users of the neighbouring land plots, as well as to the public interests.

Article 6.551. Lease of state-owned land

1. State-owned land, with the exception of cases provided for in Paragraph 2 of this Article, shall be leased by competitive bidding in accordance with the procedure established by the Government of the Republic of Lithuania to a person who offers the highest payment for the lease of land.

2. State-owned land shall be leased not by competitive bidding in the instances when it is built over by buildings, structures or installation that belong to natural or legal persons by the right of ownership or are leased by them, likewise in other cases provided for by laws.

Article 6.552. Payment of land rent

1. Payment of land rent in private ownership shall be determined upon the agreement between the lessor and the lessee.

2. Payment of state-owned land rent which is not leased by competitive bidding shall be determined in accordance with the procedure established by legal acts.

Article 6.553. Sub-lease of land

1. The lessee of land shall have the right upon written consent of the lessor to sub-lease the leased land in compliance with the requirements and conditions stipulated in the land lease contract.

2. Land designated for agricultural purposes may not be sub-leased for any other purposes than determined in the land lease contract.

3. The contract of the sub-lease of land shall be formed in accordance with the requirements laid down for a land lease contract.

Article 6.554. Reimbursement of expenses incurred by the lessee for the improvement of land designated for agricultural purposes

Expenses incurred by the lessee for the improvement of land designated for agricultural purposes shall be reimbursed in the event where it is so provided for in the land lease contract or upon the agreement (additional written agreement) of the parties made prior to the commencement of work concerned upon the character, scope and the costs of the land improvement work.

Article 6.555. Duty of the lessor to repair land reclamation installations, roads, bridges and other engineering facilities

1. Unless otherwise provided for by laws or the land lease contract, the lessor shall be obliged to repair at his own expense land reclamation installations, roads, bridges and other engineering facilities owned by him. In the event where the lessor fails to perform this duty, which renders the land plot impossible to be used for its designation, the lessee shall have the right to dissolute the contract.

2. In the instances where the lessor fails to perform the repair work indicated in the preceding Paragraph and acknowledged by relevant public authorities as indispensable and immediate, the lessee shall have the right to perform the repair work himself and exact from the lessor within judicial proceedings repair expenses necessary to ensure the functioning of the leased property.

Article 6.556. Duty of the lessee in regard to the preservation and quality of soil, proper maintenance of land reclamation installations, roads, bridges, other engineering facilities and green plantations

1. The lessee shall be prohibited to perform any actions in the leased land plot which might bring about destruction or pollution of the fertile layer of soil. Unless otherwise provided for by the land lease contract, the lessee shall be obliged at his own expense to perform within the procedure established by laws minor maintenance work of the land reclamation installations, roads, bridges and other engineering facilities belonging to the lessor, to preserve protective and other signs, likewise to ensure the compliance with the environment requirements in the territory. In the event where the lessee fails to perform these duties, the lessor shall have the right to exact within the judicial proceedings from the lessee the funds necessary for the performance of the indicated work and damages incurred in the result of the non-performance of the duties specified in this Article, and dissolute the land lease contract.

2. In the event of improper use of agricultural lands by the lessee with resultant deterioration of their quality, the lessee of the land shall be obliged to compensate to the lessor the damages caused.

Article 6.557. The right of the lessee to compensation for erected buildings, structures and installations

1. Upon the expiry of the time-limit of the land lease or upon its dissolution before the term, the owner of the land shall compensate the lessee for the erected buildings, structures and installations, the construction of which was provided for in the land lease contract; where these constructions remain in the possession of the lessee by the right of ownership, the latter shall have the right to the land servitude, providing that it was stipulated in the land lease contract or the additional written agreement.

2. In the event where the buildings, structures and installations were erected without permission, or where the erected buildings, structures and installations were not stipulated in the land lease contract, the lessee shall be obliged to demolish the built constructions and restore the land plot. If the lessee fails to comply, this shall be executed by the lessor at the expense of the former, while the buildings, structures and installations concerned shall pass to the lessor by the right of ownership, providing the constructions conform to the requirements established in the territorial planning documents and are legitimised in accordance with the procedure established by laws.

Article 6.558. Validity of a land lease contract upon the substitution of the lessee of land

1. Upon the death of the lessee, the rights and duties thereof related with the lease contract shall pass on to his heirs, providing that they do not relinquish these rights and duties. In the event of the lessee’s heirs relinquishing the land lease contract, they shall be obliged to compensate to the lessor for the damages incurred in this connection.

2. In the event of the lessee of land being a legal person and it being reorganised, his rights and duties pursuant to the contract shall pass on to the new legal person.

Article 6.559. Validity of a land lease contract upon the substitution of the lessor of land

In the event of the death of the land owner, or the pass of the land ownership rights to another owner on any other legal grounds, or upon the substitution of the lessor of state-owned land, the land lease contract shall be valid in respect to the new owner of the land or the new lessor of state-owned land, providing that the contract was registered in the Public Register in accordance with the procedure established by laws.

Article 6.560. Duty of the lessor to notify about the lease contract

Before executing the sale or any other alienation of the leased land, likewise before mortgaging the land or by any other way encumbering the rights thereto, the lessor shall be obliged to notify the acquirer of the land plot as well as the prospective mortgager about the existence of the land lease contract, while the lessee must be notified about the forthcoming alienation of the land plot or any other encumbrance of the rights thereto.

Article 6.561. Prohibition to lease mortgaged land

In the event of the failure of the owner of mortgaged land to satisfy debt obligations by the date established in the contract, and after a ruling is passed by a mortgage judge to arrest the mortgaged land, the land concerned may not be leased.

Article 6.562. Expiry of a land lease contract

A land lease contract shall be terminated:

1) upon expiry of the time-limit of lease;

2) after the death of the lessor of land where his heirs do assume the rights and duties related to the lease contract, or in the case of absence of any heirs;

3) upon liquidation of the legal person that was the lessor of the land;

4) when the land under lease is sold, gifted or by any other way alienated to the lessee;

5) upon the dissolution of the land lease contract on the grounds established in Articles 6.563, 6.564 and 6.565;

6) upon agreement of the parties.

Article 6.563. Dissolution of a land lease contract upon the expropriation of land for public needs

In the event of the land being expropriated for public needs, the land lease contract shall be dissolved and the damages incurred by the lessor and the lessee compensated in accordance with the procedure established by laws.

Article 6.564. Dissolution of a land lease contract at the demand of the lessor before the expiry of its time-limit

1. A land lease contract may be dissolved at the demand of the lessor before the expiry of its time-limit:

1) if the lessee of the land fails to use the land in conformity with the contract or the principal particular purpose of land utilisation;

2) if the lessee of the land fails to execute payment for the land lease within the period of three months from the payment date established in the land lease contract;

3) in other instances provided for by laws.

2. Notification in written form about the dissolution of a land lease contract must be conveyed by the lessor not later than three months prior to the dissolution of the lease contract to the lessees of agricultural land and not later than two months before the dissolution of the lease contract, to the lessees of any other land.

3. In the event of a contract of the lease of agricultural land being dissolved before the expiry of its time-limit at the demand of the lessor, the harvest shall be gathered by the lessee, or the lessor shall compensate the lessee for the damages incurred due to the dissolution of the contract.

Article 6.565. Dissolution of a land lease contract at the demand of the lessee before the expiry of its time-limit

1. In the event of lease of agricultural land, a lease contract of such land may be dissolved before the expiry of its time-limit at the demand of the lessee upon prior notification of the lessor not later than three months before the dissolution, and not later than two months before the dissolution of a contract of the lease of any other land.

2. In the event of the failure of the lessor to perform the duties specified in Article 6.555 of this Code, the lessee shall have the right to dissolve the land lease contract without being bound by the procedure established in Paragraph 1 of this Article.

Article 6.566. Right of a lessee to renew a land lease contract

Upon the expiry of the time-limit of a land lease contract, and along with the previous lessee there being several other contenders for the lease of the land on the same conditions, priority right to form a new land lease contract shall be awarded to the former lessee, providing that he duly performed the duties assumed under the land lease contract.

CHAPTER XXX
LEASING (FINANCIAL LEASE)

Article 6.567. Concept of the leasing (financial lease) agreement

1. Leasing (financial lease) is an agreement whereby one party (the lessor) undertakes to acquire from a third party, on the specifications of another party (the lessee), a thing and place it, in return for payment, at the possession of the lessee for business purposes provided that upon payment of the total amount provided for in the leasing agreement the equipment will pass to the ownership of the lessee, unless otherwise provided for by the agreement. The provisions of this Chapter shall also apply *mutatis mutandis* in cases where the lessor is the owner of the leased property.

2. The lessor shall select the seller and the thing in accordance with the instructions of the lessee and shall not be liable with respect to the selection of the seller or the leasing object, unless otherwise provided for by the leasing agreement.

3. The lessor may, under the agreement, be a bank or another profit-seeking legal person.

Article 6.568. Subject-matter of the leasing agreement

1. The object of the leasing agreement may be any non-consumable movable or immovable thing with the exception of land and natural resources.

2. The lessor may transfer all or part of his rights related to the leasing agreement and its object to third parties. Such transfer of rights shall be without prejudice to the lessor's obligations under the leasing agreement where the time limit for meeting such obligations is due before transfer of such obligations to third parties and shall be without prejudice as to the substance of the leasing agreement.

3. The lessee may transfer the right to the use of the object of the leasing agreement or any other right under the leasing agreement only subject to a prior written consent of the lessor.

4. Unless otherwise provided for by the leasing agreement, the lessor may not, without a written consent of the lessee, pledge the leasing object.

Article 6.569. Lessor's duty to notify of the leasing agreement

When acquiring a thing for the purpose of leasing it to the lessee, the lessor must notify the seller of his intention to hand the thing over, under leasing conditions, to a specific lessee.

Article 6.570. Transfer over of the leasing object

1. Unless otherwise provided for by the leasing agreement, the seller shall transfer the thing, which is the object of the leasing agreement, over directly to the lessee at the latter's place of business.

2. Where the thing (the object of the leasing agreement) is not transferred over to the lessee within the time limit specified in the leasing agreement and if the time limit has not been specified in the leasing agreement – within a reasonable time limit, the lessee shall have the right, where the failure to timely transfer the thing over is due to circumstances the responsibility for which lies with the lessor, to terminate the leasing agreement and claim damages.

3. The lessee shall have the right to suspend the payment of rentals until such time as the lessor has dully fulfilled his obligation to transfer the thing over.

Article 6.571. Risk of accidental perish or damage to the thing

1. The risk of accidental perish or damage to the thing (the object of the leasing agreement) shall pass to the lessee as from the moment when such thing is transferred over to him, unless otherwise provided for by the leasing agreement.

2. The lessee shall assume all costs in relation to the maintenance and repair of the thing.

3. Unless otherwise provided for by the leasing agreement, the lessor shall not be liable to the lessee for the defects of the object of the agreement with the exception of cases where the lessee relied on the lessor's experience and knowledge and also where the lessor intervened in the selection of the seller and the object of the agreement.

4. The lessee must use and maintain the thing with diligence and due care and keep it in the condition in which it was handed over to him subject to fair wear and tear and to any modification agreed by the parties in the agreement.

5. Where the lessee fails to comply with the duty provided for in paragraph 4, the lessor shall have the right to require the payment of the total price of the agreement or termination of the agreement and redress of damages.

Article 6.572. Effect of the leasing agreement on third parties

1. The lessor's rights of ownership in the object of the leasing agreement which is not subject to registration shall be valid against third parties only if the leasing agreement has been registered under the procedure provided for by laws.

2. In the case of the lessee's bankruptcy, the lessor's rights shall be valid against the lessee's creditors and the administrator only if the leasing agreement has been registered under the procedure provided for by laws.

3. The leasing agreement whose object is an immovable thing shall *mutatis mutandis* be subject to the rules provided for in Article 6.478 (2) of this Code.

4. The lessee shall be liable for any damages incurred by third parties as a result of the use of the object of the leasing agreement.

Article 6.573. Seller's liability

1. The seller shall be directly bound towards the lessee with respect to all claims resulting from the purchase-sale agreement of the object of leasing (with respect to the quality and completeness of the property, hand-over period, etc.). Save to the duty to pay for the acquired property, the lessee shall enjoy all rights and duties of the buyer provided for in this Book to the same extent as if he were party to the purchase-sale agreement. However, the lessee shall not have the right to terminate the purchase-sale agreement without the consent of the lessor.

2. The lessor and the lessee shall have with respect to the seller creditors' rights and duties of solidary obligation.

3. Unless otherwise provided for by the leasing agreement, the lessor shall not be liable to the lessee for the failure on the part of the seller to comply with his obligations, with the exception of cases where the lessor was responsible for the selection of the seller. Where the seller is selected by the lessor and the former is in breech of the purchase-sale agreement, the lessee shall have the right to make claims resulting from such agreement at his own discretion to both the seller and the lessor. In such case, the seller and the lessor shall be solidary liable to the lessee.

Article 6.574. Termination of the leasing agreement

Where the lessee is in fundamental breech of the leasing agreement, the lessor must require in writing that the lessee eliminates, within a reasonable time limit, the infringement if this is possible taking into account specific circumstances. Where the lessee's default continues, the lessor shall have the right to require accelerated payment of rentals or to terminate the leasing agreement. Where the leasing agreement is terminated, the lessor shall have the right to require that the object of the agreement is returned to him and to recover such damages as will place the lessor in the position in which he would have been had the lessee duly performed the agreement.

CHAPTER XXXI

LEASE OF DWELLINGS

SECTION ONE

GENERAL PROVISIONS

Article 6.575. Sphere of application

The provisions of this Chapter shall determine the procedure of formation, performance and termination of contracts of lease of dwellings where the premises concerned belong to:

1) natural persons;

2) state or municipalities;

3) legal persons.

Article 6.576. Concept of a contract of lease of a dwelling

Under a contract of lease of a dwelling, the lessor shall undertake an obligation to provide for payment the lessee with dwellings for temporary possession and use for residence, while the lessee undertakes an obligation to use the premises in accordance with their designation and pay the payment of lease.

Article 6.577. Grounds for contract forming

1. Contracts of lease of dwellings which belong to the state or municipalities shall be formed upon the decision of state or municipal institutions. Enterprises, offices or organisations shall form contracts of lease of dwellings with their employees within the framework of a collective agreement, in the event where such agreement is not concluded, the lease shall be effectuated upon the grounds and within the procedure of an agreement between the administration and the employees.

2. Contracts of lease of dwellings leased by enterprises, offices or organisations and natural persons upon commercial grounds (for profit) shall be concluded upon the agreement between the parties.

Article 6.578. Parties to a contract

1. Parties to a contract of lease of a dwelling shall be the lessor and the lessee.

2. The lessor is the owner of the dwellings or the possessor thereof upon any other legal grounds. A lessee may act in the capacity of a lessor of dwellings if he forms a contract of sub-lease under the procedure established by laws.

3. A lessee is a natural person who concludes a contract of lease of a dwelling in his own name and in his own interests, or those of his family, or the former members of his family. In the event where a minor who does not have parents or cannot live with them remains residing in the dwelling, a contract of lease of the dwellings in his name may be formed by a person authorised by laws.

4. The lessor shall have no right to refuse forming a contract of lease of a dwelling with a person, or to prolong it, or to impose more onerous conditions on the lessee for the sole reason that the person concerned is a pregnant woman or this person has minor children, with the exception of cases where such refusal is justified by the size of the dwelling or by the arrest thereof (Paragraph 2 of Article 6.587 of this Code).

5. Dwellings may be provided for the possession and/or use of legal persons on the grounds of a contract of lease of a dwelling or upon any other contract. Such dwellings may be used by the legal person exclusively for housing natural persons.

Article 6.579. Form of a contract

1. In the event where the lessor is the state, municipality or a legal person, a contract of lease of a dwelling shall be formed in written form. It shall be signed by an authorised official and the lessee.

2. Contracts of lease between natural persons may be formed orally.

3. A fixed-term contract of lease of a dwelling shall be formed in written form irrespective of who is the party thereto.

4. A contract of lease of a dwelling may be invoked against third persons only in the event of it being registered in the Public Register within the procedure established by laws.

Article 6.580. Content of a contract

1. A contract of lease of a dwelling shall include the following data: the address of the leased premises, number of rooms or any other premises, dwelling space, engineering (technical) installations present in the premises, the appurtenances and the conditions for the use of common premises, amount of the lease payment and periods for this payment, procedure for the payment for public utilities.

2. A contract of lease of a dwelling may likewise provide for other conditions.

3. At the time of concluding a contract of lease of a dwelling, the lessor shall be obliged to submit to the lessee a copy of the by-laws of the dwelling-house condominium or any other document establishing the requirements for the care, use and maintenance of common premises and other rules. A copy of this document shall be an inherent part of a contract of lease of a dwelling. Nevertheless, a lessee shall have no right to demand dissolution of the contract of lease of a dwelling solely on the grounds of the lessor’s failure to furnish him with a copy of this document.

5. Null and void shall be the terms of a contract of lease of a dwelling which:

1) establish civil liability of a lessee without the fault thereof;

2) enable the lessor to unilaterally modify the conditions of the lease contract;

3) establish the dependence of the lessee's rights upon the number of his family members, with the exception of cases where the change of the lessee's rights is justified by the size of the dwelling;

4) limit the right of the lessee to purchase things or receive services from persons whom the lessee wishes to chose at his own discretion;

5) provide the lessor with the right to demand from the lessee the payment of lease in the form of a lump sum for the whole duration of the lease in the event of the lessee's delay to make the payment of lease for one period.

6) enable the lessor to perform unilateral assessment of the state of the dwellings and make a conclusion on it being fit for residence;

7) establish civil liability of the lessee in excess of the actual damage inflicted to the lessor.

Article 6.581. Subject matter of the contract

Only a fit for residence dwelling house or its part, a separate apartment or an isolated dwelling consisting of one or several rooms with related nonresidential premises may be a subject matter of a contract of lease of a dwelling. A part of a room or a room which is connected with another room by a common entrance (communicating rooms), likewise nonresidential premises (kitchens, corridors, storage rooms, etc.) may not be a subject matter of a separate contract of lease of a dwelling. In apartments which are leased to several lessees under separate contracts of lease, such nonresidential premises may be leased for common use.

Article 6.582. Duration of the contract

1. A contract of lease of a dwelling may be formed for an indeterminate term or for a fixed term.

2. A written contract of lease shall be deemed to be concluded from the date of its signature by the parties, while an oral contract shall become binding from the day when the parties agree on the conditions of the contract or a permission to take residence in the premises concerned is given.

3. A fixed-term contract, the duration of which is determined by a certain event, shall become indeterminate in the case of non-occurrence of this event. Where the date of the occurrence of the event concerned is put forward to a later time, the fixed term of the contract shall be postponed accordingly.

4. The parties may renew a fixed-term contract of lease of a dwelling by concluding a new contract of lease for a fixed or an indeterminate term.

Article 6.583. Payment of lease

1. The lessee shall be obliged to effectuate payment for the lease of the dwelling.

2. The lessee shall be obliged to effectuate the lease payment for the dwellings every month not later that by the twentieth calendar day of the following month unless other periods are provided

for by the agreement of the parties. Payment of lease for the state and municipality dwellings shall be calculated in accordance with the procedure established by the Government.

3. Lease payment for the dwellings of enterprises, offices and organisations leased out to their employees shall be determined in the collective agreement, and in the instances where organisations do not conclude such agreements, it shall be determined by an agreement between the organisation and the employee concerned, though the maximum amount of the lease payment may not exceed the maximum lease payment determined in accordance with the procedure established by the Government.

4. The amount of lease payable for dwellings leased out on commercial grounds by enterprises, offices, organisations and legal persons shall be determined upon the agreement of the parties, though the maximum amount of the lease payment may not exceed the maximum lease payment determined in accordance with the procedure established by the Government.

5. The lessor shall have no right to demand the payment of lease in advance, with the exception of the lease payment for the first month.

6. The contract of lease of a dwelling may provide for a modification of the amount of lease payment upon the agreement of the parties, but not more often than once a year. The clauses of a contract of lease of a dwelling providing the lessor with the right to unilaterally perform modification of the lease payment or to demand such recalculation before the expiry of a twelve-month period from the date when the contract was formed or more often than once a year shall be null and void.

7. In the event of a dispute, the lessee shall have the right to perform the payment of lease into a depository account in accordance with the procedure established in Article 6.56 of this Code.

Article 6.584. Payment for water, energy and public utilities

1. In the event of lease of state or municipality dwellings, payment for cold and hot water, electric energy, gas, heating and public utilities (disposal of garbage, lifts, cleaning of premises of communal use and territory, etc.) shall be effectuated separately from the payment of lease. Payment for cold and hot water, electric energy, gas, heating and public utilities shall be executed in accordance with the procedure established by the Government within the period indicated in Paragraph 2 of Article 6.583 of this Code.

2. Payment for the public utilities and the amounts, periods and procedure of payment thereof in the event of lease of dwellings by legal persons to their employees shall be determined within the framework of the collective agreement, and in the instances where organisations do not conclude such agreements, it shall be determined by an agreement between the administration and the employee concerned.

3. In the event of lease of dwellings by legal and natural persons on commercial grounds, the issues of payment for cold and hot water, electric energy, gas, heating and public utilities shall be determined upon the agreement of the parties.

Article 6.585. Validity of a contract of lease of a dwelling upon the change of the owner of dwellings

In the event of the right of ownership to a dwelling having passed from the lessor to another person, the contract of lease of a dwelling shall remain valid in respect of the new owner, providing the contract of lease of a dwelling was registered in the Public Register within the procedure established by laws

Article 6.586. Grounds for acknowledgement of a contract null and void

1. A contract of lease of a dwelling may be acknowledged null and void upon the grounds of nullity of transactions established in the present Code when, *inter alia*, the data presented to the lessee in respect of the lessor's rights to the dwellings are misleading; the contract of lease of a dwelling prejudices valid rights of other persons to that dwelling; the actions of officials related to the formation of the contract of lease of a dwelling were unlawful.

2. A contract of lease of a dwelling may not be acknowledged null and void upon the demand of the lessor if he knew or should have known that the other person at the moment of the contract forming by reason of his state was unable to comprehend the meaning of his actions or to control them, or the contract was concluded with a legally incapable lessee.

3. In the event of a contract of lease of a dwelling being acknowledged null and void, the lessee, together with all other people residing with him, shall be evicted without other dwellings being granted to them, except in cases specified in Paragraph 4 of this Article.

4. In the event of a contract of lease of state or municipality dwellings being acknowledged null and void on the grounds of it having violated valid rights of other persons to that dwelling while the lessee did not know and could not have known thereof, the lessee, together with all other people residing with him, shall be evicted with another dwelling being granted to them. In other instances, the lessee shall be entitled only to compensation of damages incurred by him.

6. A contract of lease of a dwelling may not be acknowledged null and void within a three-year period of prescription. This time-limit shall start its run from the date when the contract is formed.

Article 6.587. Duties of the lessor of a dwelling

1. The lessor shall be obliged to transfer to the lessee the fit for residence vacant dwelling specified in the contract of lease of a dwelling. The premise shall be deemed not fit for residence if it is in such a state that residing therein would pose danger to the health or safety of the lessee or that of his family members, or to the safety and health of the society.

2. The lessor shall have no right to refuse forming or renewing a contract of lease of a dwelling, or to impose more onerous conditions for the sole reason if the lessee or a member of the lessee's family is pregnant, likewise if the lessee or a member of the lessee's family has children, with the exception of cases where the lessor is not able to lease the dwelling due to its arrest or because of the size thereof (Paragraph 4 of Article 6.578 of this Code).

3. Clauses of a contract of lease of a dwelling which exclude or limit the civil liability of the lessor in respect of the lessee, or which establish liability of the lessee without his fault, shall be null and void.

4. Clauses of the contract of lease of a dwelling which enable the lessor to unilaterally modify the conditions of the lease contract because of an increase in the number of the lessee's family members, or limiting the right of the lessee to purchase things or receive services from persons chosen by the lessee shall be null and void.

5. Clauses of the contract of lease of a dwelling which establish in respect of the lessee penalty in excess of real damages incurred by the lessor, or which provide the lessor with the right to demand from the lessee the payment of lease in the form of a lump sum for the whole duration of the lease in the event of the lessee's failure to make the payment on time shall be null and void.

6. The lessor shall be obliged to ensure proper use of the dwelling house in which the leased dwelling is situated, to grant or to ensure that the necessary utilities specified in the lease contract are

granted to the lessee for payment, guarantee the repair of the common property of an apartment house and of the devices for rendering utility services situated in the dwelling house.

Article 6.588. Members of the lessee's family

1. Members of the lessee's family are the spouse (cohabitant), their minor children, parents of the lessee and those of the spouse residing together with the lessee.

2. Children of full age, their spouses (cohabitants) and grandchildren of the lessee shall be attributed to his family members in the event of their maintaining common household with the lessee.

3. Guardians and those under guardianship, having taken residence in the dwellings of their guardian or person under guardianship shall not acquire the rights of a member of the family of the guardian or person under guardianship. In the event where they continue to reside together and maintain common household after the termination of guardianship, they may be acknowledged family members under judicial proceedings upon the claim of any of them.

4. Close relatives, other dependants who have resided with the lessee, his family members or with any one of them at least for a period of one year and have maintained common household, may be acknowledged family members of the lessee under judicial proceedings.

5. By taking residence in the leased dwelling, parents, children of full age and their spouses (cohabitants) shall acquire the rights of family members if they maintain common household with the lessee and upon consent of the lessee and his family members.

6. The lessee and his family members of full age shall be liable towards the lessor for the actions of the lessee's family members who violate the contract of lease of a dwelling.

7. The number of persons residing in a dwelling shall be limited by the necessity to ensure normal sanitary conditions and availability of normal conveniences for each of them.

Article 6.589. Rights and duties of the lessee's family members

1. The family members of the lessee of a dwelling shall have the same rights and duties arising from the contract of lease of a dwelling as the lessee himself.

2. Upon having ceased to be members of the lessee's family while continuing to reside in the leased dwelling, natural persons shall have the same rights and duties as the lessee and his family members.

Article 6.590. Right of family members to take occupancy of the leased dwelling

1. In accordance with the contract of lease of a dwelling, the right to take occupancy of the dwelling shall be enjoyed by those family member of the lessee as well as former family members who are indicated in the contract. In the event of those persons failing to take occupancy of the dwelling within six months from the date of contract forming, they shall forfeit the right to take this occupancy. In respect of persons who are temporarily away, this term shall start its run upon the expiry of the time-limit established in Article 6.591 of this Code, in the event of an earlier return of these person, it shall start from the date of their return.

2. The lessee of a state or a municipality dwelling or the members of his family of full age shall have the right upon the consent of other family members of full age to house in the dwelling the spouse (cohabitant), children, his own parents and those of his spouse. Minor children shall not need such consent for taking occupancy together with their parents. The lessee of dwellings of enterprises, offices, organisations and natural persons leased out on commercial grounds shall be able to house the persons specified in the present Paragraph exclusively with the permission of the lessor. Such permission shall not be necessary in respect of the spouse (cohabitant) of the lessee or his family

member and their minor children. The contract of lease of a dwelling may establish other clauses regulating the taking of occupancy by family members.

3. Having taken residence, a family member shall acquire equal rights and duties with other members of the lessee or former members thereof to the dwelling unless otherwise agreed at the moment of taking occupancy.

Article 6.591. Preservation of the right to use state or municipality dwelling upon temporary departure

1. Upon temporary departure of the lessee, his family member or a former family member, the right to the state or municipality dwelling shall be retained for six months on condition that the lease payment and public utility services will be paid.

2. Upon temporary departure of the lessee, his family member or a former family member, the right to the state or municipality dwelling shall be retained for the whole duration of the absence thereof in the following cases:

1) upon departure to receive medical treatment: for the whole duration of the treatment;

2) upon departure to study: for the whole duration of the study;

3) upon departure to an extended business trip abroad: for the whole duration of the business trip;

4) upon departure to take over duties of a guardian or curator: for the whole duration of this responsibility;

5) in respect of children enrolled to an educational institution, or entrusted to relatives, a guardian or curator: for the whole period while the children stay in the institution or with the persons concerned;

6) in respect of conscripts or persons serving in an international military unit: for the duration of the service established by laws;

7) in respect of detained persons: for the whole duration of investigation and court proceedings;

3. Upon the expiry of the circumstances indicated in Paragraph 2 of this Article, the temporarily absent lessee, his family member or a former family member shall retain the right to the leased dwelling for six months longer.

4. Upon the expiry of the period indicated in Paragraph 3 of this Article, the temporarily absent lessee, his family member or a former family member shall forfeit the right to the leased dwelling.

5. In the event where the having temporarily been absent member, who returns after the fixed term, is accepted by the remaining lessee, members of the family or former members of the family to take occupancy of the leased dwelling, the forfeited right to the leased dwelling shall be restored.

6. Upon the action of the temporarily absent person, the court may acknowledge his right to the leased dwelling if it is proved that he delayed the term-limit determined in this Article due to important reasons.

7. The right of a temporarily absent person to a leased dwelling shall terminate before the fixed term in the event of a dissolution of the contract of lease of a dwelling unless it is otherwise provided for in the contract.

Article 6.592. Use of a state or municipality dwelling upon a temporary departure of the lessee, a member of his family or former member of his family

Upon a temporary departure of the lessee of a state or municipality dwelling, a member of his family or former member of his family, the remaining members of the family or former members of the family shall have the right to maintain occupancy of the dwelling. In the event where there are no remaining lessee, members of his family or former members of the family, the departing lessee shall be able to sublease the dwelling or temporary residents may take occupancy of the dwelling. Upon the return of the person who was temporarily absent, the sub-lessee or the temporary resident must immediately vacate the dwelling, and the persons who fail to vacate the dwelling concerned shall be evicted without prior notice and without another dwelling being provided.

Article 6.593. Reservation of a state or a municipality dwelling

In the event of the lessee, a member of his family or all members of his family departing to another location or abroad for a period exceeding six months, the state or municipality dwelling leased by him may be reserved. A dwelling shall be reserved on condition that the payment of lease and for public utility services will be effectuated. A decision in respect of reservation shall be taken by a relevant state or municipality institution. A refusal to execute reservation may be disputed under judicial proceedings. The reservation of a dwelling shall be implemented in the form of a written contract between the relevant state or municipality institution and the departing persons, providing that the remaining family members give their consent thereto. The consent of the remaining persons shall be expressed in the form of their signature in the reservation contract. A refusal to render consent may be disputed under judicial proceedings.

Article 6.594. Use of a reserved state or a municipality dwelling

1. In the instances where not all members of the family depart, the reserved state or a municipality dwelling shall be used by the remaining persons. In the event of departure of the lessee and all of his family members, the lessee shall have the right to permit the dwelling to be used by other persons under a contract of sub-lease or allow temporary dwellers to take occupancy thereof. It may be stipulated in the contract of reservation that the state or municipality shall lease the dwelling under a fixed-term contract of lease.

2. Upon the return of the lessee or any member of his family, the persons maintaining occupancy in the dwelling concerned shall be obliged upon the demand of the former to immediate vacate the dwelling, irrespective of the termination of the reservation period.

3. Persons who fail to vacate the reserved dwelling shall be evicted without any previous notification and without other dwelling being granted to them.

Article 6.595. Sublease of a dwelling

1. The lessee of a dwelling upon written consent of all the family members residing together with him as well as that of the lessor shall have the right to sublease the dwelling. The contract for the sublease of a dwelling may be formed both in written and oral form, and for fixed or indeterminate term, though the duration of the contract of sublease may not be longer than the duration of the contract of lease.

2. The payment for the sublease of a dwelling shall be determined upon the agreement of the parties.

3. Upon the termination of the period of sublease, the sublessee shall have no priority for a renewal of the contract and shall have upon the demand of the lessee to vacate the premises held under the contract of lease. In the event where a contract of sublease is formed without a term being fixed,

the lessee shall be obliged to notify the sublessee three months in advance about the dissolution of the contract of sublease. In the event of the refusal of the sublessee to vacate the dwelling, he shall be evicted under judicial proceedings without another dwelling being granted to him.

4. Upon concluding a contract of sublease, the lessee shall continue to be liable towards the lessor under the contract of lease.

Article 6.596. Temporary dwellers

1. Having agreed among themselves and having accordingly informed the lessor beforehand, the lessee and his family members may allow temporary gratuitous occupancy in the dwelling in their use to other persons (temporary dwellers) without forming a contract of sublease. Upon the demand of the lessee or his family members, temporary dwellers shall have to vacate the dwelling immediately. In the event of their refusal to vacate the dwelling, the lessee and his family members shall have the right to apply to the court for the eviction of the temporary dwellers, without another dwelling being granted to them.

2. The lessee shall be liable towards the lessor for the actions of temporary dwellers.

3. The lessor shall have the right to deny permission for the occupancy of temporary dwellers in the instances where their occupancy would violate sanitary requirements and pose threat to the health and safety of others or would infringe the lawful interests of the lessor.

Article 6.597. Eviction of sublessees and temporary dwellers upon dissolution of the contract of lease of a dwelling

1. Upon termination of a contract of lease of a dwelling, a contract of sublease shall also terminate at the same time. The sublessee, as well as the temporary dwellers who refuse to vacate the dwelling shall be evicted under judicial proceedings without another dwelling being provided.

2. Rules providing for the priority of the lessee to renew a contract of lease of dwelling shall not apply in respect of a contract of sublease.

Article 6.598. Modification of contract

1. A contract of lease of a state or municipality dwelling may be modified in the cases specified in Articles from 6.599 to 6.603 of this Code. In the instances where the lessee, his family members or former family members refuse to modify the contract of lease on the grounds established in the collective agreement or the agreement between the administration and the employees, the dispute between the parties to the contract of lease of a dwelling shall be resolved within judicial proceedings.

2. Any modification of a contract of lease of dwellings of enterprises, offices, organisations and legal persons leased out on commercial grounds may be effectuated exclusively upon agreement between the lessee and the lessor.

3. Upon modification of a written contract of lease of a dwelling, a new written contract shall be formed with the modifications of the previous contract indicated therein.

4. The lessor shall notify the lessee in writing of the intended modifications of the clauses of the contract of lease of a dwelling in accordance with the time-limits and the procedure established in Paragraph 4 of Article 6.607 of this Article.

Article 6.599. Modification of a contract upon dividing the apartment

1. An adult member of the family of the lessee and a former member of the family shall have the right to conclude a separate contract of lease of dwelling (to divide the apartment) if the lessor, the lessee and other family members of full age do not object. Such family member, taking in regard the part of the dwelling area attributable to him may lease a separate isolated dwelling premise. In such event, separate contracts of lease of dwellings shall be concluded with every lessee. The lessee, his family members of full age or former family members may determine the order and conditions for the use of the leased dwelling without modifying the contract of lease.

2. Any disputes arising from the division of an apartment or determination of the order and conditions for the use of the leased dwelling shall be resolved under judicial proceedings.

Article 6.600. Modification of a contract where one dwelling is exchanged for several ones

1. In the event where such possibilities exist, the state or municipality may exchange, with the consent of the lessee, his family members or former family members, the dwelling leased by them for several other dwellings. In this event, every member of the family is entitled to an area not exceeding ten square meters of the contractual dwelling space, while the dwelling occupied before shall remain within the hold of the municipality. Upon the request of the lessee, his family members of full age or former family members, one contract of lease of municipality dwelling may be exchanged for several ones. Any disputes arising from the modification of a contract where one dwelling is exchanged for several shall be resolved under judicial proceedings.

2. The lessees and their family members who were not entitled to state support before the modification of the contract, may acquire this right after the lapse of five years after the modification of the contract.

Article 6.601. Modification of a contract upon the uniting of the lessees into one family

1. When several natural persons (lessees) maintaining occupancy of one leased dwelling under separate contracts of lease unite to make one family, they shall have the right to conclude one contract of lease of the leased dwellings (to join the flats) upon the consent of their family members and the lessor. The contract shall be formed with the lessee proposed by the members of the united family.

2. Refusal of a lessee to conclude one contract of lease may be challenged within judicial proceedings.

Article 6.602. Change of a contract upon acknowledgement another family member as the lessee

1. Upon the agreement between the lessee and his family members, the original lessee may be changed by another person.

2. Upon the agreement between the family members of the lessee, the contract of lease of a dwelling may be changed in the event of the lessee’s death where his family members continue to occupy the leased dwelling, and inform the lessor accordingly within two months after the lessee’s death.

3. Disputes related with the acknowledgement of a family member as the lessee shall be resolved under judicial proceedings.

Article 6.603. Change of a contract after the transfer of a vacated dwelling

1. In the event where in a dwelling leased by the state or municipality to several lessees under separate contracts of lease an adjacent room which is not isolated from the dwelling of one of the lessees is vacated, under the request of that lessee this room may be transferred to his use.

2. In the instances where an isolated room is vacated, it shall be transferred to the use of that lessee who has the least common useful space per one family member, or to another lessee in the event of a refusal by the former. In the instances of refusal by all lessees, the vacated dwelling shall be leased to other lessees.

3. Upon the vacated room being transferred to another lessee, the contract of lease of the dwelling shall be changed.

Article 6.604. Change of a contract of lease of dwelling after termination of labour relationship by the lessee

1. In the instances where a lessee terminates the labour relationship with the legal person whose dwelling he is leasing, this shall not constitute grounds for the dissolution of the contract of lease of the dwelling. In this event, the contract of lease of a dwelling may be changed by the legal person on the grounds and in accordance with the procedure determined in the collective agreement, and in the organisations where such agreement is not concluded, pursuant to the agreement between the administration and the employees. Any disputes between the legal person and the employee, his family members or former family members related with such change of the contract shall be resolved under judicial proceedings.

2. Upon termination of the labour relationship between the lessee with the lessor, the payment for the lease of the dwelling shall be determined in accordance with the procedure established in Paragraph 4 Article 6.583 of this Code.

Article 6.605. Right of a lessee to modify and change the plan of the dwelling

1. The lessee of a dwelling of state, municipalities and legal persons and his family members may modify and change the plan of the dwelling and non-residential premises only upon written permission of the lessor and the consent of the family members of full age residing together, likewise upon that of any other interested persons whose rights and lawful interests may be violated in the course of executing modification and change of plan of the dwelling and non-residential premises. In the event of disagreement between the lessee, his family members and other interested persons, the dispute may be resolved within judicial proceedings.

2. The preceding Paragraph shall not apply in the instances of current repair of the dwelling which must be performed by the lessee unless otherwise provided for by the contract.

Article 6.606. Relocation of the lessee for the duration of capital repair and reconstruction of the dwelling

1. Upon the necessity to perform capital repair and reconstruction of the premises leased by the state, municipalities, enterprises, offices and organisations to their employees, the repair of which cannot be effectuated without vacating the premises, and in the event where the dwelling is retained after the repair, the lessor shall offer to the lessee together with his family members to temporarily take residence in another dwelling for the duration of the repair. The dwelling offered must conform to sanitary and technical requirements. In the event of the lessee’s refusal to move to the dwelling offered, the lessor may demand his relocation under judicial proceedings.

2. In the instances where the dwelling leased might be rendered smaller or larger in area as a consequence of the capital repair or reconstruction, the lessee shall have the right of choice whether to

lease that dwelling. In the event where the lessee agrees to lease the increased or reduced dwelling after the repair or reconstruction, he shall move or be relocated to another dwelling for the duration of the repair or reconstruction in accordance with the procedure established in Paragraph 1 of this Article.

3. The contract of lease of a dwelling shall not be interrupted for the duration of the capital repair or reconstruction, thought the lessee shall have the right to pay the lease payment for the temporary dwelling.

4. The lessee shall have the right to move back into the dwelling after the completion of the capital repair or reconstruction. In the event where the lessee refuses to lease the increased or reduced dwelling, likewise where the dwelling is not retained in the result of capital repair or reconstruction, the lessee shall be provided with another properly equipped dwelling. In the cases where the lessee refuses to move into the another adequately equipped dwelling provided, the lessor shall have the right to relocate him under judicial proceedings.

5. Issues related with vacating for the duration of capital repair or reconstruction dwellings leased by enterprises, offices, organisations and legal persons on commercial grounds as well as other related issues shall be resolved by the agreement between the lessor and the lessee. In all cases, the lessor shall be obliged to inform the lessee about the intended repair work due to which the lessee must be temporarily relocated not later that fourteen days in advance before the start of the work. In the event where the lessor lacks the possibility to temporarily relocate the lessee for the duration of the repair, he shall be obliged before the date of the relocation to pay compensation to the lessee adequate to cover the costs of temporary relocation thereof. Upon the agreement between the parties, the costs of the relocation of the lessee for the duration of the repair may be included into the future lease payment.

Article 6.607. Priority right of the lessee in renewing the contract of lease

1. Upon expiration of the term of the contract of lease, the lessee shall have priority right to conclude a contract of lease of the dwelling for a new term providing that he duly performed the conditions of the contract. The contract shall be renewed for the same term, and where the previous term of the contract exceeded twelve months, the contract shall be renewed for a term of twelve months unless the parties agree otherwise.

2. The lessor shall be obliged not later than three months in advancer before the termination of the contract of lease to inform the lessee in writing about his proposal to conclude a new contract of lease on the same or different conditions or about his refusal to renew the contract where he does not intend to lease out the premises concerned at least for a period of one year. In the event of failure by the lessor to perform this duty, and if the lessee does not refuse to renew the contract, the contract of lease shall be deemed to be renewed for the same period and under the same conditions.

3. In the instances where the lessor, after having refused to renew a contract of lease, leases the same dwelling within a period not exceeding one year to another person under the same conditions, the lessee shall have the right to demand acknowledgement of such contract null and void and claim compensation of damages caused by the refusal to renew the contract. This provision shall not apply in the event where the lessee refused to renew the contract under the conditions proposed by the lessor and did not apply to the court for the approval of the conditions of the contract.

4. Upon renewing the contract, the lessor shall have the right to modify the conditions of the contract of lease, likewise the period of the contract of lease and the amount of the lease payment if he informed the lessee about the intended modification of the conditions in writing not later than three months and not earlier than six months before the expiry of the period of the contract of lease. In the cases where the duration of lease is shorter than twelve months, such notification shall have to be submitted to the lessee not later than one month before the expiry of the time-limit of the contract of lease. The clauses of the new contract of lease must be clearly indicated in such notification.

5. In the event where the lessee disagrees with the modifications of the clauses of the contract of lease proposed by the lessor, he shall be obliged within one month from the date of receiving the notification to inform the lessor in writing about such disagreement or about a dissolution of the contract of lease. In the event of the lessee failing to comply with this requirement, he shall be deemed to have agreed with the new clauses for the renewal of the contract of lease.

6. In the event where the lessee objects to the modifications of clauses of the contract of lease proposed by the lessor and informs the latter accordingly within the time-limits and in accordance with the procedure established in Paragraph 5 of this Article, the lessor, wishing to renew the contract of lease under new conditions, shall have the right within one month from the date when he received the notification from the lessee to apply to the court for the determination of the conditions of the contract of lease under judicial proceedings. In case of the lessor failing to do that, the contract shall be deemed to have been renewed under the previous conditions.

Article 6.608. Exchange of dwellings

1. A lessee of the dwelling of the state or municipalities, having received written consent of all his family members of full age residing together with him, including those temporarily absent, and with the consent of the lessor, may exchange the dwelling with another lessee of a dwelling of the state or municipalities.

2. Objections of the state or municipalities to such exchange of dwellings may be challenged under judicial proceedings.

3. The exchange of dwellings shall be formalised by new contracts of lease. The contract of exchange shall become binding from the last day of the conclusion of a new contract of lease of a dwelling, and where the dispute is decided by the court, from the day when the court judgement becomes *res judicata*.

4. In the event where the family members fail to agree upon the exchange, while the change of dwellings might offer a possibility of resolving the conflict developed in the family, any of the family members shall have the right to demand within judicial proceedings compulsory exchange of the leased dwelling by another dwelling or dwellings in different apartment houses (apartments).

SECTION TWO

TERMINATION OF A CONTRACT OF LEASE OF A DWELLING

Article 6.609. Right of a lessee to dissolve the contract

1. The lessee of a dwelling shall have the right to dissolve the contract of lease by warning the lessor in writing a month in advance. In the event of failure by the lessee to comply with this requirement, the lessor shall have the right to compensation of damages caused.

2. The lessee shall be able to revoke his warning before the expiration of its time-limit if the lessor has not concluded a contract of lease of that dwelling with another lessee.

3. In the event where the lessee, his family members and former family members depart to take residence elsewhere, the contract of lease of a dwelling shall be deemed to be dissolved from the date of their departure.

4. Upon receiving the lessee’s warning in respect of the dissolution of the contract, the lessor shall have the right to inspect the condition of the dwelling premises upon having informed the lessee beforehand about the date and time of such inspection. In this event, the lessor shall also have the right to show the premise to a prospective lessee upon having informed the lessee beforehand about the date

and time of such visit. Except in urgent cases, the lessor shall have no right to inspect the dwelling premise or show it to a prospective lessee in the hours between 9 o'clock p.m. and 9 o'clock a.m.

Article 6.610. Procedure of dissolving a contract and evicting persons

A contract of lease of dwelling may be acknowledged null and void, it may be dissolved, likewise the eviction of natural persons from the dwelling premises may be executed exclusively upon judicial proceedings, except in the cases of eviction executed with the sanction of the public prosecutor provided for in this Code.

Article 6.611. Dissolution of a contract upon the violation of conditions of the contract of lease by the lessee

In the instances where the lessee regularly (at least for three months unless a more extended period is provided for in the contract) fails to pay the lease payment or the payment for public utility services, if the lessee, his family members or other persons residing together with him destroy or damage the dwelling or use it for other than its designation, the contract of lease may be dissolved and the persons concerned evicted from the dwelling without other dwelling being provided. In the event where the lessee, his family members or other persons residing together with him create by their improper behaviour such conditions which render it impossible for other persons who reside together or in the neighbourhood to lead normal life, they may be evicted upon the request of the lessor or the latter persons without other dwelling being provided.

Article 6.612. Eviction from wilfully occupied premises

In the instances where persons wilfully occupy a dwelling, i.e. move in without concluding a contract of lease, they shall be evicted within judicial proceedings without another dwelling being provided.

Article 6.613. Effects of termination of a fixed-term contract of lease of a dwelling

Upon the expiration of the time-limit of a contract of lease of a dwelling, the lessee, his family members or former family members must vacate the dwelling upon the demand of the lessor, while those who fail to comply shall be evicted without another dwelling being provided.

Article 6.614. Dissolution of contract of lease of dwelling of indeterminate term

1. A contract of lease of a dwelling of indeterminate term in respect of premises leased by legal and natural persons on commercial grounds may be dissolved upon the demand of the lessor with a written warning issued to the lessee six months in advance.

2. Upon the expiration of the time-limit indicated in the preceding Paragraph, the lessee, his family members or former family members must vacate the dwelling, while those who fail to comply shall be evicted without another dwelling being provided.

Article 6.615. Eviction from dilapidated apartment houses, flats

In the instances of dwelling premises of the state, municipalities or legal persons being brought into a condition of dilapidation or rendered unfit for habitation due to natural disasters, fire or technical wear and tear, natural persons shall be evicted with the sanction of the public prosecutor with another adequately equipped dwelling fit for habitation being provided. This dwelling shall be provided by the owner of the building where the dilapidated or unfit for habitation dwelling is located. In such instances, the former contract of lease shall be deemed to have terminated.

Article 6.616. Dissolution of a contract and eviction of persons with another fit for habitation dwelling being provided

1. Natural persons may be evicted from dwelling premises of the state, municipalities and legal persons leased to their employees with another fit for habitation dwelling being provided in the following instances:

1) the apartment house where the dwelling is location is subject to demolition;

2) the dwelling was not retained after capital repair, reconstruction or change of planning of the premises;

3) the dwelling premises are transformed for other designation.

2. Another dwelling fit for habitation shall be granted by the lessor or other legal person in whose interests the apartment house is being demolished or reconstructed and the dwelling premises are modified for another designation.

Article 6.617. Provision of another dwelling fit for habitation to evicted persons

1. The other granted fit for habitation dwelling must be located in the same residential district and be properly equipped in accordance with the conditions of that district, it must also conform to the sanitary and technical requirements.

2. The other granted fit for habitation dwelling may not be of smaller area or have fewer rooms than the previously occupied dwelling. Where in the previously occupied dwelling the useful living space per one member of the family was smaller than established by laws, upon eviction the useful living space provided may not be smaller than established. The granted dwelling must be of such size as to avoid the necessity of sharing a room by two persons over nine years of age of different gender, except spouses, and must conform to the condition of health of those to be evicted as well as to other circumstances.

3. Upon the request of the lessee, he may be also provided with a smaller dwelling.

4. The court judgement upon the dissolution of the contract of lease of dwelling and eviction of the lessee must indicate the total space and the number of rooms in the dwelling to be granted to the evicted person.

SECTION THREE

OFFICE DWELLING PREMISES

Article 6.618. Legal status of office dwelling premises

1. Office dwelling premises shall be granted by the employer for the purpose of housing workers (employees), taking in regard the character of their work (public service) or conditions established by laws, for the period until the change in the character of their work (public service), termination of the labour relationship with the employer, or disappearance of the conditions established by law.

2. Dwelling premises shall be attributed to the category of office dwelling premises (removed therefrom) as well as the lists of the categories of employees eligible for office dwelling premises shall be determined by a decision of a state authority institution, municipality council or management body of the legal person concerned.

3. State authority institutions, municipality councils or management bodies of a legal person shall attribute to the category of office dwelling premises only vacated premises belonging to them under the right of ownership (trust).

Article 6.619. Procedure of granting and using office dwelling premises

1. The decision concerning the granting of an office dwelling premise shall be taken by a person authorised by state authority institution, executive institution of the municipality or managing body of the legal person. On the basis of this decision, a contract of lease of office dwelling premises shall be concluded. The conclusion of such a contract shall be effectuated in accordance with the procedure established by this Code in respect of contracts of lease of dwelling unless otherwise provided for by laws.

2. The procedure of use and accountancy of office dwelling premises shall be established by the Government or its authorised institution.

3. Office dwelling premises shall be used in accordance with the rules of contract of lease of dwelling established in Articles from 6.581 to 6.587, Paragraph 1 of Article 6.590, Articles 6.605 and 6.606 of this Code.

Article 6.620. Eviction from office dwelling premises

Upon the termination of labour (public service) agreement, the employee who was maintaining occupancy of an office dwelling premise granted under established procedure shall be obliged together with the family members residing with him to vacate the office dwelling premise. Failing that, natural persons shall be evicted without other dwelling premises being granted to them, except in cases stipulated in Article 6.616 of this Code.

Article 6.621. Eviction from office dwelling premises by granting another dwelling

In the cases stipulated in Article 6.616 of this Code, natural persons evicted from office dwelling premise shall be granted another dwelling premise, likewise in the events when the evicted persons are:

1) employees (public servants) discharged from work (service) in the event of their having become group I or group II invalids due to the reasons related with their work (public service);

2) members of the family of an employee (public servant) who was a lessee of an office dwelling and is dead or missing due to the reasons related with the work (public service).

Article 6.622. Granting of another dwelling to evicted natural persons

Another dwelling granted to evicted natural persons must be in the same residential district and conform to the sanitary and technical requirements**.**

SECTION FOUR

LEASE OF DWELLING IN HOSTELS

Article 6.623. Hostels

1. Workers, employees, students and high school pupils may take occupancy of a hostel dwelling during their time of work or study. Hostels are dwelling houses build and equipped especially for these purposes. The procedure or granting a hostel dwelling and the use thereof shall be determined

within collective agreements of legal persons. In those organisations where such agreement is not concluded, this procedure shall be established upon the agreement between the administration and the employees, and in the institutions off science and learning, upon the decision of the managing bodies thereof.

2. Upon the expiration of the labour agreement or the period of study, the employees shall be evicted from the hostel, except in cases provided for by Article 6.621 of this Code. The persons who study shall be evicted at the end of the academic year. Hostel dwellers may be evicted without other dwelling being granted in the instances where they create by their improper behaviour such conditions which render it impossible for others to maintain occupancy together or in the neighbourhood, likewise in the instances where they continuously damage the dwelling or use it not according to its designation.

3. Eviction shall be effectuated in accordance with the judicial proceedings.

Article 6.624. Prohibition to sublease hostel premises

Lessees who maintain occupancy in hostels shall have no right to sublease their dwelling or to provide occupancy for temporary dwellers.

Article 6.625. Temporary relocation

In the event of necessity (due to repair, emergency, etc.), the lessor shall have the right to relocate the lessee without the latter's consent from one dwelling in the hostel to another dwelling either in the same or another building within the same neighbourhood.

SECTION FIVE

HOTELS, HOMELESS SHELTERS AND RESIDENCY IN PREMISES OF HEALTH AND SOCIAL CARE ESTABLISHMENTS

Article 6.626. Hotels

1. Legal and natural persons shall have the right to possess hotels – dwellings especially equipped for temporary residence of visitors.

2. Hotels shall be established and operated on commercial grounds.

3. Natural persons who maintain occupancy for a longer period than agreed or without paying for the hotel, or violate the requirements for the use of the hotel, shall be evicted with the sanction of the public prosecutor under the motion of the administration without other dwelling being granted.

4. This Article shall also apply for short-term (not exceeding two months) contracts of lease of dwellings concluded for the time of holiday and for recreational purposes.

Article 6.627. Homeless shelters

The rules in respect of the operation and use of homeless shelters established on charity or any other grounds and granting the possibility to gratuitously spend the night for persons in need shall be determined and registered with the municipality by their founders. Any disputes related with the use of such homeless shelters and eviction therefrom shall be decided pursuant to those rules.

Article 6.628. Occupancy in the premises of health and social guardianship (curatorship) establishments

Persons who for the purposes of medical treatment or care maintain temporary or permanent occupancy in the premises of health and social guardianship (curatorship) establishments shall not be deemed to be lessees. The relationships between such persons and the health and social guardianship (curatorship) establishments shall be determined by relevant service contracts and laws.

CHAPTER XXXII

UNCOMPENSATED USE OF A THING (LOAN FOR USE)

Article 6.629. Concept of contract of loan for use

1. Under a contract of uncompensated use of a thing (loan for use), one party (lender) shall transfer a durable thing for temporary uncompensated possession and use to another party (loan recipient) while the loan recipient takes an obligation to return this thing in the same state in which he was received taking into account normal wear and tear, or in a state stipulated in the contract.

2. Provisions of Paragraphs 2 and 3 of Article 6.477, Articles 6.478, 6.479, 6.481, Paragraphs 1 and 2 of Article 6.489, and Article 6.501 shall apply correspondingly to a contract of loan for use.

Article 6.630. Limitations on forming a contract of loan for use

Profit-seeking legal persons shall have no right to transfer a thing under a contract of loan for use to persons who are founders, participants or members of the bodies of those legal persons.

Article 6.631. Legal effects of promise to transfer a thing for uncompensated use

Failure to honour a promise to transfer a thing for uncompensated use without adequate grounds shall vest the loan recipient with the right to claim compensation of expenses incurred in relation with the acceptance of the transferable thing for uncompensated use.

Article 6.632. Lender

The right to transfer a thing for uncompensated use shall be enjoyed only by the person who is the owner of the thing, or by other persons authorised by the owner or by laws.

Article 6.633. Transference of a thing for use

1. The lender shall be obliged to transfer a thing to the loan recipient in a state corresponding to the conditions of the contract of loan for use and the designation thereof.

2. A thing shall be transferred to the loan recipient with all of the auxiliaries and documents relating thereto (instruction manuals for use, technical passport, etc.) unless otherwise provided for by the contract.

3. In the event where such auxiliaries and documents were not transferred, and without them the thing cannot be used for its designation, or its use without the auxiliaries and documents loses value for the loan recipient, the latter shall have the right to require such auxiliaries and documents to be granted to him by the lender, or to dissolve the contract and demand from the lender compensation for the damages suffered.

Article 6.634. Liability of the lender for defects of the thing

1. The lender shall be liable for defects of the thing granted for uncompensated use which he intentionally or through gross negligence did not stipulate when concluding the contract for use, as well as for the damage caused to the loan recipient by these defects.

2. In the event of discovery of such not stipulated defects, the loan recipient shall have the right at his choice to require of the lender uncompensated elimination of the defects or compensation of the costs of their elimination, or dissolution of the contract and compensation of the direct damages incurred.

3. The lender, notified about the demands of the loan recipient, or of his intention to eliminate the defects of the thing at the expense of the lender, shall have the right to immediately replace the defective thing with another analogous thing of proper quality.

4 The lender shall not be liable for the defects which were stipulated by him in concluding the contract, likewise for the defects that were known to the loan recipient beforehand or should have been discovered by the loan recipient during the transfer of the thing, or its inspection, or testing when concluding the contract.

Article 6.635. Rights of third persons to the thing transferred under the contract of loan for use

1. The transfer of a thing for uncompensated use shall not constitute grounds for the change or termination of the rights of third persons in that thing, providing those rights have been registered in the Public Register within the procedure established by laws, except in cases where those rights are not subject to registration pursuant to laws.

2. When concluding a contract of loan for use, the lender shall be obliged to warn the loan recipient about the rights of third persons in the thing transferred. The failure to perform this duty shall give the loan recipient the right to demand dissolution of the contract and compensation for the direct damages incurred.

Article 6.636. Duty of the loan recipient with regard to maintenance and preserve the thing

The loan recipient shall be obliged to maintain and preserve the thing transferred to him under the contract, likewise to perform current and capital repair, and to bear all expenses for the maintenance thereof unless otherwise provided for by the contract.

Article 6.637. Duty of the loan recipient to use the thing in accordance with its designation

1. The loan recipient shall be obliged to use the thing transferred to him exceptionally in accordance with its designation specified in the contract.

2. Without prior written consent of the lender, the loan recipient shall have no right to let third persons use the thing transferred to him.

Article 6.638. Risk of accidental perishing or damaging of the thing

1. The loan recipient shall bear the risk of accidental perishing or damaging of the thing if the thing perished or was damaged while being used for other purposes than those indicated in the contract, or transferred to a third person without prior written consent of the lender. The loan recipient shall also bear the risk of accidental perishing or damaging of the thing if he continued using the thing after the expiry of the time-limit of the contract of loan for use, or taking into account the actual circumstances, he could have saved the thing by using his own property, but failed to do that.

2. If the loan recipient with the purpose of saving the thing transferred to him destroys his own thing, or permits it to be destroyed, he shall have the right to claim from the lender compensation for the necessary and immediate expenses incurred in the attempt to save the transferred thing.

3. The loan recipient shall not be liable for accidental perishing or damaging of the thing if it occurred in the course of its normal use in accordance with its designation indicated in the contract.

Article 6.639. Liability for damage caused to third persons

The loan recipient shall be liable for damage caused to third persons as a consequence of the use of the thing transferred under the contract of the loan for use unless he proves that the damage was caused as a consequence of intent or gross negligence of the lender or a person to whom the thing was transferred with the consent of the lender.

Article 6.640. Prohibition to use the right of retention

The loan recipient shall have no right of retention in respect of a thing transferred to him, except in cases where the obligation of the lender entails compensation of necessary and immediate expenses related with the preservation of the thing.

Article 6.641. Dissolution of a contract of loan for use before time

1. The lender shall have the right to demand dissolution of the contract before time in the instances where the loan recipient:

1) uses the thing not in accordance with its designation;

2) does not fulfil the duty to maintain and preserve the thing;

3) essentially worsens the state of the thing;

4) transfers the thing to third persons without the consent of the lender.

2. The lender shall also have the right to demand dissolution of the contract of loan for use before time in the instances where due to unpredicted and extraordinary circumstances the thing is urgently and inevitably needed by the lender himself.

3. The loan recipient shall have the right to demand dissolution of the contract before time:

1) in the event where defects of the thing are discovered, which make the normal use of the thing impossible or obstructed and about the existence of which he did not know or could not have known at the time of concluding the contract;

2) if the thing by virtue of circumstances for which the loan recipient is not liable becomes not fit for use in accordance with its designation;

3) if at the time of concluding the contract the lender failed to warn him about the rights of third persons in that thing;

4) in the event of the failure of the lender to transfer the auxiliaries or documents related to the thing.

Article 6.642. Right to revoke a contract of loan for use

1. Each of the parties to a contract of the loan for use shall have the right at any time to revoke an indeterminate contract of the loan for use having notified the other party thereof three months beforehand unless other time-limit has been provided for by the contract.

2. Unless otherwise provided for by the contract, the loan recipient shall likewise have the right at any time to revoke a fixed-term contract of the loan for use having notified the other party about the intended revocation of the contract at least one month beforehand.

Article 6.643. Change of parties to a contract of loan for use

1. The lender shall have the right to sell the thing or transfer it for onerous use to a third person. In this event, the rights and duties under the previous contract of loan for use shall pass to the new owner or user if that contract, in the case of it being subject to registration, was registered in the Public Register in accordance with the procedure established by laws, or the new owner and user knew or should have known about it at the time of concluding the contract.

2. In the event of the death or reorganisation of the lender, his rights and duties shall pass to the successor of his rights.

CHAPTER XXXIII

INDEPENDENT WORK

SECTION ONE

GENERAL PROVISIONS

Article 6.644. Concept of contract of independent work

1. Under a contract of independent work, one party (independent work contractor) shall take an obligation to perform certain work at his own risk in accordance with the task of another party (customer), and transfer the results thereof to the customer, while the latter shall be obliged to accept the work performed and pay for it.

2. The provisions determined in the present Section shall be correspondingly applicable to individual types of independent work (consumer independent work, construction independent work, etc.) unless otherwise provided for by the provisions of other Articles of this Section.

3. The independent work contractor and customer shall not be connected by subordination or any other dependence relationship.

Article 6.645. Subject matter of a contract of independent work

1. A contract of independent work shall be concluded for the manufacture or transfer of the results of a certain work, or for the fulfilment of any other work with the ensuing transfer of the results created in the process of this work to the customer. Prior to the conclusion of the contract, the independent work contractor shall be obliged to submit to the customer all the necessary information related with the fulfilment of the work, likewise the information concerning the materials and the time necessary for the fulfilment of the work.

2. In the event of a contract of independent work being concluded for the manufacture of a thing, the independent work contractor together with the manufactured thing shall transfer to the customer the rights thereto.

3. Unless otherwise provided for by the contract, the independent work contractor shall fulfil the work at his own risk and independently determine the methods of performing the task set by the customer.

4. In the event of the character and value of the work fulfilled being relatively insignificant in comparison with the value of the manufactured, purchased or converted thing, the contract shall be deemed to be not that of independent work, but a purchase-sale contract.

Article 6.646. Permits (licences) for individual types of work

It may be provided for by laws that certain types of work may be fulfilled only upon having a permit (licence) issued in accordance with the procedure established by laws.

Article 6.647. Fulfilment of work from the materials and by the means of the independent work contractor

1. Unless otherwise provided for by the contract, the independent work contractor shall fulfil the work agreed in the contract from his own materials and by his means and forces.

2. In fulfilling the work from his own materials, the independent work contractor shall be liable for any inferior quality of the materials.

Article 6.648. Fulfilment of work from the materials of the customer

1. In supplying the independent work contractor with materials, the customer shall also be obliged to transfer to him the documents certifying the conformity of the materials.

2. In the event of the materials supplied by the customer being not fit for use, or defective, of which the independent work contractor must know, the independent work contractor shall be obliged to immediately notify the customer thereof.

3. If the work is fulfilled in whole or in part from the materials of the customer, the independent work contractor shall be liable for improper consumption of the materials. The independent work contractor shall be obliged to submit a report to the customer on the expenditure of the materials and return the balance thereof, or with the consent of the customer, to reduce the price of the work by taking into account the cost of the unconsumed materials remaining with the independent work contractor.

4. In the event of the work being performed from the materials of the customer under the contract of customer order, the receipt issued by the independent work contractor to the customer in concluding the contract must contain precise name, description and valuation of the materials determined by the agreement between the parties.

5. The contract of independent work may provide for the norms of the expenditure of the materials, the time-limits for the return of their balance and basic waste, likewise the liability of the independent work contractor for the failure to perform these duties, or improper performance thereof.

6. In the event where the result was not achieved by the independent work contractor, or the result achieved turned to have defects which make it unfit for the use provided in the contract, or in accordance with its normal designation due the defects in the material granted by the customer, the independent work contractor shall have the right to demand payment for the work fulfilled if he proves that the defects of the materials were impossible to be noticed in accepting them from the customer.

Article 6.649. Distribution of risks between parties

1. Unless otherwise provided for by laws or a contract of independent work:

1) the risk of accidental perishing or damaging of materials or equipment transferred for the fulfilment of work shall be borne by the party granting them;

2) the risk of accidental perishing or damaging of the result of the work fully completed or that of its intermediary stage shall be borne by the independent work contractor until the acceptance thereof by the customer.

2. In the event of delay in the transfer or the acceptance of the result of the work fulfilled, the risks provided for in Paragraph 1 of this Article shall be borne by the party in delay.

Article 6.650. General independent work contractor and subcontractor

1. Unless the duty of the independent work contractor to fulfil the work provided for in the contract personally arises from the laws or independent work contract, the independent work contractor shall have the right to involve other persons (subcontractors) to perform his obligations. In the event where subcontractors are involved for the performance of the task, the independent work contractor shall act in the capacity of a general independent work contractor.

2. The independent work contractor who has involved subcontractors to perform a contract of independent work in violation of laws or the rules established in the contract shall be liable before the customer for any damages caused by the subcontractors in the performance of the contract.

3. The general independent work contractor shall be liable before the customer for the failure to perform or improper performance of the obligations by the subcontractors, and before subcontractors, for the failure to perform or improper performance of the obligations by the customer.

4. Unless otherwise provided for by laws or the contract, the customer and the subcontractor shall have no right to raise monetary claims to one another connected with the violation of the contracts concluded by each of them with the general independent work contractor.

5. With the consent of the general independent work contractor, the customer shall have the right to conclude contracts for fulfilment of concrete work with other persons. In this event, those persons shall be directly liable before the customer for the failure to perform or improper performance of the contract.

Article 6.651. Particularities of a contract of independent work where the work is fulfilled by several persons

1. If the work is fulfilled by two or more persons, in the event of the indivisibility of the subject matter of obligation, they shall be liable before the customer as solidary co-debtors and co-creditors.

2. In the event of the divisibility of the subject matter of obligation, each of the persons indicated in Paragraph 1 of this Article shall acquire the rights and duties with respect to the customer within the limits of the corresponding participatory share (partial obligation) unless otherwise provided for by the contract.

Article 6.652. Time-limits for the fulfilment of work

1. The beginning and ending of the fulfilment of the work shall be indicated in the contract of independent work. The parties may also determine the time-limits for completing concrete stages of work (intermediate time-limits).

2. Unless otherwise provided for by laws or the contract, the independent work contractor shall be liable for a violation of both the beginning and the ending of work, likewise for the violation of the intermediate time-limits.

3. Upon the agreement of the parties, the time-limits for the fulfilment of the work specified in the contract may be changed in accordance with the procedure indicated in the contract of independent work.

4. In the event of the violation of the ending time-limits of the fulfilment of the whole work under the independent work contract, the customer shall have the right to refuse acceptance of the work fulfilled in result of performance of the whole obligation and claim damages from the independent work contractor related with the delay in performance in the cases where the performance of the obligation due to the delay became of no significance for the customer.

Article 6.653. Price of work

1. The contract of independent work shall specify the price of the work subject to fulfilment or the methods and criteria of its calculation. In the event where the price is not specified in the contract, it shall be determined in accordance with the procedure established in Article 6.198 of this Code.

2. The price indicated in the contract of independent work shall include payment due to the independent work contractor for the work performed and the compensation of expenses incurred by him.

3. The price of work specified in the contract may be determined by drawing up a definite or approximate estimate. In the instances when the work is fulfilled in accordance with the estimate drawn up by the independent work contractor, the estimate shall enter into force and become part of the contract of independent work from the moment it is confirmed by the customer.

4. In the event where a necessity arises to fulfil additional work or for any other important reasons the independent work contractor has to increase the price of some individual stages of the work, he shall be obliged to inform the customer thereof in time. If the customer refuses to increase the price, the independent work contractor shall have the right to revoke the contract. In this event, the independent work contractor shall have the right to demand from the customer payment for the work fulfilled. The independent work contractor who failed to inform the customer in time about the necessity to increase the price shall be obliged to perform the contract for the price foreseen therein.

5. In the instances where a definite price for the work to be fulfilled is indicated in the contract, the independent work contractor shall have no right to increase the price, nor the customer to reduce it. The same provision shall apply for those instances where at the moment of concluding the contract of independent work, it was not possible to determine the exact amount of work subject to fulfilment nor all the expenses necessary for the fulfilment of work.

6. In the event of essential growth of the price of materials or equipment, or also of the services rendered to the independent work contractor by third persons, and the independent work contractor was not able to predict such increase at the time when the contract was concluded, the independent work contractor shall have the right to demand an increase of the established price of work or to dissolve the contract in accordance with the provisions established in Article 6.204 of this Code.

Article 6.654. Economies of the independent work contractor

1. In the event where the actual expenses of the independent work contractor prove to be lower than those taken into account in determining the price of work, the independent work contractor shall retain the right to the payment for work as established in the contract of independent work unless the customer proves that the economies produced negative effect on the quality of work as determined in the contract.

2. A distribution of the economies received may be provided for in the contract.

Article 6.655. Procedure for payment of work

1. Unless preliminary payment for work fulfilled or individual stages thereof has been provided for in the contract of independent work, the customer shall be obliged to pay the independent work contractor the stipulated price after the final acceptance of the results of work on condition that the work is fulfilled properly and on time or with the consent of the customer before time.

2. The independent work contractor shall have the right to demand an advance payment or an earnest only in the instances provided for in the contract.

Article 6.656. Right of the independent work contractor to exact remuneration due to him

In the event of the failure of the customer to perform his obligation to pay the remuneration established in the contract of independent work or any amount agreed by the parties to the contract, the independent work contractor shall have the right to exact the amounts due to him under the contract for the work fulfilled from the equipment belonging to the customer, balance of the unused materials, or any other property of the customer until full payment by the customer, or to retain the result of the work until proper performance of the obligation by the customer.

Article 6.657. Liability of the independent work contractor for non-preservation of the property granted to him by the customer

The independent work contractor shall be obliged to take any measures necessary to ensure preservation of the property granted to him by the customer and shall be liable towards the customer for any loss or damage of this property.

Article 6.658. Rights of the customer during the fulfilment of work

1. The customer shall have the right at any time to verify the course and quality of the work under fulfilment without interfering in the economic-commercial activity of the independent work contractor.

2. In the event of the independent work contractor failing to embark upon the performance of work on time, or where he is working so slowly that the ending of the work on time clearly becomes impossible, the customer shall have the right to revoke the contract and claim compensation of damages.

3. If during the fulfilment of work it becomes evident that it will not be properly performed, the customer shall have the right to designate a reasonable period to the independent work contractor for the elimination of defects and in the event of the failure to perform this demand by the independent work contractor within the designated period, to revoke the contract and either claim compensation of damages or authorise a third person to rectify the work at the expense of the independent work contractor.

4. In the event of emergence of important reasons, the customer shall have the right at any time before the work is completed to revoke the contract at the same time effectuating payment to the independent work contractor for the performed part of the work and compensating the damages caused by the dissolution of the contract, including into damages the economies received by the independent work contractor due to the dissolution of the contract.

5. In the event of defects being discovered in the course of acceptance of the work, the customer shall have the right to deduct from the amounts due to the independent work contractor for the work performed the amount necessary to eliminate the defects. The customer shall retain this right also in the instances where hidden defects of work are discovered. Nevertheless, the customer shall

have no such right in the event where the independent work contractor adequately ensures the performance of his obligation.

Article 6.659. Circumstances of which the independent work contractor is obliged to warn the customer

1. The independent work contractor shall be obliged to immediately warn the customer and until receiving instructions from him to suspend the work in the event of discovering:

1) unfitness or inferior quality of the materials, other property or documents received from the customer;

2) possible consequences threatening the fitness, stability, or security of the work due to the compliance with the instructions of the customer concerning the methods of the fulfilment of work;

3) other circumstances beyond the control of the independent work contractor which threaten the fitness, stability or security of the work.

2. In the event of the independent work contractor failing to warn the customer about the circumstances indicated in Paragraph 1 of this Article, or continuing to work without awaiting for the receipt of the customer's reply within the period indicated in the contract, and in the absence thereof, within a reasonable time, or failing to comply with the timely instructions of the customer shall forfeit his right to refer to the circumstances indicated in Paragraph 1 of this Article and shall be liable for the defects of the thing.

3. If the customer, notwithstanding a timely and substantiated warning of the independent work contractor concerning the circumstances indicated in Paragraph 1 of this Article, within a reasonable time fails to replace unfit or inferior quality materials, other property or documents, or to change his instructions concerning the methods of the fulfilment of work, or to eliminate other circumstances which threaten the fitness or stability of the work to be fulfilled, the independent work contractor shall have the right to revoke the contract and claim compensation of damages.

Article 6.660. Assistance of the customer

1. The customer shall be obliged in the instances and under the procedure established in the contract of independent work to render assistance to the independent work contractor in the fulfilment of the work. In the event of the customer failing to perform this duty, the independent work contractor shall have the right to claim from him compensation of damages, including additional expenses caused by idle-time or postponement of the time-limits for the fulfilment of work or by the increase of the cost of work.

2. In the instances where the fulfilment of work under the contract has become impossible as a consequence of failure on the part of the customer to perform his obligation indicated in Paragraph 1 of this Article, or improper performance thereof, the independent work contractor shall have the right to demand payment to him of the price specified in the contract taking into account the part of the work fulfilled and the compensation of damages, or to dissolve the contract.

Article 6.661. Legal effects of the failure to perform counter-duties of the customer

1. The independent work contractor shall have the right not to embark upon the work, or to suspend the work begun in the event of failure on the part of the customer to perform his counter-duties established in the contract of independent work (granting of materials, equipment, documents, etc.), or if the customer obstructs the performance of the contract by the independent work contractor, or there also exist other circumstances explicitly testifying to the fact that the independent work contractor will fail to perform his duties on time (Article 6.219 of this Code).

2. Unless otherwise provided for by the contract of independent work, the independent work contractor shall have the right, within existence of the circumstances indicated in Paragraph 1 of this Article, to revoke the contract and claim compensation of damages.

Article 6.662. Acceptance of work fulfilled

1. The customer shall be obliged within the periods and in the procedure provided for in the contract of independent work to inspect with the participation of the independent work contractor and accept the work fulfilled (its result). In the event of discovering any deviations from the conditions of the contract which worsen the quality of the result of the work, or any other defects in the work, the customer must immediately inform the independent work contractor accordingly. The acceptance of the work fulfilled shall be formalised by drawing up an act by which the customer certifies an unconditional acceptance, or that with a reservation clause, and the independent work contractor-transference of the work fulfilled.

2. The customer, having discovered defects of the work in the course of acceptance, shall be able to rely upon the fact of the defects only in the instances where in the act or any other document certifying the acceptance of the work fulfilled these defects were recorded, or the right of a subsequent claim on the part of the customer concerning their elimination is stipulated.

3. Unless otherwise provided for by the contract, the customer having accepted the work without verification shall be deprived of the right to rely upon the defects which could have been discovered by ordinary means of acceptance of the work (obvious defects).

4. The customer having discovered after the acceptance of the work defects thereof or any deviations from the contract which could not have been discovered by ordinary means of acceptance of the work (latent defects), likewise those intentionally concealed by the independent work contractor shall be obliged to notify the independent work contractor thereof within reasonable time after their discovery.

5. In the event where a dispute arises between the independent work contractor and the customer because of the defects of the work, each party shall have the right to demand expert examination. The expenses of the expert examination shall be borne by the independent work contractor, except in cases where the expert examination establishes the absence of any violations on the part of the independent work contractor of the contract of independent work, or a causal link between the actions of the independent work contractor and the defects discovered. In such events, the expenses of the expert examination shall be borne by the party which requested such examination, and if it was designated by the agreement between the parties, both parties equally.

6. Unless otherwise provided for by the contract of independent work, in the event where the customer evades acceptance of the work fulfilled, the independent work contractor shall have the right at the expiry of a month from the date when according to the contract the work should have been accepted and after having twice in written form notified the customer to sell the result of the work and to deposit the amount received, less all payments due to him, in the name of the customer (Article 6.56 of this Code).

7. In the event where the evasion of the customer of acceptance of work entailed delay in the handing over of the results of the work, the risk of accidental perishing or damaging of the result of work shall pass to the customer from the moment when the transfer of the result to the customer should have been executed.

Article 6.663. Quality of work

1. The quality of the work fulfilled by the independent work contractor must conform to the conditions of the contract of independent work and, in the absence of any determination of quality in

the contract, to the requirements ordinarily presented for work of the respective nature. The result of work fulfilled must at the moment of transfer to the customer possess the properties specified in the contract of independent work or determined requirements usually presented, and within the limits of a reasonable period be fit for use in accordance with its designation.

2. In the event where obligatory requirements for work to be fulfilled are established by the law or the contract of independent work, the independent work contractor, acting as a businessman, shall be obliged to comply with those requirements. The parties may establish in the contract of independent work a duty of the independent work contractor to fulfil the work in accordance with higher requirements than the existent obligatory requirements.

Article 6.664. Guarantee of the quality of work

1. In the event where guarantee period for the result of the work is established by the law or the contract of independent work, the result of the work must correspond to the established quality requirements during the entire guarantee period.

2. Unless otherwise provided for by the contract of independent work, the guarantee of the quality shall extend to all component parts of the result of the work.

3. In the event of defects being discovered during the guarantee period, the independent work contractor shall be obliged to gratuitously eliminate the defects or compensate to the customer the expenses of their elimination.

Article 6.665. Liability of the independent work contractor for improper quality of work

1. In the instances where the work is fulfilled with deviations from the conditions of the contract, which renders the result of the work unfit to be used in accordance with its designation as determined in the contracts or worsens its possibilities (conditions) to be used in accordance with its designation and, where the designation is not specified in the contract - in accordance with its ordinary use, the customer shall have the right, unless otherwise provided for by the law or the contract, at his choice to require from the independent work contractor:

1) elimination of defects without compensation within a reasonable period;

2) commensurate reduction of the price established for work;

3) compensation of his expenses for elimination of the defects when the right of the customer to eliminate them has been provided for in the contract of independent work.

2. The independent work contractor shall have the right instead of eliminating the defects to fulfil the work anew without compensation and compensate to the customer damages caused by the delay of performance. In this event, the customer shall be obliged to return the result of work previously transferred to him to the independent work contractor if by the character of the work such return is possible.

3. In the even of the failure of the independent work contractor to eliminate the deviations from the contract or other defects within a reasonable time, or the defects prove to be essential and cannot be eliminated, the customer shall have the right to dissolve the contract and claim the compensation of damages.

4. The conditions of a contract of independent work which relieve the independent work contractor from liability for certain defects shall not exempt him from liability if the customer proves that such defects were caused by the fault or gross negligence of the independent work contractor.

5. In the event where the work was performed from the materials of the independent work contractor, the independent work contractor shall be liable for the improper quality of those materials as a seller under a purchase-sale contract.

Article 6.666. Periods for discovery of defects of the work

1. Unless otherwise provided for by the law or the contract of independent work, the customer shall have the right to present demands connected with defects in the results of the work on condition that they were discovered within the periods established in the present Article.

2. In the instances where guarantee period is not established, the defects of the result of the work must be determined within a reasonable time but not exceeding the limit of two years from the date when the result of the work was transferred unless other time-limits are provided for by the law or the contract of independent work.

3. The customer shall have the right to present demands connected with defects in the results which were discovered within the period of guarantee.

4. In the instances where the guarantee period provided for the contract does not exceed two years and the defects of the result of the work are discovered by customer upon the expiry of the guarantee period but within the limit of two years from the date when the result of the work was transferred, the independent work contractor shall be held liable for those defects if the customer proves that the defects arose before the transfer of the results of the work or for reasons which occurred before that moment.

5. Unless otherwise provided for by the contract of independent work, the guarantee period shall start its run from the moment when the result of work was accepted or should have been accepted by the customer.

6. The rules established in Paragraphs from 2 to 6 of Article 6.335 of this Code shall apply for the calculation of the guarantee period unless otherwise provided for by laws or the contract of independent work, or any other conclusion arise from the essence of a particular contract of independent work.

Article 6.667. Prescription

1. Prescription for claims arising in connection with defects of the work fulfilled shall constitute one year, except in cases provided for by this Code.

2. In the instances where according to the contract of independent work the result of work was accepted in parts, the prescription shall commence from the date of acceptance of the results of work as a whole.

3. In the event where a guarantee period is established by the law or contract of independent work, and the statement concerning the defects was presented within that guarantee period, the prescription shall commence from the date of the statement concerning the defects.

Article 6.668. Duty of the independent work contractor to transfer information to the customer

The independent work contractor shall be obliged to transfer to the customer together with the result of the work information about the use of the subject matter of the contract of independent work if such duty of the independent work contractor is established in the contract of independent work, or the character of the information is such that without it the use of the results of the works is impossible for the designation specified in the contract.

Article 6.669. Duty of the parties in respect of confidentiality

If any of the parties in the framework of performance of a contract of independent work has received information from the other party considered to be commercial secret or any other confidential information stipulated in the contract, this party shall have no right to communicate such information to third persons without the consent of the other party.

Article 6.670. Return of property to the customer

In the instances where the customer dissolves the contract on the grounds provided for in Paragraph 2 of Article 6.658 and Paragraph 3 of Article 6.665 of this Code, the independent work contractor shall be obliged to return to the customer the materials and any other property transferred, and where this proves to be impossible, compensate their value in money.

Article 6.671. Legal effects of the dissolution of a contract of independent work before acceptance of the results of work

In the event of the dissolution of contract of independent work on the grounds provided for by the law or contract before the acceptance of the result of the work, the customer shall have the right to demand transference to him of the result of the work fulfilled, and the independent work contractor in this event shall have the right to demand payment for the actually performed work.

SECTION TWO

CONSUMER INDEPENDENT WORK

Article 6.672. Concept of contract of consumer independent work

1. Under a contract of consumer independent work, the independent work contractor engaged in a certain business activity shall take an obligation to fulfil in accordance with the order of a natural person (consumer) certain work intended to satisfy domestic or other personal needs of the customer or those of his family, while the customer shall be obliged to accept the result of the work performed and pay for it.

2. The provisions established in Article 6.188 and Articles from 6.350 to 6.37 of this Code shall apply, *mutatis mutandis*, to contracts of consumer independent work.

3. The relationships of contracts of consumer independent work which are not regulated by the provisions of this Code shall be governed by laws on the protection of customer rights and other laws related with the protection of these rights.

Article 6.673. Guarantees of the customer

1. The independent work contractor shall have no right to demand inclusion of additional work or services into a contract of consumer independent work. The customer shall have the right to refuse payment for work or services not indicated in the contract.

2. The customer shall have the right at any time before the acceptance of the results of work to dissolve the contract, having paid a part of the determined price commensurate to the work fulfilled.

Article 6.674. Granting of information to customer about proposed work

1. Prior to the conclusion of the contract, the independent work contractor shall be obliged to submit to the customer all the necessary and accurate information related with the proposed work also

upon the request of the customer other data related with the contract and the work to be performed. In the event where it is significant due to the character of the work, the independent work contractor must indicate to the customer the specific person who will perform the work provided for in the contract.

2. The customer shall have the right to dissolve the contract without paying for the work performed and claim compensation of damages in the instances where as a consequence of incompleteness or inaccuracy of information submitted by the independent work contractor, a contract was concluded for the fulfilment of work not possessing the properties which the customer had in mind.

Article 6.675. Fulfilment of work from materials of the independent work contractor

1. If work is fulfilled from the materials of the independent work contractor, the material shall be paid for by the customer when concluding the contract in whole or in a part of the price specified in the contract, with the final payment executed to the independent work contractor after the completion of the work.

2. In accordance with the contract of independent work, the material may be granted by the independent work contractor on credit, also that the customer will pay for the material by instalments.

3. A change of price of the material granted by the independent work contractor after the conclusion of the contract of independent work shall not entail a resettlement of accounts.

Article 6.676. Price and payment for work

1. The price of work shall be determined by an agreement between the parties to the contract of independent work.

2. The work shall be paid for by the customer after the transference of the result of the work by the independent work contractor. With the consent of the customer the work may be paid for by him when concluding the contract in full or by issuing an advance, or the payment may be effectuated later at the time agreed upon by the parties.

Article 6.677. Duty of the independent work contractor to notify the customer about the conditions of use of the work fulfilled

In transferring the result of work to the customer, the independent work contractor shall be obliged to notify him of the conditions for its use and the requirements which are necessary to comply with when using the result of the work, also warn about possible consequences for the customer himself and other persons of the failure to comply with such requirements.

Article 6.678. Legal effects of discovery of defects in the work fulfilled

1. In the event of the discovery of defects during the acceptance of the results of work or during the use thereof, the customer shall within the periods established in Article 6.666 of this Code present at his choice one of the requirements stipulated in Article 6.665 of this Code, or require repeated fulfilment of the work without compensation, or claim compensation for expenses incurred by him for the elimination of the defects.

2. The demand concerning the elimination without compensation of such defects in the result of the work which may pose danger to the life or health of the customer or other persons may be presented by the customer or his legal successor within two years, and where the subject matter of the contract was a building, installation or any other structure, within the period of ten years from the moment of acceptance of the result of work unless a more extended period is determined by laws or

the contract. Such demands may be presented irrespective of when these defects were discovered, likewise if they were determined after the expiry of the guarantee period.

3. In the event of the failure of the independent work contractor to fulfil the demands specified in the preceding Paragraph, the customer shall have the right within the same period to require either the return of part of the price paid for the work or compensation for expenses incurred by him for the elimination of the defects.

Article 6.679. Legal effects of the failure of the customer to appear for receipt of the results of work

1. In the event of the failure of the customer to appear for the receipt of the result of work fulfilled or other evasion from the acceptance thereof, the independent work contractor shall be obliged to warn the customer in writing of his duty to accept the result of the work.

2. In the event of the failure of the customer to take over the result of the work within two months from the date of the warning indicated in the preceding Paragraph, the independent work contractor shall have the right to sell the subject matter of the contract for a reasonable price and to deposit the amount received, less all payments due to him, in the name of the customer into depository account of the notary, bank or any other credit institution located in the place of residence of the customer.

Article 6.680. Rights of the customer in the event of failure to fulfil the work indicated in the contract or improper fulfilment thereof

In the event of failure of the independent work contractor to fulfil the work indicated in the contract of consumer independent work, or improper fulfilment thereof, the customer shall have the right to take advantage of the rights of a purchaser established in Article 6.334 of this Code.

SECTION THREE

CONSTRUCTION INDEPENDENT WORK

Article 6.681. Concept of a contract of construction independent work

1. Under a contract of construction independent work, the independent work contractor shall be obliged within the period established in the contract, to build the determined structure according to the task of the of the customer or to fulfil another construction work, while the customer shall take an obligation to create the necessary conditions for the independent work contractor in order to fulfil the work, to accept the result of the work performed, and pay the price stipulated in the contract.

2. A contract of construction independent work shall be concluded for the construction or reconstruction of enterprises, buildings, dwelling houses and other structures and also for the fulfilment of assembly, launching or any other work. The provisions of this Article shall likewise apply to work related with capital repair of buildings or installations unless otherwise provided for by the contract.

3. A contract of construction independent work may establish the duty of the independent work contractor to ensure the operation of the object after its acceptance by the customer during a period specified in the contract.

4. In the instances when under a contract of construction independent work the work is fulfilled for the purpose of satisfaction of personal, family or domestic requirements of a natural

person (consumer) not related with his business or profession, the provisions governing the contract of consumer independent work shall apply to this contract.

Article 6.682. Distribution of risk between parties

1. The risk of accidental perishing or damage of the object of construction or a part thereof shall be borne by the independent work contractor until its acceptance by the customer.

2. In the event of accidental perishing or damaging of the object of construction or a part thereof before its acceptance as a consequence of inferior quality of materials, components or structures of construction works granted by the customer, or due to the performance of erroneous instruction of the customer, the independent work contractor shall have the right to demand payment of the entire price of the work indicated in the contract, provided that the independent work contractor has performed the duties established in Paragraph 1 of Article 6.659 of this Code. In the event of the failure of the customer to comply with the request of the independent work contractor to change materials, components, structures of construction works or instructions which may pose threat to the surrounding or would result in essential violations of the technical regulations established in the construction documents, the independent work contractor must immediately dissolve the contract.

Article 6.683. Insurance of the object of construction

1. The contract of construction independent work may establish the duty of the party on whom the risk of accidental perishing or damaging of the construction object is placed to insure the construction object, material, equipment, and other property used in the construction, likewise the duty to insure civil liability of that party for damage caused to other persons.

2. The party on whom the duty to insure the construction object or his civil liability is placed shall be obliged to submit to the other party within the periods established in the contract the evidence of his conclusion of the contract of insurance, also the data on the insurance enterprise, the sum of insurance and the essential conditions of insurance.

Article 6.684. Technical construction regulations and estimates

1. The independent work contractor shall be obliged to perform the construction work in accordance with the requirements established in the technical construction regulations and the contract (contractual documentation) determining the price of work and quality requirements applicable to the structure (work).

2. The composition of the documents related with the contract (technical construction regulations) must be indicated therein. The contract must likewise specify which of the parties and within what period must grant the certain technical construction regulations.

3. Unless otherwise provided for by the contract of construction independent work, the independent work contractor shall be deemed to be obliged to fulfil himself all the work indicated in the technical construction regulations.

4. In the instances of the independent work contractor having discovered in the course of the construction the work which is not indicated in the technical construction regulations and necessitates fulfilment of additional work and increase the price of the contract concerned, he shall be obliged to inform the customer accordingly. In the event of the failure to receive a reply from the customer to his communication within the period established in the contract or within reasonable time, where such period is not indicated in the contract, the independent work contractor shall have the right to suspend the work concerned. In this case, the damages caused by the suspension of the work shall be borne by the customer unless he proves the absence of necessity to perform additional work.

5. In the event of the failure of the independent work contractor to perform the duty indicated in Paragraph 4 of this Article, he shall be deprived of his right to demand payment from the customer for the additional work fulfilled and claim compensation of damages incurred unless he proves that the necessity for immediate actions was in the interests of the customer while the suspension of work might have brought about perishing or damaging of the construction object.

Article 6.685. Change in the contractual documentation

1. The customer shall have the right to make changes in the contractual documentation on condition that the price of the additional work caused by this does not exceed fifteen per cent of the total price of construction specified in the contract, and those changes do not alter the character of the work provided for in the contract. The parties may also provide for other conditions for making changes in the contractual documentation.

2. The independent work contractor shall have the right to demand a revision of the price of the contract if for reasons beyond his control the actual price of the work has increased by more than fifteen per cent (Article 6.204 of this Code).

3. The independent work contractor shall have the right to claim compensation for reasonable expenses incurred by him in connection with the establishment and elimination of the defects in the contractual documentation.

Article 6.686. Provision of construction with materials and equipment

1. The duty relating to the provision of materials, equipment, components and other structures of construction works shall be borne by the independent work contractor unless the contract of construction independent work attributes this duty to the customer.

2. The party whose duty is to provide the construction with materials and equipment shall be liable for the defects thereof which render those materials and equipment impossible to be used without worsening the quality of the construction work unless it is proved that the impossibility of the use of those materials and equipment arose through circumstances for which the other party is liable.

3. In the event where the defects mentioned in Paragraph 2 of this Article are discovered in the materials and equipment provided by the customer, and the customer refuses to replace them, the independent work contractor shall be obliged to dissolve the contract and demand payment for the actually fulfilled work.

4. The independent work contractor shall have no right to use the materials provided by the customer for his own needs unless otherwise provided for by the contract of independent work.

Article 6.687. Payment for work

1. The customer shall be obliged to pay for the construction work fulfilled within the periods and in accordance with the procedure determined in the contract of construction independent work.

2. The parties may agree upon payment at certain periods or in full after acceptance of the object of construction.

Article 6.688. Other duties of the customer

1. The customer shall be obliged in a timely way to provide a land plot for construction (construction site). The size and state of the land plot provided must conform to the conditions specified in the contract of construction independent work and enable the timely commencement, normal conducting and timely completion of the construction by the independent work contractor.

2. The customer shall also be obliged in the instances and according to procedure provided for by the contract to transfer for the use of the independent work contractor buildings and installations, grant transportation services, install temporary electric power or water supply networks, obtain the permits granting the independent work contractor with the right to perform certain work, as well as render other services provided for in the contract.

3. Payment for the services specified in Paragraph 2 of this Article shall be effectuated in the instances and pursuant to procedure established in the contract of construction independent work.

Article 6.689. Right of the customer to control and supervise construction work

1. The customer shall have the right to effectuate control and supervision over the course and the quality of construction work being fulfilled, compliance with the schedules of construction work, the quality of the materials supplied by the independent work contractor, and the use of the materials provided by the customer. In implementing this right, the customer shall have no right to interfere in the economic-commercial activity of the independent work contractor.

2. The customer who has discovered deviations from the conditions of the contract which may worsen the quality of the construction work or any other defects shall be obliged to immediately notify the independent work contractor. The failure of the customer to make such notification shall deprive him of the right to rely on them in the future.

3. The independent work contractor shall be obliged to perform the instructions of the customer received in the course of the construction if such instructions are not contrary to the conditions of the contract of construction independent work and the technical construction regulations, and do not represent interference in the economic-commercial activity of the independent work contractor.

4. In the instances where the independent work contractor improperly fulfils the contract, he shall have no right to rely on the fact that the customer failed to effectuate control and supervision of the construction work, except in the cases where the duty of the customer to perform such control and supervision is established by the law or contract.

Article 6.690. Participation of the projecting and other institutions in the fulfilment of duties and effectuation of rights of the customer

1. The customer shall fulfil his duties and effectuate his rights relating control and supervision of the construction with the participation of projecting and other institutions (engineer, constructor, consultant, etc.). The rights and duties of the projecting institution relating to control and supervision of the construction shall be determined within the contract concluded between the customer and the projecting and other institutions, likewise in the contract of construction independent work.

2. The list of structures subject to authorial supervision of the construction to be effectuated by the projecting institution shall be determined by the technical construction regulations.

3. Mandatory expertise of projects may be established by laws.

Article 6.691. Cooperation of parties to a contract of construction independent work

1. In the course of performing a contract of construction independent work, parties to the contract shall be obliged to cooperate (duty of cooperation). In the event of appearance of obstacles which hinder proper performance of the contract, each of the parties to the contract shall be obliged to take all reasonable measures within his control to eliminate such obstacles. The party which fails to

perform this duty shall be deprived of the right to claim compensation of damages caused by the non-elimination of the relevant obstacles.

2. Expenses incurred by a party in eliminating the obstacles specified in the preceding Paragraph shall be borne by the other party in the instances and amounts determined in the contract of construction independent work.

Article 6.692. Duties of the independent work contractor related with the protection of environment and ensuring safety of work

The independent work contractor when performing construction and work connected therewith shall be obliged to comply with the requirements of laws and technical construction regulations concerning the protection of environment and ensuring safety of work. The independent work contractor shall be liable for the violation of these requirements.

Article 6.693. Legal effects of conservation of construction work

If for reasons beyond the control of the parties the construction work is suspended and the construction object subjected to conservation, the customer shall be obliged to effectuate payment in full for all the construction work fulfilled until conservation, likewise to compensate damages caused by the suspension of work and conservation of the objects, including therein all the advantages which the independent work contractor received or could have received as a consequence of the termination of work.

Article 6.694. Handing over and acceptance of work

1. The customer on having received the notification of the independent work contractor concerning the readiness for handing over the results of the work or, if this is provided in the contract, a stage of the work fulfilled shall be obliged to immediately embark upon the acceptance thereof. The conditions of handing over and accepting work shall be determined by laws and the contract of independent work concluded by the parties.

2. The acceptance of work shall be organised and effectuated by the customer at his expense unless otherwise provided for by the contract of construction independent work. In the instances provided for by laws and technical construction regulations, representatives of the relevant state and municipality institutions shall participate in the acceptance of the result of work.

3. The customer having accepted the result of an individual stage of work, shall bear the risk of the consequences of accidental perishing or damaging of this result, except in cases when this occurred due to the fault of the independent work contractor. In the instances where the customer starts to use the structure before its acceptance, the risk of accidental perishing thereof shall be borne by the customer unless otherwise provided for by the contract.

4. The handing over of the work and the acceptance thereof shall be formalised by an act to be signed by both parties. In the event of the refusal of one of the parties to sign the act, a relevant notation shall be made thereon, and the act shall be signed by the other party. A unilateral act of handing over may be acknowledged null and void by the court if it decides that the first party had substantial grounds for the refusal to sign the act.

5. In the instances provided for by laws or the contract of construction independent work, likewise where it arises from the character of the work, preliminary testing and control measurements must be performed prior to the acceptance of the result of the work. In those instances, the acceptance of work may be effectuated only upon positive results of the preliminary testing and control measurements.

6. The customer shall have the right to refuse acceptance of the results of the work in the event of discovery of defects which render it impossible to be used for the purposes established in the contract of construction independent work and cannot be eliminated by the customer or independent work contractor.

Article 6.695. Liability of the independent work contractor for the quality of work

1. The independent work contractor shall be liable for any deviations from the requirements of the technical construction regulations and also for the failure to achieve the indicators of the objects of construction specified in these documents or the contract (productive capacity of the enterprise, resistance, etc.).

2. In the event of the reconstruction of structures and installations, the independent work contractor shall be liable for any reduction or loss of reliability, durability and resistance of the structure or installation.

3. The independent work contractor shall not be liable for minor deviations from the technical construction regulations made with the consent of the customer if he proves that these deviations have not influenced the quality of the construction object and will not bring about negative consequences.

Article 6.696. Liability for the collapse of a structure

1. The independent work contractor, architect and the technical supervisor of the construction shall be respectively liable for the collapse of a structure and the resultant damage if the object collapsed due to the defects in the design, structures of construction work, or the performance of construction work, likewise due to unsuitable ground.

2. The architect and the technical supervisor of the construction shall be relieved from liability if it is proved that the collapse of the object was not caused by defects in the design, structures of construction work, or inadequate supervision, or control of construction work, but through faulty actions of the independent work contractor or the customer.

3. The independent work contractor shall be relieved from liability if it is proved that the collapse of the object occurred through the fault of the architect, or the technical supervisor of the construction who were chosen by the customer, or through faulty actions of the customer.

4. In the event where it is not possible to establish through the fault of which of the concrete persons indicated in Paragraph 1 of this Article the collapse of the structure has occurred, they shall all be solidary liable.

Article 6.697. Guarantee of the quality of work

1. The independent work contractor, unless otherwise provided for in the contract of construction independent work, shall ensure throughout the whole guarantee period the compliance of the object of construction to the indicators established in the technical construction regulations and its fitness for use for the designation specified in the contract.

2. The parties to the contract shall have the right to establish upon their agreement a more extended guarantee period.

3. The independent work contractor, architect and the technical supervisor of the construction shall be liable for the defects discovered within the guarantee period unless it is proved that the defects occurred as a consequence of the normal wear and tear of the objects or parts thereof, its inappropriate use, or improper repair made by the customer or third persons engaged by him, or any other faulty actions of the customer or third persons engaged by him.

4. The running of the guarantee period shall be interrupted for the entire period during which the object could not be used as a consequence of the discovered defects for which the independent work contractor is liable.

5. In the event of discovering defects of the object during the guarantee period, the customer must within reasonable time from their discovery state them to the independent work contractor.

Article 6.698. Guarantee periods

1. The independent work contractor, architect and the technical supervisor of the construction shall be liable for the collapse of the object or defects if the object collapsed or the defects were discovered within the time-limit of:

1) five years;

2) ten years, in existence of hidden constructions of the structure (structures of construction works, pipelines, etc.);

3) twenty years, in existence of intentionally concealed defects.

2. The time-limits specified in Paragraph 1 of this Article shall start their run from the day when the result of the work is handed over**.**

Article 6.699. Elimination of defects at the expense of the customer

1. A contract of construction independent work may provide for the duty of the independent work contractor to eliminate defects at the request and at the expense of the customer to eliminate the defects of the work for which the independent work contractor is not held liable.

2. The independent work contractor shall have the right to refuse fulfilment of the duty indicated in Paragraph 1 of this Article in the instances where the elimination of defects is not directly connected with the subject matter of the construction independent work or they cannot be eliminated for reasons beyond the control of the independent work contractor.

SECTION FOUR

INDEPENDENT WORK FOR FULFILMENT OF PROJECTING AND SURVEY WORK

Article 6.700. Concept of the contract of independent work for fulfilment of projecting and survey work

Under a contract of independent work for fulfilment of projecting and survey work, the independent work contractor (architect, surveyor) shall take an obligation to fulfil survey and projecting work in accordance with the task of the customer, draw up technical documentation or create any other result of the work and transfer to the customer, while the latter shall be obliged to accept the result of the work and pay for it.

Article 6.701. Task of projecting and survey work

1. Within the periods and in accordance with the procedure established in the contract, the customer shall be obliged to transfer to the independent work contractor the task for the projecting and survey work as well as any other base data necessary for the drawing up of the technical documentation. The task and other base data for the fulfilment of work may also be prepared by the

independent work contractor under the authorisation of the customer. In that event, the task shall become obligatory to both parties from the moment when it is confirmed by the customer.

2. The independent work contractor shall be obliged to fulfil the work in compliance with the requirements of the task and other base data and will be able to depart therefrom only with the consent of the customer.

Article 6.702. Duties of the independent work contractor

1. The independent work contractor shall be obliged:

1) fulfil projecting and survey work in accordance with the requirements established by the contract, task and other base data;

2) coordinate the prepared technical documentation with the customer in accordance with the procedure stipulated in construction technical documentation, and in the cases established by the law, with the competent state or local government institutions, or perform the expertise of the technical documentation;

3) cooperate with the customer in the course of fulfilling the work and coordinating the prepared technical documentation;

4) within the periods and in accordance with the procedure established in the contract, transfer the prepared technical documentation or the result of the survey work to the customer;

5) safeguard commercial secrets or any other confidential information of the customer.

2. The independent work contractor shall have no right to transfer the result of the work to third persons without the consent of the customer.

3. The independent work contractor shall be obliged to guarantee to the customer the absence of right on the part of any third persons to prohibit or obstruct fulfilment of projecting or survey work, nor prohibit or obstruct fulfilment of work in accordance with the technical documentation prepared by the independent work contractor.

Article 6.703. Liability of the independent work contractor for the quality of work

1. The architect (surveyor) shall be liable for improper drawing up of the technical documentation or fulfilment of survey work, likewise for the redoing of the construction work as a consequence of improperly fulfilled projecting (survey) work, or improperly drawn up technical documentation or defects of work (documentation) which were discovered subsequently in the course of work in accordance with the prepared technical documentation, or in accepting the result of survey, also in the process of operation of the object created on the basis of that work.

2. In the instances of discovery of defects in the technical documentation or in the survey work, the independent work contractor shall be obliged at the demand of the customer to correct without compensation the defects of the technical documentation or fulfil the survey work anew, likewise to compensate the damages to the customer unless otherwise provided for by the contract.

3. Mandatory expertise of projects may be established by laws.

Article 6.704. Duties of the customer

In accordance with a contract of independent work for fulfilment of projecting and survey work, the customer shall be obliged:

1) pay the independent work contractor the established price in full after the completion of all work, or to pay for it in parts after the completion of individual stages of the work;

2) use the result of the work received from the independent work contractor exclusively for the purposes specified in the contract, not transfer it to third persons, nor divulge the data contained in the results of the work without the consent of the independent work contractor;

3) cooperate with the independent work contractor in the course of the fulfilment of work and coordination of the prepared technical documentation;

4) compensate the independent work contractor for additional expenses caused by a change of the task or base data in the event where the changes were conditioned by circumstances beyond the control of the independent work contractor;

5) involve the independent work contractor as a third person to participate in the case with regard to a suit brought against the customer by third persons in connection with defects in the technical documentation or the results of projecting and survey work.

SECTION FIVE

INDEPENDENT WORK FINANCED FROM THE BUDGET OF THE STATE OR MUNICIPALITIES

Article 6.705. Fulfilment of construction and projecting work for the needs of the state or municipalities

1. Construction, projecting, survey work, likewise architectural and engineering activity and related technical consultations intended for the satisfaction of the needs of the state or municipalities financed from the budget of the state or municipalities shall be fulfilled under contracts of independent work concluded on the basis of a public tender, except in cases provided for by laws.

2. Contracts of independent work indicated in Paragraph 1 of this Article shall be governed correspondingly by provisions of this Code unless otherwise provided for by laws.

Article 6.706. Content of contract of independent work formed on the basis of a public tender

In the event where a contract of independent work is formed on the basis of a public tender, the content of the contract shall be determined in accordance with the announced conditions of the tender and the proposals submitted by the independent work contractor who has won the tender.

CHAPTER XXXIV

SCIENTIFIC RESEARCH, EXPERIMENTAL, DEVELOPMENT AND TECHNOLOGICAL WORK

Article 6.707. Concept of a contract for the fulfilment of scientific-research, experimental, development or technological work

1. Under a contract for the fulfilment of scientific research, experimental, development or technological work, one party (executor) shall take an obligation to carry out research in accordance with the technological assignment of the other party (customer) and in accordance with a contract for experimental, development or technological work, to work out a model of a new product, or its production development documentation, or new technology, while the customer shall be obliged to accept the work and pay for it.

2. A contract with the executor may be concluded for the fulfilment of the work in total or for its individual stages (elements).

3. Unless otherwise provided for by laws, the risk of accidental impossibility to fulfil the contract shall be borne by the customer.

4. The conditions of a contract must correspond to the provisions on intellectual property established by this Code and other laws.

Article 6.708. Fulfilment of work

1. The executor shall be obliged to conduct scientific research personally. He shall have the right to involve third persons for the fulfilment of scientific research work pursuant to the contract only upon a written consent of the customer.

2. The executor shall have the right to involve third persons for the fulfilment of experimental, development or technological work unless otherwise provided for by the contract. Relations of the executor with the third persons shall be governed accordingly by Article 6.650 of this Code.

Article 6.709. Confidentiality of information

1. Unless otherwise provided for by a contract, both parties shall be obliged to ensure confidentiality of information related with the subject matter of the contract, the performance of the contract and the results received. The type of information to be deemed confidential pursuant to the contract shall be determined upon the agreement of the parties.

2. Each of the parties shall be able to divulge the information deemed confidential pursuant to the contract exclusively upon the consent of the other party.

Article 6.710. Right of the parties to the results of work

1. The parties to a contract shall have the right to use the results of the work fulfilled to the extent and on the conditions determined in the contract.

2. Unless otherwise provided for by the contract, the customer shall have the right to use the results of the work transferred, and the executor shall be able to use the results of the work received by him for the own needs.

Article 6.711. Duties of the executor

The executor in a contract for the fulfilment of scientific research, experimental, development or technological work shall be obliged:

1) fulfil the work in accordance with the technical task agreed with the customer and transfer the results of the work to the customer within the period indicated in the contract;

2) agree with the customer upon the expediency of using the legally protected results of intellectual activity which belong to third persons and the acquisition of the rights for the use thereof;

3) eliminate by his own means and at his expense defects violating the conditions of the contract or technical task which occurred through his fault;

4) immediately inform the customer about the impossibility of receiving anticipated results, or the inexperience of continuing the work;

5) guarantee to the customer that the transferred results of the work fulfilled do not violate the exclusive rights of other persons.

Article 6.712. Duties of the customer

1. The customer shall be obliged to transfer to the executor the information indicated in the contract as necessary for the fulfilment of work, accept the results of the work fulfilled and pay for them.

2. The contract may provide for the duty of the customer to transfer to the executor technical task and agree with him the programme and theme of the work.

Article 6.713. Impossibility of achieving anticipated results in conducting scientific research work

In the event where in the course of fulfilment of scientific research work it becomes obvious that it is impossible to achieve the anticipated results as a consequence of circumstances beyond the control of the executor, the customer shall be obliged to pay for the work fulfilled before the impossibility became obvious, but not in excess of the respective part of the price of the work specified in the contract.

Article 6.714. Impossibility of continuing experimental, development or technological work

In the event where in the course of fulfilment of experimental, development or technological work, it becomes obvious that it is impossible or inexpedient to continue the work not through the fault of the executor, the customer shall be obliged to pay a part of the price of the work specified in the contract which is proportional to the part of the work fulfilled, as well as to pay other reasonable expenses incurred by the executor in attempting to fulfil the work.

Article 6.715. Liability of the executor for violation of the contract

1. The executor shall be liable towards the customer for the violation of the contract unless he proves that the contract was violated not through his fault.

2. The executor shall be obliged to compensate to the customer for the damages caused by the defects of the work within the limits of the value of the work fulfilled in the event where it is established in the contract that the damages shall be subject to compensation within the limits of the value of the work fulfilled. Lost incomes shall be compensated only in the instances provided for in the contract.

CHAPTER XXXV
PROVISION OF REMUNERATIVE SERVICES

SECTION ONE
GENERAL PROVISIONS

Article 6.716. The concept of the contract for services

1. The contract for services is a contract by which one party to the contract (the provider of services) undertakes to provide to the other party to the contract (the client) by commission of the latter certain services of a non-material nature (intellectual) or other types which are not related to the creation of a material object (to perform certain actions or pursue certain activities), and the client undertakes to pay for the services provided.

2. The provisions of this Chapter shall apply to only those services, in respect of which no relationship of employment or other subordination exists between the provider of services and the client.

3. The rules established by the norms of this Chapter shall apply to the provision of audit, consultancy, personal healthcare, veterinary, information, education, tourist or other remunerative services, to the exclusion of the services provided following the rules laid down in Chapters XXXIII, XXXIV, XXXVI, XXXVIII, XL, XLI, XLII, XLIV, XLVI, XLVII and L of this Book.

4. Where the client is a natural person consumer, the rules of Articles 6.188, 6.350-6.370 of this Code shall apply, *mutatis mutandis*, to the contract for services.

5. Other laws may establish additional requirements applicable to remunerative services of individual types, which are not provided for in this Chapter.

Article 6.717. Performance of the contract for services

1. Unless the contract for services establishes otherwise, the provider of services himself must provide the services.

2. In compliance with the contract, the provider of services shall be free to choose the methods and measures to perform the contract.

3. Unless the contract establishes otherwise, the provider of services may employ third persons to perform the contract. In the latter case, however, the provider of services shall be personally liable to the client for the proper performance of the contract.

4. Where the services are provided by more than one person, all providers of services shall be liable for the proper performance of the contract, to the exclusion of the cases where the default of the contract or improper performance of the contract occurred through no fault of anyone of them.

Article 6.718. Priority of the interests of the client

1. The provider of services must be honest and reasonable in the provision of services, so as to serve best the interests of the client.

2. Having regard to the type of services, the provider of services must act, in the provision of services, in accordance with established practices and standards applicable to the relevant profession.

3. The provider of services must provide the services in accordance with the terms of the contract and following the instructions of the client. If the instructions of the client are in violation of laws, established rules of the professional activities, standards, professional ethics or the terms of the contract, the provider of services shall have the right to refuse to carry out such instructions and to terminate the contract.

4. The provider of services shall have the right to deviate from the terms of the contract or the instructions of the client, where specific circumstances necessitate such a deviation for the interests of the client or in order to discharge the latter’s commission, and where the contractor was not able to inform the client thereof in advance. In this case, the contractor must notify the client of the deviations as soon as the circumstances permit.

5. If the contract provides for the obligation on the part of the provider of services to achieve a certain result, the provider of services may be relieved from liability as a result of the non-performance of the said obligation only where the provider of services could not meet such obligation for reasons of *force majeure*.

Article 6.719. The obligation of the provider of services to furnish information

1. Before the contract for services is entered into, the provider of services is bound to provide the client with detailed information concerning the nature of the services that are provided, the terms of their provision, the price of the services, the schedule for the services, possible consequences, and any information which may have an influence on the client's determination to enter into the contract.

2. In the event of public services rendered, or where the provision of the services constitutes business of the provider of services, the client shall be provided with the conditions of public access to the information indicated in paragraph 1 of this Article either at the head office of the provider of services or at any other place freely accessible to each possible client.

Article 6.720. The price of services and payment

1. The price of the services shall be fixed by agreement of the parties and may be modified after the conclusion of the contract only in accordance with the terms of the contract and in cases stipulated in the contract.

2. The client is bound to pay the increased price of the services exceeding the price fixed at the time the contract is entered into only in the event the provider of services furnishes proof that such increase was essential to ensure the proper performance of the contract and to the extent that such increase could not be foreseen at the time the contract was entered into.

3. The client shall pay for the services rendered within a given time and following the procedure agreed in the contract. Unless the contract provides otherwise, the client is bound to pay the whole price when the contracted services are provided. By agreement between the parties, part of the price may be paid at the time the contract is entered into or at any agreed time thereafter, and the final settlement shall be effected upon the performance of the contract by the provider of services.

4. If the performance of the contract is impossible through the fault of the client, the client must pay the whole price fixed in the contract, unless the contract provides otherwise.

5. If the performance of the contract is impossible as a result of the circumstances for which no party to the contract may be held responsible, the client is bound to remunerate the provider of services for the actual expenses incurred by the latter, unless the contract provides otherwise.

6. The client shall also reimburse the provider of services for the expenses incurred by the latter and related to the performance of the contract to the extent that such expenses are not covered by the price of the services. The client is also bound to reimburse the provider of services for the latter's losses related to the provision of the service, incurred at the time of the provision of the services in the event of unforeseen specific circumstances, for which the provider of services shall not be responsible. Where the provision of certain services constitutes professional activities (business) of their provider, the client is bound to reimburse such provider for the losses incurred by the latter only in the event the losses result from specific circumstances not covered by a normal risk characteristic to a certain type of profession or business.

7. If the services are provided by commission of two or more than two clients, all the clients shall bear solidary liability to the provider of services in cases provided for in this Article.

Article 6.721. Unilateral termination of the contract

1. The client shall have the right to unilaterally terminate the contract even though the provision of the services by the provider is already in progress. In this case the client is bound to pay to the provider of services part of the agreed price in proportion to the services rendered and to pay other reasonable expenses made by the provider of services for the purpose of the performance of the contract before the date of receipt of the notice of resiliation of the contract from the client.

2. The provider of services may unilaterally terminate the contract for important reasons only. In this case the provider of services must fully reimburse the client for the losses incurred.

Article 6. 722. Report of the provider of services

Unless the contract for services provides otherwise, the provider of services:

1) shall, at the request of the client, communicate to him all information on the services rendered and progress in their provision;

2) shall, at the request of the client, forthwith submit a report to the client on the services rendered or progress in their provision;

3) shall forthwith furnish to the client all what the provider of services has received during the provision of services for the benefit of the client.

Article 6.723. Termination of the contract for services

1. The death of the client does not terminate the contract unless it has been entered into specifically in view of the personal qualifications of the client, or the performance of the contract thereby becomes impossible or useless. The contract on the said grounds shall be terminated from the date the provider of services was informed or had reasonable grounds to be aware of the death of the client. The provider of services must, in all cases, ensure that all adequate measures available to him are taken to protect the interests of the client.

2. The contract shall be terminated by the death or incapacity of the provider of services unless analogous services may be adequately continued by his successors who are entitled thereto. The successors of the provider of services, who are informed of the commission, must ensure that all adequate measures available to them are taken to protect the interests of the client.

Article 6.724. Subsidiary application of other norms of this Code to the contracts for services

The norms of this Book, which establish general provisions of the contract agreement (Articles 6.644-6.671) and regulate consumer contracts (Articles 6.672 – 6.680) shall be applicable to contracts for services, in so far as they are not in violation of Articles 6.716 – 6.723 of this Code and modalities of the subject matter of the contract for services.

SECTION TWO
PROVISION OF PERSONAL HEALTHCARE SERVICES

Article 6.725. The contract for personal healthcare services

1. The contract for personal healthcare services is a contract by which an individual who is entitled to provide healthcare services due to his professional or business activities (the provider of healthcare services) undertakes to provide to the other party (the patient) healthcare services provided for in the contract, and the patient undertakes to pay the agreed price to the provider of healthcare services. Where personal healthcare services are provided to a third person rather than the person who has entered into the contract, the said third person shall be considered as the patient (the actual recipient of personal healthcare services). In this case, the person who has entered into the contract shall be the customer.

2. The concept of “personal healthcare services” within the meaning of paragraph 1 above means activities, including examination and counselling directly relating to an individual, undertaken for the purpose of treating the individual, preventing him from falling ill or assessing the condition of his health. This concept also includes nursing of the patient and related activities, as well as material

provision for the patient, which is necessary for the pursuit of personal healthcare activities, to the exclusion of pharmaceutical activities.

3. The rules contained in this section shall not apply to the following types of activities: activities intended for determining the health condition of an individual or for providing healthcare to an individual who is represented by the provider of such care in the settlement of a dispute in court or in the fulfilment of obligations, so that the represented individual receives insurance benefits or social benefits; activities aimed at determining one's endowment or aptitude for learning, health fitness to work or to perform a specific type of activity; and to forensic pathology. Similarly, the rules of this section shall not apply to personal healthcare services the costs of which shall be paid (compensated) , pursuant to laws, from the resources of the compulsory health insurance fund, the State budget or municipal budgets.

Article 6.726. Patients who are minors

1. A minor who has reached the age of 16 may in his own name enter into the contract for personal healthcare services and perform other legal actions directly related to such a contract.

2. A minor who has reached the age of 16 shall be responsible for the fulfilment of all obligations arising from this contract, and this may not have any affect on his parents' duty to bear the costs of care for and upbringing of the minor.

3. Laws may provide for the cases where only an adult person may become party to the contract for personal healthcare services.

A**rticle 6.727. Provision of information to the patient**

1. The provider of personal healthcare services must inform the patient, in a form comprehensible to the latter and with an explanation of the special medical terms involved, of the condition of his health, disease diagnosis, possible treatment methods, prognosis of the treatment and other circumstances which may have an effect upon the patient's decision to consent or refuse the proposed treatment, as well as of the effects, in case the patient refused the proposed treatment.

2. The provider of personal healthcare services shall have the right to withhold the information indicated in paragraph 1 above from the patient only in those instances where such notification would have a detrimental effect upon the patient (would cause harm to the health of the patient or even endanger his life). In such instances, all information indicated in paragraph 1 above shall be submitted to the patient's representative and shall be considered as information supplied to the patient. The said information shall be communicated to the patient as soon as the risk of causing the said harm to the patient by the notification of such information is eliminated.

Article 6.728. The right not to know

1. The information provided for in paragraph 1 of Article 6.727 of this Code shall not be provided to the patient against his will. The will of the patient must be clearly expressed and attested by his signature.

2. The restrictions on the provision of information to the patient, as provided for in paragraph 1 above, shall not apply where the patient's reluctance (refusal) to receive information may result in harmful effects upon the patient or other individuals.

Article 6.729. Consent of the patient

1. The patient may not be treated or be provided any other healthcare and/ or nursing against his will, unless otherwise established by legislation. The laws may provide for the cases where a written consent of the patient is required for the provision of healthcare services to the patient.

2. The patient under the age of 16 may not be treated or be provided any other healthcare and/ or nursing against the will of at least one of his parent or his statutory representative, unless the laws provide otherwise. The patient under the age of 16, on condition that his age and the level of development permit a correct appraisal of the condition of his health and proposed course of treatment, may not be treated against his will, unless the laws provide otherwise. The laws may provide for the cases where a written consent of at least one of the parents of the minor or of his statutory representative is required to perform healthcare services to the patient. The doctor shall select the methods of treatment which would most suit the interests of the minor.

3. The modalities of treatment of a mental patient, who is unable to correctly assess the condition of his own health, shall be established by the relevant laws.

Article 6.730. Indication of the patient's consent in his medical documents

1. The provider of personal healthcare services must include information on all actions undertaken (personal healthcare services), to which the patient has given his consent, into the medical documents of the patient, and the patient or his representative must attest these documents by their signature.

Article 6.731. Co-operation of the patient with the provider of personal healthcare services

The patient shall give to the provider of personal healthcare services all possible information and assistance, which may be reasonably required for the performance of the contract.

Article 6.732. Degree of care

In the pursuit of his activities the provider of personal healthcare services must ensure such a degree of care which may be expected from an honest provider of personal healthcare services. His activities must be based on responsibility stipulated by the relevant laws, other legal acts and professional standards of providers of healthcare services.

Article 6.733. Necessity of patients' medical documents

Providers of personal healthcare services must keep at their disposal (process and fill in) patients' medical documents of the established form and type (patient history, other medical documentation), fill in the said documents and store them in accordance with the procedure prescribed by laws.

Article 6.734. Destruction of records in the medical documents

1. The provider of personal healthcare services shall destroy the documents indicated in Article 6.733 of this Code within a period of three months since the destruction is demanded (requested) by the patient, with the exception of derogations established by the relevant laws.

2. Paragraph 1 of this Article shall not apply if a request for destruction concerns the stored documents which may reasonably be considered as having a certain legal or medicinal value to other individuals rather than the patient, as well as in cases where the destruction of the documents is forbidden by the relevant law.

Article 6.735. The patient's right of access to the records contained in his medical documents

1. The patient shall, at his request, be provided with all his medical documents, with the exception of the cases when this may be harmful to the patient's health or even endanger his life. In the said instances, the restrictions on the provision of information shall be noted in the medical documents of the patient.

2. The patient shall have the right to request that copies of his medical documents be made at the expense of the patient. This right of the patient may be restricted only in accordance with the procedure prescribed by laws. The provider of personal healthcare services must explain to the patient the meaning of the records contained in his medical documents. If the request of the patient is based on reasonable grounds, the doctor must rectify, complete, eliminate, clarify and (or) change the inaccurate, not exhaustive or equivocal data, or the data which is not related to the diagnosis, treatment or nursing.

Article 6.736. Provision of information

1. The provider of personal healthcare services may not furnish any other persons with the information on the patient without the latter's consent and may not give access to copies of the official documentation referred to in Article 6.733 of this Code. If information is nevertheless provided to other persons, it may be provided in so far as this does not cause any harm to the private life of the patient or any other person. Information on the patient must be furnished if the provision of information is prescribed by legislation.

2. Persons directly participating in the performance of the contract for the provision of healthcare services as well as the person who acts as an auxiliary of the person providing healthcare, provided that the information is necessary to the latter to act as an auxiliary, shall not be considered as other persons.

3. This category also excludes those persons the consent of which in performing the contract for the provision of personal healthcare services is required in accordance with Articles 6.729 and 6.744 of this Code. However, where the provider of personal healthcare services, in furnishing information on the patient or giving access to such information or copies of the patient's documents, may not be considered as complying with the degree of care which is expected from an honest provider of personal healthcare services, the provider of personal healthcare services shall not perform such actions.

Article 6.737. Scientific research

The laws shall regulate the carrying out of research and the provision of information on the patient for the purpose of scientific research.

Article 6.738. Observers

1. The provider of personal healthcare services shall provide healthcare services without the presence of any other person to the exclusion of the patient himself, unless the patient has expressed his consent to the presence of external observers at the time of the provision of healthcare services.

2. Persons, professional assistance of which is required for the provision of healthcare services under the contract, shall not be considered as other persons within the meaning of paragraph 1 above.

Article 6.739. The right to terminate the contract

1. Unless there are important reasons for the termination of the contract for the provision of personal healthcare services (failure to follow the instructions of the provider of healthcare services, failure to pay for the services rendered, etc.), the provider of healthcare services may not terminate this contract.

2. The patient shall have the right to terminate the contract at any time.

Article 6.740. The price of the contract

The contracting authority (the patient) shall pay to the provider of personal healthcare services the agreed price fixed by the contract, except where the provider of personal healthcare services receives remuneration for his work by law or on some other grounds, as prescribed in the contract.

Article 6.741. Healthcare institutions

Where the contractual personal healthcare services are provided in a healthcare institution which is not party to the contract, liability on the part of the healthcare institution shall also arise, which shall be analogous to liability of the party to the contract.

Article 6.742. Prohibition to limit or exclude liability

Liability of the provider of personal healthcare services and, in cases provided for in Article 6.741 of this Code – liability of the healthcare institution, may not be limited or excluded.

Article 6.743. Scope of application

Where personal healthcare services are provided in accordance with the general requirements set for the profession of a medical practitioner or the principles of medical ethics (deontology), i.e. not pursuant to the contract for the provision of personal healthcare services, the rules of this section shall apply in so far as this is compatible with the nature of legal relations.

Article 6.744. Statutory representatives

1. If the patient has not reached the age of sixteen, the obligations of the provider of healthcare services shall be discharged to the parents of the minor or the guardian (curator)of the patient.

2. The rule specified in paragraph 1 above shall also be applicable in cases where the minor, even though of sixteen years of age, may not be treated as being capable of reasonably appraising his interests, to the exclusion of the cases where the patient the ability of which to think reasonably is doubted has reached the age of majority, and the guardianship (curatorshop) has been established to the person or the guardian has been appointed to him. In the latter case the obligations shall be discharged to the guardian (curator).

3. Where the adult patient may not be treated as being reasonably capable of appraising his interests, and neither curatorship nor guardianship has been established in respect of such person, all obligations of the provider of personal healthcare services to the patient shall be discharged to the person who is authorised in writing by the patient to act on behalf of the patient. In the absence of the authorised person or on failing by the authorised person to take the necessary actions, the obligations shall be discharged to the patient’s spouse or partner, unless the latter refuse that, or in the absence of

the patient's spouse or partner, the obligations shall be discharged to the patient's parent or child, unless the latter refuse that.

4. The provider of personal healthcare services shall fulfil his obligations to the patient's statutory representatives as provided for in paragraphs 1 and 2 of this Article, as well as to persons listed in paragraph 3 above, provided that the fulfilment of such obligations complies with the degree of care that is expected from an honest provider of personal healthcare services.

5. The person established in this section, to which the provider of personal healthcare services must discharge his obligations pursuant to paragraph 2 or 3 of this Article, must act with such care which is expected from an honest representative. In the discharge of his obligations the person must involve the patient as much as possible.

6. If the patient objects to the provision of healthcare services to him, to which the persons specified in paragraphs 2 and 3 of this Article had already given their consent, such services may be provided only if this is undoubtedly required for the purpose of avoiding serious harm to the patient.

Article 6.745. Emergencies

Where pursuant to Article 6.744 of this Code, instead of the patient's consent, the consent of the person indicated the said Article is required for the provision of healthcare services, the services may be provided without the consent of such person provided if there is insufficient time to receive the consent of the said person in cases where immediate action is needed to save the life of the patient.

Article 6.746. The use of human tissues and organs

Human tissues and organs taken from an anonymous person during the provision of personal healthcare services may be used in cases and pursuant to the procedure prescribed by laws.

SECTION THREE
PROVISION OF TOURIST SERVICES

Article 6.747. The concept of the contract for the provision of tourist services

1. The contract for the provision of tourist services binds one party to the contract, the tour organiser, to ensure for remuneration the other party, the tourist, a pre–arranged journey which lasts for more than twenty four hours, including overnight accommodation, and to additionally supply at least two services, i.e. the transportation and accommodation service and a service not ancillary to transportation and accommodation and accounting for an essential part of the journey. The tourist undertakes to pay for the services provided.

2. For the purposes of this section, the tour organiser means a person who is engaged in the business of tourism in accordance with the procedure and terms prescribed by laws and who offers in public tourist services to any person or a certain group of persons in his own name.

3. A person acting as an intermediary for the tour organiser who has not established a place of business in the territory of the Republic of Lithuania shall be considered as the tour organiser in respect of the tourist.

Article 6.748. Provision of information

1. Any descriptive matter concerning the services offered and advertised by the tour organiser (travel brochures or other official information) must not be misleading, be presented in the standard form and contain the elements prescribed by legislation (the itinerary, the services being

provided and obligations undertaken, terms and procedure for the currency exchange, border-crossing arrangements, epidemiological state of the places to be visited, preventive measures, vaccination, procedure and terms for the execution of the tour contract, etc.).

2. Prior to the signing of the contract for the provision of tourist services, the tour organiser must furnish the tourist with a written document containing exhaustive information prescribed by laws, as laid down in paragraph 1 of this Article, provided the tourist has not been informed thereof from the travel brochure or any other document handed to him.

3. Paragraph 2 of this Article shall not apply if the contract has been concluded less than 72 hours before the tour starts.

Article 6.749. The form and content of the contract

1. The contract for the provision of tourist services shall be concluded in writing.

2. The contract for the provision of tourist services (or the appendix thereto, which shall form an integral part of the contract) shall contain the following elements:

1) particulars of the tour organiser (the name, address, telephone number, etc);

2) personal details and the place of residence of the tourist;

3) the point, date and time of departure and return; the places or countries to be visited, with the dates of arrival and departure;

4) the tourist services provided during the journey and their description, special preferences of the tourist;

5) the price of the tourist services (the terms of the price revisions and refund), the method of payment and payment schedule, with an indication that the price is inclusive of all the services offered;

6) instances of making alterations in the contract or the cancellation thereof, health insurance formalities and financial guarantees;

7) the contract number and the date of its conclusion, the term for claim.

3. The standard terms of the contract for the provision of tourist services shall be approved in accordance with the procedure prescribed by laws.

Article 6.750. The right of the tourist to waive the contract

1. The tourist shall have the right to waive the contract at any time. The waiver shall enter into force on the day of its statement.

2. If the tourist waives the contract due to the circumstances for which he is responsible, the tourist shall reimburse the tour organiser for the losses incurred as a result of the waiver. In this case, the amount of losses, however, may not exceed the maximum price of one journey**.**

3. If the tourist waives the contract for whatever cause, other than his fault, the tourist shall be entitled to claim a refund or compensation for the money paid for the journey, or, a proportional share thereof if the journey has already partly taken place.

Article 6.751. The right of the tour organiser to waive the contract

1. The tour organiser shall have the right to waive the contract only for important reasons and shall forthwith inform the tourist thereof.

2. If the tour organiser waives the contract for whatever cause, other than the fault of the tourist, the tour organiser must offer the tourist a substitute journey of equivalent or better quality (an

alternative journey). If the tourist does not accept an offer of the substitute journey, he may claim a refund or compensation for the sums paid for the journey that has not occurred, or a partial share thereof if the journey has partly taken place.

3. On waiving the contract the tour organiser must compensate the tourist for the material damage and repay the money paid by the tourist, except where:

1) the tour organiser waives the contract on the grounds that the number of applications received for such journey was smaller than the minimum number required, and the tourist was informed in writing of the right of the tour organiser to waive the contract on the said grounds within a period specified in the contract;

2) the tour operator waives the contract for reasons of *force majeure*, except where the contract provides for the organisation of the tour anew in such cases.

Article 6.752. Alteration of the terms of the contact

1. The tour organiser shall be entitled to provide for his contractual right to alter, for important reasons of which the tourist shall be immediately notified, the relevant condition contained in the contract. In this case, the tourist shall have the right to refuse a rider to the contract.

2. In addition to the reservation provided for in paragraph 1 of this Article, the tour organiser may also be entitled to provide for his contractual right to alter, for important reasons of which the tourist shall be immediately informed, a condition of the contract. In this case, the tourist may refuse a rider to the contract only if the alteration made would cause him essential damage.

3. The tour organiser shall be entitled to provide for his contractual right to increase, at least twenty days prior to the departure date, the price of the journey if this is caused? by the variations in the transportation costs, including the cost of fuel, mandatory taxes or the exchange rates. In this case, the tour organiser must state precisely the reasons for the upward revision of the price and how the revised price has been calculated. The tourist shall have the right to refuse the increase in the price.

4. If the tourist refuses to alter the terms of the contract in the cases provided for in paragraphs 1 – 3 of this Article, the tour organiser shall acquire the right to waive the contract. In this case, the tourist shall be entitled to claim a refund or compensation of the sums paid for the journey, or a proportional share thereof if the journey has already partly taken place. If the tour organiser waives the contract after the tourist refuses to change the terms of the contract in the cases provided for in paragraphs 1 – 2 of this Article, paragraph 3 of Article 6.751 of this Code shall apply accordingly.

Article 6.753. Changing of the parties to the contract

1. The tourist shall have the right, at least 7 days before the journey starts, to transfer his right to the journey to the third person who shall discharge all the terms of the contract.

2. Such transfer shall be executed by contract with the third person, and the tourist must notify in writing the tour organiser thereof. The person transferring his right to the journey and the third person shall bear solidary liability to the tour organiser for paying the price of the journey and bearing the costs of the transfer of the right to the journey.

3. If the tour organiser is unable to perform the contract properly as a result of insolvency or any other reason, he must take steps to ensure that any other person takes over the obligations of the tour organiser. If the tourist has already reached the place of destination the tour organiser must in any case ensure the return of the tourist.

Article 6.754. Performance of the contract and liability for the improper performance thereof

1. The tour organiser must perform the contract having regard to reasonable expectations of the tourist, that the latter might have had according to the nature of the contract and the services to be provided.

2. If the contract is not performed in accordance with reasonable expectations of the tourist, the tour organiser must compensate the tourist for the losses incurred. The tour organiser or the person whose assistance is used by the tour organiser shall not be held liable for the improper performance of the contract if:

1) the tourist is at fault (it is the fault of teh tourist) for the improper performance of the contract;

2) the third person whose services are not related to the services provided by the tour organiser is responsible for the improper performance of the contract that was not foreseen and could not possibly be foreseen by the tour organiser;

3) the contract is improperly performed as a result of *force majeur* or any event which was not foreseen and could not possibly be foreseen, with all possible prudence, by the tour organiser or the person whose assistance was used by to the tour organiser.

3. If the performance of the contract falls short of expectations of the tourist, the tour organiser, having regard to the specific circumstances, must give the tourist every help and support. If the reason for the improper performance of the contract lies with the tourist himself, the tour organiser must provide to the tourist such help and support, which might be expected from the tour organiser under the contract on the basis of the criterion of reasonableness. In the latter case the expenses incurred by the tour organiser and related to the provision of such help and support shall be borne by the tourist. If the tour organiser or the person who assists the tour organiser (paragraph 2 of this Article) are liable for the improper performance of the contract, all expenses related to the provision of additional help and support to the tourist shall be borne by the tour organiser.

4. Where it becomes clear on starting the journey that the tour organiser will not be able to perform the main part of the contractual services, the tour organiser must offer the tourist an appropriate alternative journey for the same price and for the period stipulated in the contract, and shall pay to the tourist the difference in the price for the earlier agreed services and the services which have been actually provided. If the tour organiser is not able to offer the tourist an alternative journey on reasonable grounds, or if the tourist refuses such a journey on reasonable grounds, the tour organiser has to ensure the return of the tourist or his taking to any other place in respect of which the tourist expresses his consent, and to pay back to the tourist the money paid for the journey.

5. If, due to improper performance of the contract for which the tour organiser shall be responsible, sound and reasonable expectations of the tourist are not met as a result of which the tourist is unsatisfied with the journey, the tourist shall also have the right to claim non-material damages. The amount of remunerative non-material damages may not exceed the triple price of the journey.

Article 6.755. Prohibition to exclude or limit civil liability

1. The tour organiser shall have no right to limit or exclude his civil liability for damages arising from the death or health impairment of the tourist. The terms of the contract for the limitation or abolition of the said damages shall be null and void.

2. If the provision of contractual services is related to the existence and application of a certain international agreement of the Republic of Lithuania, the tour organiser may be guided by the terms of limitation or exclusion of civil liability of the person providing certain services, as established or permitted by the international agreement.

3. The tour organiser shall have no right to limit or exclude his civil liability for the damage done to the tourist if the damage was caused on purpose or as a result of gross negligence by the tour organiser.

4. If the damage, with the exception of the damage arising from the death or health impairment of the tourist, is done to the tourist in the provision of a service provided for in the contract, however where such a service is not provided by the tour organiser himself, the liability of the tour organiser may be limited by a triple price of the journey.

CHAPTER XXXVI

MANDATE

Article 6.756. Concept of a contract of mandate

1. Under a contract of mandate, one party (mandatary) shall take an obligation to perform in the name of and at the expense of another party (mandator) determined legal actions in respect of third persons.

2. The powers granted to the mandatary and the written document confirming thereof shall be called a power of attorney.

Article 6.757. Subject matter of a contract of mandate

1. Under a contract of mandate, the mandator may empower the mandatary to perform legal actions related with the defence of the mandator, execute administration of the mandator's property in total or a part thereof, perform procedural actions on behalf of the mandator in the court and other institutions, as well to as effectuate any other legal actions.

2. The person's consent to assume the mandate may be expressed explicitly or, taking in regard the concrete circumstances, by silence.

Article 6.758. Remuneration of the mandatary

1. A contract of mandate shall be either by gratuitous title or by onerous title.

2. A contract of mandate entered into by natural persons shall be presumed to be by gratuitous title, except in cases where the action performed by the mandatary on behalf of another person constitutes professional or business activity of the mandatary. In the instances where one or both parties to a contract of mandate are entrepreneurs, the contract shall be presumed to be given by onerous title.

3. In the instances where the contract is onerous, the amount of the mandatary's remuneration shall be determined by the contract of mandate or laws. In the event where neither the contract nor laws determine the amount of the remuneration, the payment shall be determined taking into consideration usages, market prices, the character and duration of the services rendered, recommendations of the professional association of the persons engaged in rendering relevant services, and other circumstances.

4. The mandatary acting as a commercial representative of the mandator shall have the right to withhold things subject to transfer to the mandator until the latter fully remunerates the mandatary for the services rendered.

Article 6.759. Performance of mandate in accordance with instructions of the mandator

1. The mandatary shall be obliged to fulfil the mandate given to him in accordance with the instructions of the mandator. The instructions of the mandator must be lawful, practical and definite.

2. The mandatary shall have the right to deviate from the instructions of the mandator if under the circumstances of the case this is necessary for the interests of the mandator and the mandatary could not inquire in advance of the mandator, or did not receive any reply to his enquiry within a reasonable period. In this event, the mandatary shall be obliged to inform the mandator about the deviations as soon as it becomes possible.

3. In the instances where the mandatary operates as a commercial representative, the mandator in his interest may grant the mandatary with the right to deviate from the mandate without a preliminary enquiry. In this event, the commercial representative shall be obliged within a reasonable period to inform the mandator about the deviations unless otherwise provided for by the contract.

Article 6.760. Duties of an mandatary

1. A mandatary shall be obliged to fulfil the mandate in good faith and with prudence and diligence in the best interests of the mandator, as well as to avoid any conflict between his personal interests and those of the mandator.

2. A mandatary shall be obliged to fulfil the mandate personally, except in cases where the contract provides for exceptions, as well as where the law permits a substitution of mandatory.

3. During the mandate, the mandatary shall be obliged to furnish the mandator, upon the latter's request or where the concrete circumstances warrant it without any request, with all the information concerning the course of the performance of mandate.

4. Having fulfilled the mandate, the mandatary shall be obliged without delay to inform the mandator accordingly, submit a report with documents of justification appended, and return the power of attorney unless otherwise provided for by the contract.

5. The mandatary shall be obliged to transfer to the mandator without delay everything received in the performance of the mandate.

6. Where in the instances provided for by the contract, the law or usages, the mandatary takes assistance of third persons for the performance of the mandate, he shall be liable towards the mandator for the actions of those persons, and shall be bound to compensate for any damage caused to the mandator by the actions thereof.

7. In the instances where a mandate is performed by several mandataries, they shall be solidarily liable towards the mandator unless otherwise provided for by the contract.

8. The mandatary shall have no right to use for his own interests the information or property obtained in fulfilling the mandate, except in cases provided for by the law or contract, likewise when the mandator gives his consent to such use. In the instances where the mandatary fails to perform this duty, he shall be obliged to compensate to the mandator for the damages incurred by him in the result, likewise to return everything that is considered to be his unjust enrichment; in the cases where he has unlawfully used a thing or money, he shall be obliged to pay accordingly the payment for lease or the interest on the sums used.

Article 6.761. Duties of a mandator

1. The mandator shall be obliged to cooperate with the mandatary to facilitate the fulfilment of the mandate by the latter.

2. The mandator shall be obliged without delay to accept from the mandatary everything performed by him in accordance with the contract of mandate.

3. Unless otherwise provided for by the contract, the mandator shall be obliged to advance to the mandatary the means necessary for the fulfilment of the mandate, compensate to the mandatary for any expenses which were necessary for due fulfilment of the mandate and, in case of necessity, to issue advance payment needed to cover expenses related with the fulfilment of the mandate.

4. Upon the due fulfilment of the mandate by the mandatary, the mandator shall be obliged to pay remuneration to the former if the contract is onerous.

5. The mandator shall be obliged to compensate the mandatary for any damage incurred in the fulfilment of the mandate in the events where there is no fault of the mandatary in his actions, and other persons liable for the damage are not bound to compensate for it.

Article 6.762. Substitution

The mandatary shall have the right to appoint another person in the fulfilment of the mandate (substitution) exclusively in the cases and under the procedure established in Article 2.145 of this Code.

Article 6.763. Termination of a contract of mandate

1. In addition to the grounds common to the extinction of obligations, a contract of mandate shall be terminated as a consequence of:

1) revocation of the power of attorney by the mandator;

2) renunciation of the power of attorney by the mandatary (Article 2.146 of this Code);

3) expiry of the time-limit of the power of attorney;

4) death of a party to the contract;

5) liquidation of one of the parties to the contract of mandate;

6) initiation of bankruptcy proceedings against one of the parties;

7) one of the parties is acknowledged incapable, of limited capacity or missing.

2. In the instances where the mandator appoints a new mandatary for the performance of the same actions, the contract of mandate shall be considered terminated from the moment when the first mandatary is notified about the appointment of a new mandatary.

3. In the instances where the mandator due to his health or other serious reasons is unable to revoke the power of attorney on his own, any interested person or a public prosecutor shall have the right to apply to the court for the revocation of the power of attorney in the instances where it is necessary for the interest of the mandator, or the public interest.

Article 6.764. Legal effects of the termination of a contract of mandate

1. If a contract of mandate is terminated by the mandator before the mandate is fulfilled in full, he shall be obliged to compensate all the expenses incurred by the mandatary in the performance of the mandate and also pay remuneration commensurate to the work performed, except in cases where the contract was terminated due to serious reasons, or the mandatary continued to perform the mandate after he learned or should have learned about the termination of the contract.

2. The mandatary shall be liable for the damage incurred by the mandator in the result of renunciation of the contract by the mandatary submitted without serious reasons or at inopportune time.

3. In the instances of commercial representation, the special rules provided for in Articles from 2.152 to 2.168 of this Code shall apply.

4. Upon the termination of a contract of mandate, the mandatary shall be obliged to submit an account to the mandator and return everything he has received in the performance of his duties, also to perform all the actions which are a necessary consequence of his activity in order to avoid occurrence of damages to the mandator.

Article 6.765. Duties of the heirs of a mandatary and a liquidator

1. In the event of death of a mandatary, his heirs shall be obliged to notify the mandator about the termination of the contract and take the measures necessary in order to protect the property or documents of the mandator with subsequent transference of such property and documents to the mandator.

2. The same duties as indicated in the preceding Paragraph shall rest upon the liquidator of a legal person which is an mandatary.

3. Provisions established in Paragraphs 1 and 2 of this Article shall also apply in respect of the guardian of a mandatary acknowledged incapable, or in respect of the administrator of a mandatary against whom bankruptcy proceedings have been started.

CHAPTER XXXVII

FRANCHISE

Article 6.766. Concept of a contract of franchise

1. Under a contract of franchise, one party (franchiser) shall take an obligation to grant to the other party (franchisee) for remuneration for a certain period or without specifying the period the right to use in the business activity of the franchisee a complex of exclusive rights which belong to the franchiser (right to the firm name, right to the trade or service mark, right to protected commercial (industrial) information, etc.), while the other party shall be obliged to pay for that the remuneration determined in the contract.

2. A contract of franchise shall provide for the use of a complex of exclusive rights, business reputation and commercial experience of the franchiser to a determined extent (by establishing the minimum and maximum amount of use, or any other form). A contract of franchise may also determine the territory of use applicable to such exclusive rights, business reputation or commercial experience, or the commercial activity within which that will be used (sale of goods, rendering of services, etc.).

3. Only enterprises (entrepreneurs) may be parties to a contract of franchise.

Article 6.767. Form of a contract of franchise

1. A contract of franchise must be concluded in written form. The failure to comply with the requirement of the written form shall render a contract of franchise null and void.

2. A contract of franchise may be invoked against third persons only if the fact of forming a contract of franchise is registered in the Register of Enterprises in which the franchiser was registered.

If the franchiser was registered in a foreign state, the fact of forming a contract of franchise must be registered in the same register of legal persons where the franchiser was registered.

3. Where the subject matter of a contract of franchise is an object protected in accordance with patent legislation, the fact of forming a contract of franchise must be registered in accordance with the procedure established by laws in the relevant institution effectuating registration of objects of industrial property rights and the rights thereto.

Article 6.768. Contract of sub-franchise

1. A contract of franchise may provide for the right of the franchisee to permit other persons to use the complex of exclusive rights granted to him, or a part of this complex on conditions of sub-franchise. The conditions of the contract of sub-franchise shall have to be indicated in advance in the contract of franchise or agreed later with the franchiser. A contract of franchise may also establish a duty of the franchisee after the contract has been concluded to grant other persons the right to use within a determined period the said rights on conditions of sub-franchise.

2. A contract of sub-franchise may not be concluded for a longer period than the contract of franchise.

3. If a contract of franchise is null and void, a contract of sub-franchise concluded on the basis thereof shall also be null and void.

4. In the event of the dissolution of a fixed-term contract of franchise before the time, the rights and duties of the sub-franchisee under the contract of sub-franchise shall pass to the franchiser if he agrees to accept the rights and duties under the contract of sub-franchise, except in cases when it is otherwise provided for by the contract of franchise. The same rules shall also apply in the event of the dissolution of a contract of franchise of indeterminate term.

5. Unless otherwise provided for by the contract of franchise, the franchisee shall bear subsidiary liability towards the franchiser for the actions committed by the sub-franchisees.

6. The provisions of this Chapter shall be applicable in respect of a contract of sub-franchise unless it arises otherwise from the peculiarities of the sub-franchise.

Article 6.769. Remuneration under a contract of franchise

1. The franchisee shall be obliged to pay to the franchiser the remuneration determined in the contract of franchise.

2. Remuneration may be determined in the form of a fixed lump-sum and/or payable in instalments, deductions being made from the receipts of the franchisee or calculated in any other way specified in the contract.

Article 6.770. Duties of the franchiser

1. The franchiser shall be obliged to:

1) transfer to the franchisee technical and commercial documentation and submit other information necessary to the franchisee in order to implement the rights granted to him under the contract of franchise, likewise train the franchisee and his employees with regard to the questions related with the implementation of the transferred rights;

2) issue to the franchisee licences provided for by the contract and ensure their formalisation in accordance with the established procedure.

2. Unless otherwise provided for by the contract of franchise, the franchiser shall be obliged to:

1) ensure the registration of the contract of franchise;

2) render to the franchisee permanent technical and consultative assistance and assistance in training of the franchisee's employees;

3) execute control of the quality of goods produced by the franchisee, work performed or services rendered by him under the contract of franchise.

Article 6.771. Duties of the franchisee

Taking into account the character and peculiarities of the activity performed, as well as the conditions of the contract of franchise, the franchisee shall be obliged to:

1) in the manner specified in the contract of franchise, use in his activity the firm name, trade and service mark of the franchiser;

2) ensure the quality of the goods produced, work performed or services rendered under the contract of franchise;

3) comply with the directions and instructions of the franchiser in respect of the use of the rights, external and internal designing of the business premises of franchisee, as well as to any other conditions of activity specified in the contract of franchise;

4) render to purchasers (customers) any additional services which they could reasonably expect in acquiring (ordering) goods (work, services) directly from the franchiser;

5) not divulge to other persons any commercial (industrial) secrets or any other confidential information received from the franchiser;

6) conclude a contract of sub-franchise in the event of such duty thereof being provided for in the contract of franchise;

7) inform purchasers (customers) by the most obvious means for them that the franchisee is acting under a contract of franchise and is using the firm name, trade and service mark of the franchiser or any other symbols of individualisation thereof.

Article 6.772. Limitation of rights of the parties

1. Parties to a contract of franchise may provide for only such conditions for limiting competition which are not prohibited by the competition law.

2. In the event where the requirement set forth in the preceding Paragraph is satisfied, the contract of franchise may establish the following limitations of the rights of the parties:

1) obligation of the franchiser not to grant to other persons analogous complexes of exclusive rights for the use thereof on the territory consolidated for the franchisee, or refrain from own analogous activity on the same territory;

2) obligation of the franchisee not to compete with the franchiser on the territory specified in the contract in the business activity carried out by the franchisee with the use of the exclusive rights granted to him;

3) prohibition to the franchisee to receive under a contract of franchise analogous exclusive rights from competitors (potential competitors) of the franchiser;

4) obligation of the franchisee to agree with the franchiser the location of the business premises determined in the contract, as well as the external and internal designing thereof.

3. Conditions of a contract of franchise limiting the rights of the parties thereto may be acknowledged null and void upon the grounds and in accordance with the procedure established by the law regulating competition if these conditions limit competition.

4. Conditions of a contract of franchise prohibited by the Competition law shall be invalid, in particular such conditions by virtue of which:

1) the franchiser shall have the right to determine the prices, or their lower limit, of the goods produced or work fulfilled, or services rendered by the franchisee;

2) the franchisee shall have the right to sell goods, fulfil work or render services exclusively to a certain category of purchasers (customers) or exclusively to purchasers (customers) residing on the territory determined in the contract of franchise.

Article 6.773. Liability of the franchiser in relation to claims brought to the franchisee

1. The franchiser shall be subsidiary liable for claims brought to the franchisee concerning the failure of the goods (work, services) sold by the franchisee under the contract of franchise to conform to quality.

2. With regard to claims brought to the franchisee as the manufacturer of the goods (products), the franchiser shall be solidarily liable with the franchisee.

Article 6.774. Right of a franchisee to conclude a contract of franchise for a new term

1. The franchisee who has duly performed his duties under a contract of franchise shall have the right upon the expiry of the term of the contract of franchise to conclude a new contract for a new term on the same conditions.

2. The franchiser shall have the right to refuse formation of a contract of franchise for a new term on condition that within three years from the date of expiry of the contract term he shall not conclude an analogous contract of franchise with other persons which would extend over the same territory on which the terminated contract operated. If before the expiry of the three-year time limit the franchiser wishes to grant the same exclusive rights to other persons, he shall be obliged to propose formation of a new contract to the franchisee or compensate the damages incurred by him. When concluding a new contract, the conditions thereof may not be more onerous for the franchisee than the conditions of the previous contract.

Article 6.775. Change of the conditions of a contract of franchise

A contract of franchise may be modified by the agreement of the parties upon general grounds. The fact of amendment of the contract may be invoked against third persons only if this fact has been registered in accordance with the procedure established in Paragraph 2 of Article 6.767 of this Code.

Article 6.776. Termination of a contract of franchise

1. Each party to a contract of franchise concluded for indeterminate term shall have the right at any time to repudiate the contract having notified the other party thereof six months in advance unless a more extended period has been established in the contract.

2. The dissolution of a contract of franchise shall be subject to registration in accordance with the procedure established in Paragraph 2 of Article 6.767 of this Code.

3. In the event where the franchiser is deprived of the right to the firm name or a trade (service) mark without a replacement thereof by a new analogous right, the contract of franchise shall terminate.

4. In the event of bankruptcy proceedings being started against the franchiser or the franchisee, the contract of franchise shall terminate.

Article 6.777. Substitution of parties

1. If one or more of the exclusive rights which are the subject matter of a contract of franchise pass to another person, the contract of franchise shall remain valid. The new franchisee shall become a party to the contract of franchise in that part of the rights and duties which is related to the exclusive rights transferred thereto.

2. In the event of the death of the franchiser or the franchisee, their rights and duties under the contract of franchise shall pass to the heir on condition that he is an entrepreneur and continues the business or starts the business within six months from the date of opening the inheritance. Otherwise, the contract of franchise shall terminate. The effectuation of the rights and performance of the duties of the deceased under the contract of franchise before the acceptance of these rights and duties by the heir shall be executed by the property administrator appointed by the court.

Article 6.778. Effects of change of the firm name and trade (service) mark of the franchiser

In the event of a change of the franchiser's firm name or trade (service) mark which are the subject matter of the contract of franchise, the contract of franchise shall be valid in respect to the new firm name or trade (service) mark unless the franchisee demands termination of the contract and compensation of damages. In the event of the continuation of the validity of the contract, the franchisee shall have the right to require commensurate reduction of the remuneration unless otherwise provided for in the contract.

Article 6.779. Effects of the termination of exclusive right

1. In the event of the expiry of the time-limit of operation of the exclusive right which is subject matter of a contract of franchise, or this right has terminated upon any other grounds, the contract of franchise shall continue to be valid, except for the conditions relating to the terminated right, while the franchisee shall have the right unless otherwise provided for in the contract, to require commensurate reduction of the remuneration due to the franchiser.

2. In the event of termination of any of the exclusive rights, the fact of concluding a contract of franchise shall be subject to re-registration unless the franchiser demands termination of the contract and compensation of damages.

CHAPTER XXXVIII

COMMISSION

Article 6.780. Concept of a contract of commission

1. Under a contract of commission, one party (commission agent) shall be obliged to conclude upon mandate of another party (committent) for remuneration one or several transactions in his own name but at the expense of the committent.

2. A commission agent shall acquire the rights and duties in respect of the transaction concluded by the commission agent with a third person, even though the committent was also named

to the third person or entered into direct relations with the third person in regard to the performance of the transaction.

3. A contract of commission may be concluded for a fixed or indeterminate term.

4. A contract of commission may be concluded with or without specifying the territory of the performance thereof, likewise with or without a duty of the committent not to grant to third persons the right to conclude a contract in his interests and at his expense, the conclusion of which has been entrusted to the commission agent.

5. A contract of commission may or may not specify the things that are the subject matter of the contract.

6. The peculiarities of separate types of a contract of commission may be determined by laws.

7. In the instances where parties to a contract of commission are enterprises (entrepreneurs), the contract of commission may only provide for such conditions to limit competition which are not prohibited by the Competition law.

Article 6.781. Remuneration for commission

1. The committent shall be obliged to pay remuneration to the commission agent. In the event where the commission agent acted as surety for the performance of the transaction by a third person, also to pay additional remuneration to the commission agent in the amount established in the contract. If the amount of the remuneration for commission or the additional remuneration is not established in the contract, it shall be determined in accordance with the provisions of Article 6.198 of this Code.

2. In the event of failure to perform a contract of commission due to reasons responsibility for which falls upon the committent, the commission agent shall retain his right to remuneration for the commission as well as compensation for the expenses incurred.

Article 6.782. Performance of a contract of commission

1. A commission agent shall be obliged to perform the commission mandate assumed on the conditions most advantageous to the committent in accordance with the instructions of the committent, and in the absence of such instructions, in accordance with the usages of business practices and requirements.

2. In the instances where the commission agent concluded a transaction on conditions more advantageous than those specified by the committent, the additional advantage derived from the transaction shall be enjoyed by the commission agent unless otherwise provided for by the contract.

Article 6.783. Liability for failure to perform transaction

1. The commission agent shall not be liable towards the committent for the failure of a third person to perform a transaction concluded with him at the expense of the committent, except in cases when the commission agent acted as surety for the performance of the transaction by the third person, or failed to display the necessary caution in the selection of the third person as a party to the transaction.

2. In the event of the failure of a third person to perform a transaction concluded with the commission agent, the latter shall be obliged to immediately inform the committent thereof, collect the necessary evidence, and at the demand of the committent assign the right of claim to him in respect of that transaction.

3. In the instances provided for in Paragraph 2 of this Article, the commission agent may assign the right of claim to the committent irrespective of any prohibition or limitation of such assignment in the transaction between the commission agent and the third person. Nevertheless, assignment of the right of claim in such cases shall not relieve the commission agent from liability against the third person for the violation of the agreement prohibiting or limiting the assignment of the right of claim.

Article 6.784. Sub-commission

1. Unless otherwise provided for by the contract of commission, the commission agent shall have the right for the purpose of performing the contract of commission, to conclude a contract of sub-commission with another person. Nevertheless, even in such instances the commission agent shall remain liable towards the committent for the actions of the sub-commission agent.

2. Under a contract of sub-commission, the commission agent shall acquire the rights and duties of a committent with respect to the sub-commission agent.

3. Upon the termination of a contract of sub-commission, the committent shall have no right without the consent of the commission agent to enter into direct relations with the sub-commission agent unless otherwise provided for by the contract.

Article 6.785. Deviation from the instructions of the committent

1. The commission agent shall have the right to deviate from the instructions of the committent in the circumstances where this is necessary for the interests of the committent, and where the commission agent could not acquire in advance the approval of the committent, or did not receive any reply within a reasonable time after his enquiry was sent. In this event, the commission agent shall be obliged to inform the committent about the deviations as soon as it becomes possible.

2. In the instances where the commission agent operates as an enterprise (entrepreneur), the committent may grant the commission agent with the right to deviate from his instructions without a preliminary enquiry. In this event, the commission agent shall be obliged within a reasonable period to inform the committent about the deviations unless otherwise provided for by the contract.

3. A commission agent who has sold a thing at a price lower than agreed with the committent shall be obliged to compensate to the latter for the difference in prices unless he proves that he had no possibility to sell the thing at the agreed price and the sale at a lower price enabled the committent to avoid even greater losses. In the instances where the commission agent was obliged to acquire the committent's permission in advance to sell a thing at a lower price, he shall also be obliged to prove that he had no possibility to acquire such permission.

4. If a commission agent has purchased a thing at a higher price than agreed with the committent, the latter, not wishing to accept such purchase, shall be obliged to notify about this the commission agent within a reasonable time upon receipt of the notice about the conclusion of a transaction with a third person. Otherwise, it shall be deemed that the committent has accepted the performance of the obligation. If the commission agent informs that he accepts the difference in prices at his own expense, the committent shall have no right to repudiate the concluded contract.

Article 6.786. Right of ownership of the committent

1. Things received by the commission agent from the committent or acquired at the expense of the latter shall be the ownership of the committent from the moment of the transfer.

2. The commission agent shall have the right of retention in respect of the things which are situated with him and which are subject to transfer to the committent or to the person indicated by the latter if the committent fails to perform his obligations in respect of the commission agent.

3. In the event where the committent is declared insolvent (bankruptcy proceedings have been started against him), the commission agent shall lose the right of retention and acquire the right of pledge in respect of the thing concerned, while his claims for the amount of the thing retained shall be satisfied together with the claims secured by the pledge.

Article 6.787. Satisfaction of claims of the commission agent from the amounts due to the committent

A commission agent shall have the right in accordance with the contract of commission to deduct the amounts due to him from all the amounts received by him on the account of the committent. Nevertheless, the creditors of the committent who enjoy preference with respect to priority of satisfaction of their claims to the commission agent shall not be deprived of their right to satisfy their claims from the amounts deducted by the commission agent.

Article 6.788. Liability of the commission agent for the loss, shortage or damaging of a thing belonging to the committent

1. The commission agent shall be liable towards the committent for the loss, shortage or damaging of a thing belonging to the committent and situated with him unless he proves that this happened not through his fault.

2. If the commission agent, in accepting a thing transferred by the committent or received by the commission agent for the committent, notices damage or shortage thereof which is evident from external inspection, likewise if damage has been caused by somebody to the committent's thing situated with the commission agent, the commission agent shall be obliged to take measures to protect the rights of the committent, gather the necessary evidence and immediately notify the committent.

3. A commission agent who has not insured a thing of the committent situated with him, shall be liable towards the committent exclusively in the cases where the latter has obligated him to insure the property at the expense of the committent, or if the commission agent was obliged to insure the thing pursuant to the contract of commission or the law.

Article 6.789. Report of a commission agent

1. Upon the performance of the commission, the commission agent shall be obliged to submit a report to the committent and transfer to him everything he received under the commission, likewise to transfer upon the demand of the committent all the rights acquired by the committent in respect of a third person arising from the transaction concluded by the commission agent.

2. In the instances where the committent has objections with regard to the report, he must inform the commission agent accordingly within three months from the date of receipt of the report. Otherwise, the report shall be considered to be accepted unless there is another agreement.

Article 6.790. Duty of the committent to accept performance of commission

The committent shall be obliged to:

1) accept from the commission agent everything received under the commission;

2) inspect the thing acquired for him by the commission agent and notify the latter without delay about any defects discovered in the thing;

3) relieve the commission agent from the commitments assumed by him to a third person in the performance of the commission.

Article 6.791. Compensation of expenses incurred in the performance of a contract of commission

1. The committent shall be obliged, in addition to the commission payment and in relevant instances, also additional payment for the suretyship assumed (*del credere)*, to compensate the commission agent for the necessary expenses incurred by him in the performance of the commission unless otherwise provided for by the agreement between the parties.

2. The commission agent shall have no right to demand compensation for the deposit of a thing of the committent situated with him unless otherwise provided for by the law or the contract.

Article 6.792. Termination of a contract of commission

1. A contract of commission shall terminate as a consequence of:

1) refusal of the committent to perform the contract of commission;

2) refusal of the commission agent to perform the contract of commission in the cases provided for by the law or contract;

3) death of the commission agent, acknowledgement thereof to be incapable, of limited capacity or to be missing, liquidation thereof or declared insolvent (initiation of bankruptcy proceedings).

2. In the event where bankruptcy proceedings are initiated against the commission agent, all the rights and duties with regard to a transaction concluded by him under the instructions of the committent, shall pass to the committent**.**

Article 6.793. Revocation of commission

1. The committent shall have the right at any time to refuse performance of the contract of commission by revoking the commission given to the commission agent. In this event, the commission agent shall have the right to demand compensation for the expenses caused by the revocation of the commission.

2. In the instances where the contract of commission was concluded for an indeterminate term, the committent must inform the commission agent about the termination not later than thirty days in advance unless the contract of commission provides for a more extended period. In such cases, the committent shall be obliged to remunerate the commission agent for the transactions concluded by him before the revocation of the commission and compensate the commission agent for the damages suffered.

3. Having revoked the commission, the committent shall be obliged within the period established in the contract, or immediately if such period has not been established, instruct the commission agent of how to dispose of the committent’s thing situated with him. In the event of the committent failing to perform this duty, the commission agent shall have the right to hand over the thing for deposit at the expense of the committent or sell it at a most advantageous price for the committent.

Article 6.794. Refusal of the commission agent to perform commission

1. Unless otherwise provided for by the contract, the commission agent shall have no right to refuse performance of the commission assumed, except in cases where the refusal is caused by the impossibility to perform the commission or the committent has violated the contract of commission.

2. In the instances where the commission agent has the right to refuse commission, he shall be obliged to inform the committent in writing about his refusal. The contract of commission shall continue to be valid for two weeks from the date when the committent received the notification of the commission agent about the refusal of the commission.

3. In the instances where the commission agent refuses performance of the commission assumed on the grounds that the committent has violated the contract of commission, he shall have the right to compensation of the expenses incurred and the remuneration for the commission.

4. Having refused performance of the contract, the commission agent shall be obliged to take measures necessary for the protection of the committent's thing.

Article 6.795. Instructions in respect of property in the event of refusal by the commission agent to perform commission or upon revocation of the commission by the committent

1. The committent, having received the notification of the commission agent about the latter's refusal to perform commission, shall be obliged within one month from the date of receipt of the notification to issue instructions concerning his property situated with the commission agent.

2. If the committent fails to issue instruction in regard of his thing situated with the commission agent within the established period, the commission agent shall have the right to hand over the thing for deposit at the expense of the committent or, with the purpose to satisfy his claims related with the committent, to sell this thing at a most advantageous price for the committent.

CHAPTER XXXIX

DISTRIBUTION

Article 6.796. Concept of a contract of distribution

1. Under a contract of distribution, one party – distributor – shall take an obligation within a fixed period or with no term being determined, to purchase in his name and at his expense from the other party – producer (supplier) – goods (services) and sell them to the final consumer or to other distributors, as well as to perform other work related with the reselling of goods (services) while the producer (supplier) shall undertake the obligation to sell goods (services) to the distributor, as well as to perform other work related with the distribution of goods (services).

2. Only enterprises (entrepreneurs) may be parties to a contract of distribution.

Article 6.797. Duration of a contract of distribution

A contract of distribution may be concluded for a fixed or an indeterminate term.

Article 6.798. Form of a contract of distribution

A contract of distribution must be concluded in written form. Failure to comply with this requirement shall render the contract null and void.

Article 6.799. Distributor

A distributor is an independent enterprise (entrepreneur) which purchases in its/his name and at its/his expense goods from a producer or other distributor and sells them to the final consumer or other distributors.

Article 6.800. Types of contract of distribution

1. Contracts of distribution may be exclusive and selective.

2. Under an exclusive contract, the producer (supplier) shall take an obligation to sell the goods indicated in the contract as intended for resale only to one distributor in a concrete territory exclusively attributed to the distributor, or to a concrete group of consumers exclusively attributed to the distributor.

3. Under a contract of selective distribution, the producer (supplier) shall take an obligation to sell the goods intended for resale only to certain distributors who conform to the technical, qualification or any other criteria determined by the producer (supplier).

Article 6.801. Limitation of rights of the parties

1. Parties to a contract of distribution may provide for only such conditions for limiting competition which are not prohibited by the Competition law. Supervision of such conditions shall be executed by a relevant authority pursuant to the procedure established by laws. The Competition law may establish additional requirements for the validity of such conditions (registration, etc.).

2. In the instances where all the conditions established in the preceding Paragraph are complied with, the parties shall be able to determine in an exclusive contract of distribution:

1) a condition preventing the distributor from producing or distributing goods that compete with the goods indicated in the contract;

2) a condition obligating the distributor to buy the goods indicated in the contract only from the producer (supplier);

3) a condition preventing the distributor from searching for customers and establishing branches and representative offices in any other territory than indicated in the contract.

3. The parties shall have no right to determine in the contract of distribution the price of resale of the goods, or any other exclusive conditions contrary to the requirements of the Competition law.

Article 6.802. Rights and duties of a distributor

1. The parties may establish in the contract that the distributor who duly performs the contract shall be entitled to additional remuneration for the additional services supplied or the work performed in the interests of the producer (supplier).

2. The parties may also establish the maximum level of the distributor’s profit derived from the resale of the goods unless otherwise provided for by the Competition law.

3. Unless otherwise provided for by the contract and the Competition law, the distributor shall be obliged to:

1) sell the goods only in the territory or to persons indicated in the contract;

2) ensure effective distribution of goods;

3) organise the advertising and advertising campaigns for the goods of the producer (supplier);

4) ensure adequate qualification of his employees and their training;

5) ensure adequate preservation and warehousing of goods, continuous replenishing of the stocks, establish and maintain a network of trade warehouses;

6) sell the goods under the trade mark of the producer (supplier) or in the special packing or marking of the producer (supplier);

7) avoid establishing branches and representative offices in any other territory than determined in the contract;

8) buy the goods in certain batches or a certain minimum amount within the period established in the contract;

9) sell the goods within a certain period established in the contract;

10) provide technical service to the goods after their sale or provide the buyers of those goods with any other guarantee or servicing;

11) furnish the producer (supplier) with information about the market conditions, its changes and carry out market research;

12) avoid producing goods which compete with the goods established in the contract;

13) avoid revealing commercial secrets or any other confidential information of the producer (supplier);

14) upon the termination of the contract, return to the producer (supplier) all the documents, materials, trade samples, etc. received from him.

Article 6.803. Rights and duties of the producer (supplier)

1. The producer (supplier) shall have the right to control the warehouses and any other premises of the distributor where the goods bought from the producer (supplier) are kept or sold, as well as control the compliance with other conditions of the contract;

2. Unless otherwise provided for by the contract, the producer (supplier) shall be obliged to:

1) sell the goods of proper quality and guarantee their quality, sell the goods within the time periods and amounts established in the contract;

2) sell the goods agreed upon only to the distributor and avoid selling goods directly to the consumer;

3) train the employees of the distributor;

4) supply the distributor with advertising material;

5) pay the distributor remuneration established in the contract for additional services supplied by the distributor.

Article 6.804. Dissolution of a contract of distribution

1. Each party to an indeterminate contract shall have the right at any time to terminate it having notified the other party thereof not later than three months in advance before the intended termination of the contract unless a more extended period for notice has been established in the contract.

2. Upon termination of a fixed-term contract before its expiry, the distributor shall have the right to demand remuneration of the income he did not receive for the remaining period of the validity of the contract in the event where the contract was dissolved due to the fault of the producer (supplier).

In the instances where the contract is dissolved due to the fault of the producer (supplier), the distributor shall also have the right to demand remuneration for additional services unless otherwise provided for by the contract.

3. In the instances where the contract is dissolved due to the fault of the distributor, the producer (supplier) shall have the right to claim compensation of damages unless otherwise provided for by the contract.

Article 6.805. Renewal of a contract

In the instances where after the expiry of a fixed-term contract of distribution the parties continue performance thereof, the contract shall be deemed renewed under the same conditions for the same period of operation.

Article 6.806. Liability of parties to a contract of distribution towards third persons

1. For the damage inflicted to third persons the distributor and producer (supplier) shall be liable upon general grounds.

2. For the damage caused to the consumer by goods or services of inferior quality, liability of the distributor and producer (supplier) shall arise in accordance with the rules established in Articles from 6.292 to 6.300 of this Code.

3. Clauses of the contract of distribution by which the producer (supplier) is relieved from liability for damage caused to consumers by goods produced (services supplied) shall be null and void.

CHAPTER XL

CARRIAGE

Article 6.807. General provisions of carriage

1. The carriage of goods, passengers and luggage is subject to the contract of carriage.

2. Carriage conditions shall be laid down by this Code, codes of individual modes of transport, other laws, international agreements to which the Republic of Lithuania is a party as well as other transport legislation.

Article 6.808. Contract for the carriage of goods

1. The contract for the carriage of goods is a contract whereby the carrier undertakes to carry the goods handed over to him by the consignor to the point of destination and to hand them over to the person entitled to receive such goods (the receiver), while the consignor (the receiver) undertakes to pay a specific charge for the carriage of the goods.

2. The contract of carriage shall be confirmed by the making out of a bill of lading or another appropriate document.

Article 6.809. Contract for the carriage of passengers

1. The contract for the carriage of passengers is a contract whereby the carrier undertakes to carry the passengers to the point of destination and, where passengers hand over their luggage to him, − to carry the luggage to the point of destination and hand it over to the person entitled to receive such

luggage; the passengers undertake to pay a specific charge for the carriage and, where appropriate, for the carriage of their luggage.

2. The contract for the carriage of passengers shall be confirmed by the making out of a ticket; the handing over of luggage shall be confirmed by a luggage ticket or any other document provided for by transport legislation.

Article 6.810. Charter-party

1. A charter-party (charter) is a contract whereby one party (the owner) undertakes to provide to the other party (the charterer), in return for consideration, a means of transport (means of transport) or some part thereof for the carriage of goods, passengers or luggage.

2. The procedure and conditions for the conclusion of a charter-party shall be laid down by codes of individual modes of transport and other laws.

Article 6.811. Direct combined transport

1. Relationships between transport undertakings in relation to the carriage of goods, passengers or luggage by different modes of transport under a single document of carriage (direct combined transport) as well as organisation of such transport operations shall be regulated by agreements concluded between appropriate transport organisations.

2. Where one carrier entrusts another carrier with the performance of all or part of his obligations, the latter shall be also deemed to be party to the contract of carriage. The consignor (the receiver) shall be deemed to have discharged his obligations by payment to one of the carriers.

Article 6.812. Public transport services

1. A legal person (an entrepreneur) engaged in the provision of transport services shall be deemed to be providing public transport services if, subject to the law or an authorisation (a licence), he is obliged to provide regular scheduled freight or passenger services at the request of any individual.

2. The contract for the provision of public transport services shall be a public contract.

3. Public transport undertakings must provide transport services to any individual with the exception of cases provided for by the law when they are entitled to refuse to enter into contracts of carriage.

4. Passengers, as well as consignors and receivers of goods must conform with the rules governing the activities of public transport undertakings.

Article 6.813. Carriage charges

1. The carriage of goods, passengers and luggage shall be subject to a charge to be determined by mutual agreement of the parties, unless otherwise provided for by the law.

2. The charge for the carriage of goods, passengers and luggage by public transport shall be established on the basis of tariffs adopted subject to the procedure laid down by laws.

3. Any operations or services provided for by the carrier at the request of the consignor of goods shall be remunerated by mutual agreement of the parties, unless such operations and services are subject to established tariffs.

4. The carrier shall be entitled to retain goods and luggage entrusted with him until carriage charges and other amounts due to him have been paid, unless otherwise provided for by the law or the contract of carriage.

5. If, in cases provided for by the law, charges for the carriage of certain categories of passengers, goods or luggage are subject to preferential arrangements, the carriers shall be compensated the costs incurred by them to this effect in accordance with the procedure established by laws.

Article 6.814. Provision of means of transport

1. Means of transport to be provided by the carrier to the consignor must be in appropriate order and provided within the time limits stipulated in the consignor's order, the contract of carriage or the contract for the organisation of carriage.

2. The consignor shall be entitled to refuse the means of transport provided to him if they are not suitable for the carriage of certain goods**.**

Article 6.815. Loading (unloading) of goods

1. Loading (unloading) operations shall be undertaken by the carrier or the consignor (the receiver) subject to the procedure provided for by the contract of carriage and in accordance with the rules established in the codes of appropriate modes of transport or other legal acts.

2. Where the consignor (the receiver) is in charge of loading (unloading) operations by his own efforts and means, he must do this within the time limit prescribed by the contract of carriage, the law or other legal acts.

Article 6.816. Time limits for the delivery of goods, passengers and luggage

The carrier must deliver goods, passengers or luggage to the point of destination within the time limits prescribed by the contract, the law or other legal acts, and where such time limits are not prescribed – within reasonable time limits.

Article 6.817. Liability for the breach of the contract of carriage

1. The parties shall be liable for the failure to carry out or inadequate carrying out of the contract of carriage subject to the grounds and procedures laid down in the contract of carriage, this Code, as well as in the codes of individual modes of transport and other laws.

3. The terms of the contract of carriage that exclude or limit the carrier's civil liability shall be null and void save to the exceptions laid down by the law.

Article 6.818. Liability for the failure to provide or to use the means of transport

1. The carrier shall be liable for the failure to provide the means of transport and the consignor shall be liable for the failure to supply the goods or the failure to use the means of transport provided to him subject to the grounds and procedures laid down by the contract of carriage or laws.

2. The carrier and the consignor shall be exempt from the liability for the failure to provide the means of transport or the failure to use them if this is due to:

1) *force majeure*;

2) termination or restriction of the carriage of goods on certain routes subject to procedures laid down by transport legislation;

3) other cases provided for by the codes of individual modes of transport or other laws.

Article 6.819. The carrier's liability for the delay of the means of transport

1. Where a means of transport used for the carriage of passengers fails to commence its journey on the specified time or where it is delayed and does not reach the point of destination on the specified time (with the exception of means of transport engaged in urban and suburban services), the carrier shall pay to the passenger a penalty laid down by transport legislation, unless the carrier proves that this was due to cases of *force majeure*, an attempt to eliminate a breakdown of the means of transport which posed a risk to the health or lives of passengers or due to other circumstances beyond the carrier's control.

2. Where due to the delay of the means of transport the passenger refuses to be bound by the contract of carriage, the carrier must reimburse the passenger for the carriage charge that the latter has paid.

Article 6.820. The carrier's liability for the failure to preserve the goods or luggage

1. The carrier shall be liable for the failure to preserve (loss, shortage, damage) the goods or luggage from the time he accepts the goods or luggage until the delivery thereof to the consignee or any other authorised person, unless the carrier proves that the total or partial loss or damaged of the goods or luggage was due to circumstances that the carrier could not avoid and the elimination of which was beyond the carrier's control.

2. The extent of the carrier's liability for the damage caused due to the loss, shortage or damage of the goods or luggage shall be laid down by the contract of carriage or the law.

3. In addition, where the carrier fails to preserve the goods or luggage and where the carriage charges are not included into the value of the goods or luggage, the carrier must reimburse the consignor (the receiver) for the carriage charges paid by the latter for the carriage of goods or luggage.

4. The documents made out unilaterally by the carrier with regard to the reasons of the failure to preserve the goods or luggage or the damage thereof can be litigated in the court of law and must be assessed by the court together with other evidence adduced in the case and validating the grounds for the carrier's liability.

Article 6.821. Presentation of claims to the carrier

The codes of individual modes of transport or other laws may lay down obligatory presentation of claims to the carrier before addressing the court of law.

Article 6.822. Contracts for the organisation of carriage

1. In cases where goods are carried continuously and there is a need for setting time limits and procedures for the provision of means of transport and goods, the carrier and the consignor shall enter into a long-term contract for the organisation of carriage.

2. A contract for the organisation of carriage is a contract whereby the carrier undertakes to accept at the time specified in the contract and the consignor undertakes to supply for carriage the goods of the amount specified in the contract. The contract for the organisation of carriage shall lay down the scope of means of transport and the goods, time limits, payment procedures and other conditions.

Article 6.823. The carrier's liability for the death or injury of the passenger

The carrier's liability for the death or injury of the passenger shall be determined pursuant to the rules set out in Chapter XXII, Section Three (articles 6.263–6.291) of this Code, unless the law or the contract of carriage provides for a broader extent of the carrier's civil liability.

CHAPTER XLI

FREIGHT FORWARDING

Article 6.824. Concept of freight forwarding and the contract of freight forwarding

1. Freight forwarding shall mean the organisation of the carriage of goods and operations related thereto provided for in the contract of freight forwarding.

2. A freight forwarder shall mean a legal person (an entrepreneur) who has concluded a contract of freight forwarding with the customer whereby he has undertaken to transport at the expense of the customer (the customer's client) and on the customer's or his own behalf the customer's goods as well as to perform any other operations related thereto.

3. The contract of freight forwarding is a contract whereby one party (the freight forwarder) undertakes for reward and at the expense of another party, the customer (the customer's client), to provide or organise services provided for in the contract and related to the carriage of goods.

4. A contract of freight forwarding shall be deemed concluded from the moment when the freight forwarder acknowledges the receipt of an order.

5. The contract of freight forwarding may provide for the freight forwarder's duty to organise the carriage of goods by the means of transport and the route of the freight forwarder's or the client's choice, the freight forwarder's duty to conclude contracts of carriage or any other contracts on his own or the client's behalf, to ensure the dispatch, loading or unloading of goods, as well as for any other duties related to the carriage of goods.

6. The contract of freight forwarding may provide for such additional services to be provided by the freight forwarder as obtaining from appropriate bodies documents necessary for the export or import of goods, carrying out customs or other formalities, inspecting the quantity and condition of goods, loading or unloading of goods, paying fees, charges and other amounts to be paid by the customer (the customer's client), keeping and storing of goods, as well as providing other services.

7. The rules under this Chapter shall also apply in cases where subject to the contract the freight forwarder's duties are undertaken by the carrier.

8. The contract of freight forwarding can be either fixed-term or open-ended.

Article 6.825. Form of the contract of freight forwarding

1. The contract of freight forwarding shall be concluded in writing or by way of placing an order by any appropriate means of communication.

2. A bill of lading may also constitute a contract of freight forwarding when completed by the freight forwarder and signed by the customer (the customer's client).

3. Where appropriate, the client shall issue to the freight forwarder an authorisation in order for the latter to be able to carry out his duties.

Article 6.826. Freight forwarder's liability

1. The freight forwarder shall be liable for the failure to perform or improper performance of the contract of freight forwarding subject to the procedure laid down in the contract.

2. Where the freight forwarder proves that the breach of the contract of freight forwarding was due to the failure to perform or improper performance of the contract of carriage, the freight forwarder's liability towards the customer (the customer's client) shall be established pursuant to the same rules as are applied to the appropriate carrier's liability towards the freight forwarder.

Article 6.827. Documents and information to be furnished to the freight forwarder

1. The customer (the customer's client) must furnish the freight forwarder with documents and other information on the properties of goods, carriage conditions as well as any other details that are necessary in order for the freight forwarder to be able to duly fulfil his obligations.

2. The freight forwarder must notify the customer (the customer's client) of any omissions in the information furnished to him and in the case where not all information has been received, he must demand that the client furnishes all the necessary information.

3. Where the customer (the customer's client) fails to furnish the necessary information, the freight forwarder shall have the right to suspend the performance of the contract until such time when the information is supplied.

4. The customer (the customer's client) shall be liable for the damages incurred by the freight forwarder as a result of the failure on the part of the customer (the customer's client) to comply with the duties laid down in this article.

Article 6.828. Invoking a third party for the performance of an obligation

1. The freight forwarder shall have the right to invoke third parties for the performance of his obligations, unless the contract provides for the freight forwarder's obligation to perform the contract individually.

2. Full or partial transfer of the obligation to perform the contract to third parties shall not release the freight forwarder from his obligation towards the customer (the customer's client) with respect to the performance of the contract.

3. Where third parties are invoked by the freight forwarder, in full or in part, for performance of the contract, the freight forwarder shall acquire the rights of the customer (the customer's client) with respect to such third parties.

Article 6.829. Unilateral termination of the contract

1. Each party shall have the right to unilaterally terminate the open-ended contract of freight forwarding by one month's notice to the other party, unless a more extensive period of notice is provided for in the contract.

2. The party which avails itself of the possibility to unilaterally terminate the contract must reimburse the other party the damages incurred by that other party to this effect.

CHAPTER XLII

DEPOSIT

SECTION ONE

GENERAL PROVISIONS

Article 6.830. Concept of Contract of Deposit

1. Under the contract of deposit one party (the depositary) obligates itself/himself to keep in its/his possession movable thing delivered to it/him by the other party (depositor) and to restore it to the depositor after having taken reasonable care thereof, whereas the depositor undertakes to pay a reward, if this is required under the contract.

2. Under agreement between parties, a contract of deposit may be onerous or fratuitous

3. Where the depositary is a legal person (businessman) for whom safekeeping constitutes one of the activities it/he engages in (professional depositary), the contract for deposit or the documents of incorporation of the legal person may provide for the depositary's obligation to accept into possession from the depositor a thing at the date specified in the contract.

4. A contract of deposit shall be deemed concluded from the moment of delivery of the thing to the depositary.

5. The rules laid down in this Section shall be applicable to special types of deposit to the extent it is not established otherwise by the provisions of other sections of this Chapter.

Article 6.831. Form of the Contract of Deposit

1. A contract of deposit concluded by natural persons must be in writing if the value of the thing/things is over LTL 5 000.

2. If the contract of deposit provides for the depositary's obligation to accept the thing into possession for safekeeping in future, the contract must be in writing in all cases.

3. A contract of deposit shall be recognised as having been concluded in writing, if the delivery of a thing to the depositary is certified by:

1) a receipt or any other document issued by the depositary;

2) a token (number) or any other sign.

4. Failure to abide by the ordinary written form shall not deprive the parties of the right to rely on the evidence presented by witnesses in case of a dispute regarding the identity of the thing that has been delivered for safekeeping and restored.

Article 6.832. Obligations and Rights of the Depositary

1. The depositary shall use all available means to ensure the preservation of the thing put in his/its possession.

2. Unless the contract establishes otherwise, the depositary shall have no right to make use of the thing deposited with him/it or to permit the use thereof by other persons.

3. The depositary may not require the depositor to prove that he is the owner of the thing delivered for safekeeping or require such proof of the person to whom the thing is to be restored.

4. The depositary is bound to restore the thing to the depositor on demand, even before the expiry of the period of deposit.

5. The depositary shall have the right to request that the person to whom the thing is returned produce a receipt or any other document evidencing conclusion of the contract of deposit and the person's right to withdraw the thing.

Article 6.833. Performance of the Obligation to Deliver a Thing for Safekeeping

1. Having undertaken to accept a thing for safekeeping, the depositary shall have no right to require the delivery of the thing to him/it for safekeeping. However, the depositor, who fails to deliver the thing for safekeeping within the time period set in the contract, is bound to indemnify the depositary for any loss failure to deliver the property may have caused him/it, unless otherwise established in the contract. The depositor shall be released from the liability if he/it notifies the depositary of its/his refusal to deliver the thing within a reasonable time.

2. Unless otherwise established in the contract, the depositary shall have the right to refuse to accept the thing for safekeeping if it has not been delivered to him/it within the time period set in the contract.

Article 6.834. Period of Deposit

1. The depositary is bound to preserve the thing for the period of deposit set in the contract.

2. Where the period of deposit is not set in the contract and cannot be set under the conditions of the contract, the depositary must preserve the thing until the restoration thereof is demanded by the depositor or any other person entitled to withdraw the thing.

3. Where it is stipulated that the period of deposit expires from the moment the restoration thereof is demanded, the depositary shall be entitled, upon the expiration of the time period of deposit customary under the conditions, to demand that the depositor withdraw the thing within a reasonable time from the receipt of such a notice. In case of failure by the depositor to withdraw the thing the rules set in Article 6.843. of this Code shall be applied.

Article 6.835. Mixture of Things

In the cases specified in the contract of deposit things delivered for safekeeping may be mixed with other things of the same type and quality delivered for deposit by other persons. In such cases the depositor shall be restored the quantity of the things of the same type and quality which is provided for in the contract.

Article 6.836. Conditions of Safekeeping of a Thing

1. The depositary is bound to take care of the thing in accordance with the conditions of safekeeping set in the contract. Where the conditions of safekeeping are not set in the contract or not all conditions are set, the depositary is bound to preserve the thing under such conditions which would ensure maximum protection of the thing.

2. In all cases the depositary is bound to ensure that he/it fulfils the requirements for implementation of safety measures (fire-prevention, sanitary, etc.), laid down in laws and other legal acts.

3. In case of gratuitous deposit the depositary is bound to take as much care of the thing as he would take of his own things.

Article 6.837. Changing the Conditions of Safekeeping

1. If changing the conditions of safekeeping is necessary, the depositary must forthwith notify the depositor thereof and receive his/its instructions. Where changing the conditions of safekeeping is required so as to avoid loss or destruction of the thing, the depositary shall have the right to change the manner, place and other conditions of safekeeping without the depositor's instructions.

2. If a thing is in danger of perishing or if a thing is delivered for safekeeping in a damaged condition, also if there are other circumstances which preclude guaranteeing safety of the thing, whereas the depositor may not be expected to take urgent measures, the depositary shall be entitled to sell the thing or a part thereof at the market price of the locality of deposit.

Article 6.838. Safekeeping of Dangerous Things

1.Flammable, explosive or other hazardous things may be at any time rendered harmless or destroyed by the depositary. The depositor shall not be indemnified for the losses incurred by reason thereof, if the depositor did not notify the depositary of the dangerous qualities of the things when delivering the hazardous things for safekeeping. In such cases the depositor shall be liable for the losses caused to the depositary and third persons due to the safekeeping of such things.

2. Where dangerous things are delivered for safekeeping to a professional depositary, the rules of paragraph 1 above shall be applicable only in the cases where the things were delivered for safekeeping under an incorrect name and at the moment of acceptance thereof the depositary was could not determine the dangerous qualities of the things from their external examination.

3. Where deposit is for reward, in the cases provided for in paragraphs 1 and 2 above the payment made to the depositary shall not be refunded, whereas if no rewards has been paid, the depositary shall be entitled to recover the full amount thereof from the depositor.

4. If the depositary accepts the dangerous things specified in paragraph 1 above for safekeeping knowing of the dangerous qualities thereof, the depositary shall be entitled to render the things harmless or destroy them without indemnifying the depositor for the losses if danger arises to the life or property of the depositary or third persons and the depositor fails to meet the depositary's demand for immediate withdrawal of the things. In such cases the depositor shall not be liable to the depositary and third persons for the losses incurred by them by due to the safekeeping of such things.

Article 6.839. Delivery of Things for Safekeeping to a Third Person

1. Unless the contract of deposit establishes otherwise, the depositary shall have no right to transfer the things for safekeeping to a third person without the depositor's consent, except in cases where the interests of the depositor have to be safeguarded due to the circumstances that have arisen whereas the depositary has no possibilities to obtain the depositor's consent.

2. Having transferred the things for safekeeping to a third persons, the depositary must forthwith notify the depositor thereof.

3. Transfer of the things to a third person for safekeeping shall preserve the validity of the contract of deposit between the depositor and depositary. The depositary shall be liable to the depositor for the actions of the third person.

Article 6.840. Remuneration for Deposit

1.Where the contract of deposit is onerous, the depositor is bound to pay the depositary a remuneration upon the termination of safekeeping. The parties may agree that payment shall be effected in parts at fixed intervals, upon the expiration of the time period set in the contract.

2. Where payment of remuneration at regular intervals has been agreed upon, the depositary's failure to effect payment for more than one period shall entitle the depositary to terminate the contract and to demand from the depositor immediate withdrawal of the thing.

3. If the contract of deposit expires before the date set in the contract due to circumstances which are outside the depositary's remit, he/it shall be entitled to the portion of remuneration corresponding to the duration of safekeeping and, in cases provided for in Article 6.838 (1) of this Code, to the full amount of the remuneration. In case the contract of deposit expires due to the circumstances that are within the depositary's remit, he/it shall have no right to demand payment of remuneration and is bound to refund the depositor the amounts paid.

4. In case of failure by the depositor to withdraw the thing upon the expiration of the period of deposit, he/it is bound to pay an appropriate remuneration for continued safekeeping of the thing. The above rule shall also be applicable where the depositor is bound to withdraw the thing prior to the expiry of the period of the contract of deposit.

5. The depositary shall have the right to retain the thing delivered to him/it for safekeeping until he/it is paid full amount of the remuneration by the depositor.

6. The rules of this Article shall apply unless the contract of deposit establishes otherwise.

Article 6.841. Reimbursement of Expenses related to Safekeeping

1. Unless the contract of deposit establishes otherwise, the depositary's expenses related to the safekeeping of the thing shall be entered in the reward for deposit.

2. If the contract of deposit is gratuitous, the depositor is bound to reimburse the depositary for the necessary expenses related to safekeeping, unless otherwise established by the law or the contract.

Article 6.842. Extraordinary Expenses of Deposit

1. The depositary shall be reimbursed for the expenses of deposit which are in excess of the regular expenses of such type of deposit and which could not have been foreseen by the parties at the moment of conclusion of the contract of deposit (extraordinary expenses), provided that the depositor gave his/its consent to incurring such expenses or subsequently approved such expenses, as well as in other cases provided for in the contract of deposit.

2. Where it is necessary to incur extraordinary expenses, the depositary must notify the depositor thereof and obtain his/its consent. In case of failure by the depositor to give his/its response to the depositary within a reasonable time, consent to incur extraordinary expenses shall be deemed to have been granted.

3. If the depositary incurs extraordinary expenses without the depositor's consent where such consent could have been obtained and the depositor has not approved the expenses, the depositary shall have the right to demand reimbursement for the extraordinary expenses only taking into account the amount of the damage that could have been caused to the thing preserved if the extraordinary expenses had not been incurred.

4. Unless otherwise established in the contract of deposit, reimbursement for the extraordinary expenses shall be paid separately from the reward for deposit.

Article 6.843. Depositor's Obligation to Withdraw the Thing

1. Upon the expiry of the period of the contract of deposit as well as of the period fixed by the depositary for withdrawing the thing, the depositor must forthwith withdraw the thing delivered for safekeeping.

2. In case of failure by the depositor to withdraw the thing, the depositary shall have the right, upon giving the depositor a written notice to the effect, at his/its own discretion sell the thing in his/its custody for the market price of the locality of safekeeping. If the price of the thing kept in custody is over of LTL 2000, the depositary shall have the right to sell it only by auction.

3. The proceeds from sale of the thing shall be transferred to the depositor upon deducting therefrom the amounts due to the depositary.

Article 6.844. Depositary's Obligation to Restore the Thing

1.The depositary is bound to restore to the depositor or any other person authorised by him/it the identical thing that was delivered to the depositary, save for the exceptions provided for in Article 6.835 of this Code.

2. The thing must be restored in the same condition in which it was handed over for safekeeping, having regard to its normal wear and tear, amortisation or change due to its natural qualities.

3. Unless otherwise established by the contract of deposit, together with the thing the depositary is bound to restore to the depositor the fruits and revenues received therefrom in the course of the its safekeeping.

4. The thing shall be restored at the place where it was handed over for safekeeping, unless the contract establishes otherwise. Where the deposit is gratuitous, the cost of restoration of the thing shall be borne by the depositor. Where deposit is onerous, the cost of restitution shall be borne by the depositary.

Article 6.845. Grounds of Depositary's Liability

1. The depositary shall be liable for the loss, shortage or damage of the things delivered to him/it.

2. Where the contract of deposit is onerous, the depositary shall be in any case liable for the loss, shortage or damage of the things delivered to him, unless it was caused by force majeure. Where the contract of deposit is gratuitous, the depositary shall be liable only if he/it is at fault.

3. A professional depositary shall be liable in any case, except where the thing was lost or damaged due to or by force majeure.

4. The depositary shall be liable for the loss, deficiency or damage of the thing after the arising of the depositor's obligation to withdraw the thing only where there has been the depositary's malice or gross negligence.

5. Where the depositary's heir or other legal representative sells in good faith the thing delivered for safekeeping without his knowledge, the heir or other legal representative is bound only to return the price he has received or to assign to the depositor his claim against the purchaser in good faith if the price has not been paid.

Article 6.846. Amount of Depositary's Liability

1. The depositary is bound to compensate the depositor for all damage connected with the loss, deficiency of or damage to the thing.

2. Where the contract of deposit is gratuitous, the depositary shall be liable for:]

1) the loss or shortage of the thing in the amount of the value of the thing or of the missing part thereof;

2) the damage to the thing in the amount of the reduction of the value of the thing.

3. Where due to the damage of the thing the value thereof has been reduced to the extent that it may no longer be used for its previous purpose, the depositor shall have the right to refuse withdrawing the thing and to demand that the depositary compensate for the value of the thing and for all losses, unless otherwise established by the contract.

Article 6.847. Compensation for Damage Inflicted on the Depositary

The depositor is bound to compensate for the damage inflicted on the depositary due to the qualities of the thing kept in custody if the depositary did not and could not know of the qualities when accepting the thing for safekeeping, whereas the depositor knew or should have known thereof.

Article 6.848. Termination of the Contract of Deposit on Depositor's Demand

The depositor shall have the right to demand any time restoration of the thing, whereas the depositary is bound to restore it even before the expiry of the period of the contract of deposit.

Article 6.849. Necessary Deposit

1. Necessary deposit takes place where a person is compelled, by an unforeseen and unavoidable urgent necessity (accident, natural disaster, etc.) to entrust the custody of his property to another person.

2. In case of a necessary deposit the depositary may not refuse to accept the thing for safekeeping without a serious reason.

3. In case of necessary deposit the depositary shall be liable in the same manner as a depositary under the contract of gratuitous deposit.

4. The delivery of a patient's things in a health or guardianship (curatorship) institution is presumed to be a necessary deposit.

Article 6.850. Deposit under Law

The rules of this Section shall also be applied with respect to deposit obligations which arise under law, unless the law establishes otherwise.

SECTION TWO

WAREHOUSING

Article 6.851. Concept of a Warehouse Contract

1. On the basis of a warehouse contract the warehouse (the warehouse-keeper) undertakes to safeguard for consideration the goods deposited with it/him by the owner/depositor of the goods and to restore them to the specified person after safekeeping.

2. For the purposes of this Section, the warehouse shall be considered to be a legal person (businessman) whose principal type of activity is safekeeping of goods and provision of other services connected with the safekeeping of goods.

3. The warehouse contract shall be executed by issuing a warehouse certificate.

Article 6.852. Warehouse of Common Use

1. Only a warehouse which is bound, under law or documents relating to its activities, to accept goods for safekeeping from any owner of the goods shall be recognised as a warehouse of common use.

2. The contract of safekeeping of goods deposited with a ~~public~~ warehouse of common use shall be recognised as a public contract.

Article 6.853. Inspection of Goods

1. Unless otherwise provided in the warehouse contract, the warehouse is bound to inspect, at its own expense, the goods when accepting them for safekeeping and to determine the amount of the goods (number, volume, weight, etc.) as well as assessing the outward appearance thereof.

2. During the safekeeping of the goods the warehouse is bound to provide the owner of the goods with an opportunity to examine the goods in storage, take samples thereof and apply other measures necessary for ensuring the safety of the goods.

Article 6.854. Changing the Conditions of Safekeeping of the Goods

1. If the conditions of safekeeping of the goods set in the warehouse contract require changing in order to ensure safety of the goods, the warehouse shall be entitled to apply the necessary measures at its discretion. Where this necessitates material changes in the conditions of safekeeping as prescribed in the warehouse contract, the warehouse is bound to notify the owner of goods thereof.

2. If changes, not provided for in the warehouse contract, are noticed in the stored goods during their safekeeping, the warehouse is bound to promptly draw up an appropriate record, notifying the owner of the goods thereof on the same date.

Article 6.855. Inspection of the Released Goods

1. The person who is released the goods and the warehouse shall have the right to demand to examine the goods being released and to inspect their quantity. Expenses related to inspection shall be defrayed by the party demanding to examine or to inspect the goods.

2. In case the released goods have not been examined and inspected in the presence of both parties, a written application regarding the deficiency or spoilage of the goods must be submitted when the person is being released the goods or within three days from the release thereof, provided the shortage or damage could not be detected during normal examination of the goods. In such case the burden of proof or shortage or damage of the goods shall fall on the person who is released the goods.

3. In the absence of the application provided for in paragraph 2 of this Article, the warehouse shall be deemed to have released the goods in accordance with the conditions of the warehouse contract, until it is proved to the contrary.

Article 6.856. Warehousing Documents

1. Having received the goods for safekeeping, the warehouse shall issue one of the following documents confirming the warehouse contract:

1) double warehouse certificate;

2) ordinary warehouse certificate;

3) warehouse receipt.

2. A double warehouse certificate consists of two parts - warehouse certificate and pledge certificate (Article 6.857 of this Code) which shall be separable.

3. A double warehouse certificate, each one of its two parts and an ordinary warehouse certificate are securities.

4. Goods received for safekeeping with a double warehouse certificate, if the parts thereof have been separated, or with an ordinary warehouse certificate may be an object of pledge during the period of safekeeping by way of pledging the corresponding certificate.

Article 6.857. Double Warehouse-Certificate and its Contents

1. The following shall be indicated in each part of the double warehouse certificate:

1) the name and place of the warehouse;

2) number of the warehouse certificate;

3) name and seat of the owner (depositor) of the goods from whom they have been received;

4) name and quantity of the goods (units, weight, volume, etc.) and in case the goods have been an object of pledge - the amount of the pledge;

5) time period of safekeeping of the goods or instruction for their safekeeping until the demand for their release;

6) the amount of remuneration for the deposit or the tariffs on the basis of which it shall be calculated and the procedure of payment for deposit;

7) date of issue of the warehouse certificate.

2. A document shall not be deemed to be a double warehouse certificate if at least one of the requisite items listed in paragraph 1 above is missing.

3. A double warehouse certificate is a document of title granting the right to dispose of the goods.

Article 6.858. Rights of the Holder of Warehouse and Pledge Certificates

1. The holder of a warehouse and pledge certificate shall be entitled to dispose of the goods in storage in the warehouse**.**

2. The holder of a warehouse certificate which has been separated from the pledge certificate shall be entitled to dispose of the goods, however he shall have no right to reclaim the goods from the warehouse until the repayment of the credit granted against the pledge certificate.

3. The holder of a pledge certificate shall have the right of pledge on the goods in an amount equal to the sum of the credit granted against the pledge certificate and the interest thereon. When the goods are being pledged, a notice to the effect shall be made in the warehouse certificate.

Article 6.859. Transfer of Warehouse and Pledge Certificates

Warehouse and pledge certificates may be transferred to another person either together or separately by the way of inscriptions of transfer (on the basis of endorsement).

Article 6.860. Release of the Goods under Double Warehouse Certificate

1. The warehouse shall release the goods to the holder of the warehouse and pledge certificate (double warehouse certificate) only in exchange for both of these certificates together.

2. The holder of the warehouse certificate who does not have a pledge certificate but has paid the amount of debt on it, shall be released the goods by the warehouse in exchange for the warehouse certificate and a receipt evidencing payment of the full amount of the debt.

3. If the warehouse releases the goods in violation of the rules laid down in this Article, it is bound to pay to the holder of the pledge certificate the entire amount secured by the pledge.

4. The holder of the warehouse and pledge certificates shall be entitled to demand that goods be released to him in parts. In such cases in exchange for the original certificates he shall be issued new certificates for the goods remaining in the warehouse.

Article 6.861. Ordinary Warehouse Certificate

1. An ordinary warehouse certificate is a bearer instrument granting the bearer the right to the release of the goods.

2. An ordinary warehouse certificate shall contain specified requisite information provided by Article 6.857(1) (1.2.4-7) of this Code as well as an indication that it has been issued to the bearer.

Article 6.862. Deposit of the Things with the Right of their Disposal

If the law or the contract establishes the right of the warehouse to dispose of the things deposited for safekeeping, the rules regulating the loan contract (Chapter XLIII of this Code) shall also be applicable to the relationships between the parties, however, the place and time of release of the things shall be governed by provisions of this Chapter.

SECTION THREE

SPECIAL TYPES OF DEPOSIT

Article 6.863. Temporary Deposit (Sequestration) of Things which are the Object of Dispute

1. Sequestration is a contract of deposit by which two or more persons who are in dispute over the right to a thing place the thing in the hands of another person chosen by them (sequestrator). The person shall bind himself to restore the thing, once the issue is decided, to the person who will then be entitled to it.

2. The object of sequestration may be immovable thing as well as movable thing.

3. The parties shall elect the sequestrator by mutual agreement. They may elect one of their number to act as sequestrator. Where the parties disagree on the election of the sequestrator, he shall be appointed by the court hearing the dispute. A person may be appointed sequestrator only with his consent.

4. The sequestrator shall have the right to perform any necessary act in respect of the sequestered thing which may be performed by a simple property administrator, save for the exceptions established by agreement between the parties or court ruling.

5. The sequestrator shall be entitled to remuneration unless otherwise stipulated by the contract or court order.

6. The sequestrator shall restitute the thing to the person specified in the court judgement or order. In the event of the contract of transaction, the thing shall be restored to the persons specified in the contract of transaction.

7. Upon the termination of sequestration the sequestrator shall render an account of his management of the property and deliver it to the parties or the court.

8. Where a person is appointed the sequestrator of the attached property by the court, the court bailiff, tax administrator or any other officer, in such case the sequestration shall be subject, in addition to the provisions of this Article, also to those laid down in the Code of Civil Procedure.

Article 6.864. Deposit of Things with a Pawnshop

1. A contract for depositing things owned by a natural person with a pawnshop is a public contract.

2. A contract for depositing things with a pawnshop shall be certified by a pawn ticket issued to the pawnor.

3. The price of the things deposited with the pawnshop shall be set by agreement between the parties.

4. The pawnshop is bound to insure, at its expense and for the benefit of the pawnor, the thing deposited with it for the amount equal to the price of the thing set by agreement between the parties.

5. Where a thing deposited with the pawnshop is not redeemed within the time period set in the contract, the pawnshop is bound to keep the thing for one more month at the pawnor's expense. Upon the expiration of the said time period the pawnshop shall have the right to sell the thing in the manner laid down in Article 6.843(2) of this Code.

6. The proceeds of such sale shall be used to cover the expenses of the pawnshop which may have arisen in relation to the storing of the thing and other amounts due to it, while the balance shall be repaid by the pawnshop to the pawnor.

Article 6.865. Deposit of Things in Hotels

1. A hotel is liable, without a special agreement with the person who lodges with it, in the same manner as a depositary, for the loss, deficiency or damage of the personal effects of the said person. The hotel is entitled to retain, as security for payment of the cost of lodging and services actually provided by the hotel, the effects brought into the hotel by the guest.

2. Under paragraph 1 of this Article, the hotel shall be liable for the loss, shortage or damage of the things which:

1) during the person's lodging with the hotel were kept in the hotel room or at any other place in the hotel;

2) were entrusted by the hotel guest as deposit to the hotel staff for safekeeping within the hotel or outside it;

3) were placed as deposit at the hotel for a reasonable time starting from the moment the person takes up lodging with the hotel and until his departure.

3. The hotel is bound to accept for deposit sums of money, jewellery and other valuable articles brought by the hotel guests, unless the things are dangerous to the people around or, giving their size or excessive value, are cumbersome to the hotel and its guests.

4. A hotel, accepting for deposit sums or money or other valuable articles, may require them to be placed is special marked receptacles**.**

5. Unless the hotel administration is immediately notified by the person lodging in the hotel of the loss, shortage of or damage to his things, the hotel shall be released from liability for failure to preserve the things.

6. The hotel shall not be liable for failure to preserve the things, if this was due to the fault of the owner of the things, the persons accompanying him or invited to the hotel or due to superior force or because of the qualities of the thing. Neither shall the hotel be liable for failure to preserve the vehicles of the hotel guests left outside the hotel's guarded parking lot, and the things or animals left in the said vehicles.

7. An agreement between the parties or a unilateral statement by the hotel that the hotel is not liable for the safety of the things of its guests or establishing a limited liability shall be null and void.

8. The regulations of this Article shall also be applicable to the deposit of things with motels, rest homes, residential care homes, sanatoria and other similar institutions.

Article 6.866. Deposit of Things with a Bank

1. A bank shall have the right to accept for deposit securities, precious metals and precious stones, other valuables and documents.

2. The contract of deposit of things with a bank for safekeeping shall be certified by the storage certificate issued to the depositor by the bank.

Article 6.867. Deposit of Valuable Articles in the Bank Safe-deposit

1. The contract of deposit may provide for the safekeeping of the client's valuable articles in the individual bank safe (department of the safe, isolated bank safe-deposit) allotted for use by the customer.

2. Under the contract of deposit of valuable articles for safekeeping in an individual bank safe the client shall have the right to place the valuable articles in the safe and take them from the safe by himself. The bank shall issue the client with the to the safe and the customer's identification card or any other document certifying the customer's right to enter the bank depository where the client's individual safe is located and to open the safe.

3. The contract of deposit may also provide for the client's right to work in the bank with the valuable articles deposited in the bank safe.

4. The bank shall accept from the client the valuable articles to be deposited in the safe and shall also supervise their placement in and withdrawal from the safe and shall hand over to the client the valuable articles taken from the safe. Where the contract establishes that the customer shall use the safe personally, the bank must ensure the client an opportunity to place the valuable in the safe and withdraw them from the safe unattended by anyone, bank employees included. The bank must also ensure the client's free entry into the bank depository where his individual safe is located.

5. Unless otherwise provided by the contract of deposit, the bank shall be released from liability for the failure to preserve the valuable articles placed in the individual safe if it proves that under the conditions of storage no person was allowed access to the contents of the safe without the client's knowledge or that the valuable articles were lost due to superior force.

6. Where under the contract the individual safe is allotted for use to another person and the liability of the bank for the preservation of the valuable articles placed in the safe is not established, the rules regulating the contract of lease shall apply to the contract of the type.

Article 6.868. Deposit of Things in Left Luggage Offices of Transport Companies

1. General use left luggage offices of transport companies are bound to accept for safekeeping personal effects of passengers and other persons, irrespective of whether or not the passenger possesses travelling tickets. The contract of deposit in left luggage offices of transport companies is a public contract.

2. Conclusion of the contract of deposit in a left luggage office (except for automatic safety deposit boxes) shall be confirmed by issuing the depositor with a receipt or token. In case of loss of the receipt or token, the thing shall be released to the depositor after he proves his ownership of the thing.

3. Time period of safekeeping of the thing in the left luggage office shall be set by agreement between the parties. Transport companies may set maximum time periods for the safekeeping with possible extension as per agreement between the parties. Things that are not retrieved within the set period shall be stored for one more month and thereafter sold according to the procedure established in Article 6.843(2) of this Code.

4. In case of loss, shortage or damage of the delivered things the transport company shall within 24 hours after the filing of the claim compensate for the value specified when the depositor delivered the things for safekeeping.

Article 6.869. Deposit of Things in the Cloak-room

1. It is presumed that the safekeeping of things in cloak-rooms is gratuitous, except in cases when the things are delivered upon explicit agreement of deposit for a reward.

2. Irrespective of whether the contract of deposit is onerous, or not, the depositary must take all measures within his power in order to ensure the safekeeping of the things delivered to the cloak-room.

3. The rules of this Article shall also apply in the cases when natural persons leave their outer clothing, head gear and other similar things in enterprises, institutions, organisations or means of transport in the places designated for the purpose without a special delivery thereof for safekeeping.

CHAPTER XLIII

LOAN

SECTION ONE

GENERAL PROVISIONS

Article 6.870. Concept of the loan agreement

1. By the loan agreement one party (the lender) transfers into the ownership of the other party (the borrower) the money or consumable generic things, and the borrower undertakes to repay the lender the same amount of money (the amount of loan) or return the same amount of things of the same kind and quality, and to pay the interest unless otherwise established in the agreement.

2. The loan agreement shall be deemed executed from the moment of transfer of money or things.

3. The borrower shall become the owner of the things (money) transferred to him. From the moment of transfer of the things the risk of accidental loss or damage of things shall pass to the borrower.

Article 6.871. Form of the loan agreement

1. The loan agreement of natural persons shall be made in writing if the amount of loan is in excess of two thousand litas.

2. If the lender is a legal person, the loan agreement shall be in written form in all events notwithstanding the amount of the amount of loan.

3. The requirements of a written form shall be satisfied by a loan receipt or any other debt instrument, signed by the borrower, confirming the transfer of the subject-matter of the loan agreement to the borrower.

Article 6.872. Interest

1. The amount of interest on use of the amount of loan and the procedure of payment thereof shall be established by agreement of the parties. If the parties have not agreed on the amount of interest, the interest shall be determined based on the average interest rate of commercial banks of the place of residence or business of the borrower which existed at the moment of execution of the loan agreement.

2. Except when otherwise agreed by the parties, the interest shall be paid on monthly basis until repayment of the amount of loan.

3. It is presumed that the loan agreement shall be gratuitous if the subject-matter of the loan agreement comprises the generic things, unless otherwise established in the loan agreement. If the subject-matter of the loan agreement is money, the loan agreement shall be presumed to be onerous.

Article 6.873. The obligation of the borrower to repay the amount of loan

1. The borrower shall repay the received loan to the lender on the term and in the procedure prescribed in the agreement.

2. In cases when the term for repayment of the amount of loan is not set forth in the agreement or the loan must be repaid upon demand, the borrower shall repay the principal within thirty days from the day when the lender stated the demand to perform the agreement, unless otherwise established in such agreement.

3. Except when the loan agreement provides for otherwise, the borrower shall be entitled to repay the amount of loan of the gratuitous loan prior to the term.

4. The amount of the non-gratuitous loan may be repaid by the borrower prior to the term only upon consent of the lender.

5. Except when otherwise prescribed by the loan agreement, the amount of loan shall be deemed repaid from the moment of its transfer to the lender or crediting to the bank account of the lender.

6. When the subject-matter of the loan is an amount of money, the borrower shall repay a nominal amount only, notwithstanding the changes of the value of a monetary unit, unless otherwise established in the agreement.

Article 6.874. Consequences of the breach of the agreement by the borrower

1. In case of failure by the borrower to timely repay the amount of the loan, the borrower shall pay the interest established in Article 6.210 hereof from the day when the amount of the loan had to be repaid until the day of its actual repayment, notwithstanding the payment of the interest set forth in Article 6.37 hereof, unless otherwise established in the loan agreement.

2. If the loan agreement provides for repayment of the amount of the loan in instalments and a regular instalment is not repaid when due, the lender shall be entitled to demand to repay all the outstanding amount of the amount of loan together with the accrued payable interest.

Article 6.875. Contesting of the loan agreement

1.The borrower shall have the right to contest the loan agreement if he has not actually received the money or things, or if has received less than specified in the agreement. Such circumstances must be proved by the borrower.

2.If the loan agreement had to be in written form (Article 6.871 hereof), it shall not be permitted to contest the loan agreement subject to the testimony of witnesses in accordance with clause 1 of this Article, except for the cases stipulated in Article 1.93 hereof or if the loan agreement is executed by fraud, compulsion or real threat, or by virtue of wilful arrangement of the borrower's agent with the lender, or due to existing grave circumstances.

3.If it is proved that money or things have actually been not transferred to the borrower, the loan agreement shall be deemed not concluded. When the borrower has received less money or things than provided in the agreement, the loan agreement shall be deemed concluded for the actually received amount of money or things.

Article 6.876. Legal consequences of the loss of security for fulfilment of the Borrower's obligations

If the borrower fails to perform the obligation under the loan agreement to provide the security for the performance of his obligations or if the provided security is lost or its conditions become worse due to the circumstances beyond the lender's control, the lender shall be entitled to request the borrower to repay the amount of loan prior to the term as well as to pay the interest, unless otherwise established in the loan agreement.

Article 6.877. Purpose loan

1. If the loan agreement is executed establishing the provision that the borrower will use the principal for a certain purpose (the purpose loan), the borrower must ensure the lender's possibility to control the usage of the amount of loan by the borrower.

2. If the borrower uses the amount of loan for other than the purpose set forth in the loan agreement or if he breaches the condition established in clause 1 of this Article, the lender shall be entitled to request the borrower to repay the amount of loan prior to the term and pay the interest, unless otherwise established in the agreement.

Article 6.878. Bill of Exchange

If the borrower issues a bill of exchange under which he undertakes to repay the received amount of the loan on the term specified in such note, the relations of the parties shall be governed by the norms of this Chapter to the extent such norms are consistent with the law regulating the bills of exchange.

Article 6.879. Bond

1. In cases provided by laws the loan agreement may be concluded by issuing and selling bonds.

2. A bond shall be deemed a security which confirms its holder's right to receive from the person who has issued such bond, within the term specified in the bond, the amount of the nominal value of the bond or any other property equivalent. A bond shall also grant its holder the right to receive the interest specified in the bond on the nominal value of the bond or other property rights.

3. The norms of this Chapter shall be applied to the relations between the person who has issued such bond and the holder of such bond only if the laws do not prescribe otherwise.

Article 6.880. Substitution (novation) of the debt by the loan obligation

By agreement of the parties, the debt arising from the purchase-sale, lease or any other agreement may be substituted by the loan obligation according to the rules set forth in Articles 6.141-6.144 of this Code.

SECTION TWO

CREDITING

Article 6.881. Concept of credit agreement

1. By the credit agreement a bank or any other credit institution (creditor) undertakes to grant the debtor the monetary funds (the credit) in the amount and under conditions established in the agreement, and the debtor undertakes to repay the received amount to the creditor and pay the interest.

2. The norms of the first Section of this Chapter shall be applied to the crediting relations to the extent they do not contradict to the essence of the crediting agreement and the rules set forth in the present Chapter.

Article 6.882. Form of the crediting agreement

The crediting agreement shall be made in writing. Non-observance of this requirement shall make the crediting agreement null and void.

Article 6.883. Refusal to grant or accept the credit

1. The creditor shall be entitled to fully or partly refuse to grant to the debtor the credit provided in the agreement upon disclosure of the circumstances expressly evidencing that the credit will not be repaid on due term.

2. The debtor shall be entitled to fully or partly refuse to accept the credit upon notification to that effect to the creditor until the term set forth in the agreement for granting of the credit unless otherwise established in the agreement.

3. If the debtor breaches the obligation for the purposive usage of the credit as established in the agreement (Article 6.877 of this Code), the creditor shall be entitled to refuse to continue crediting the debtor and demand to repay the granted credit prior to the term.

Article 6.884. Crediting with goods

1. The parties may enter into agreement on crediting with goods establishing an obligation of one party to transfer to the other party the generic things. Such agreement shall be subject to the norms of this Chapter, unless otherwise determined by agreement of the parties.

2. The amount, assortment, complexity, quality, packing-cases and packaging of goods shall be established in accordance with the rules of Articles 6.327-6.333 of this Code, unless otherwise determined by agreement of the parties and contradicts the essence of the agreement.

Article 6.885. Commercial crediting

1. In the agreement the performance whereof is related to the transfer into the ownership of the other party of money or generic things, the parties may provide for the granting of the credit. The credit may be granted by deferring or apportioning the advance payment, payment for goods, works or services (commercial crediting).

2. The relations of the commercial crediting shall be subject to the norms of this Chapter, unless otherwise determined by agreement of the parties and contradicts the essence of the agreement.

SECTION THREE

CONSUMER CREDIT

Article 6. 886. Concept of the consumer credit agreement

1. By the consumer credit agreement the creditor grants or undertakes to grant the debtor-natural person (consumer):

1) the credit by way of deferred payment or apportionment of payment (payment in parts);

2) credits, including the credit of the current account, the aggregate lump-sum credit and the credit for purchase of a thing or service.

2. The consumer credit agreement shall also be deemed an agreement on purchase-sale by instalments (leasing) or any other agreement of similar nature when the things which are the subject-matter of the agreement pass into the consumer's ownership upon payment within the term set forth in the agreement of the price of the thing, the interest on the credit and other fees established in the agreement.

3. The provisions of this Chapter shall not apply when under the credit agreement:

1) the credit is granted by mortgaging an immovable thing;

2) the consumer does not pay any interest or other fees;

3) the consumer undertakes to repay the credit within a period not exceeding three months or when the amount of the credit does not exceed one thousand litas;

4) for a certain constantly provided service the consumer pays in instalments during provision of the service.

4. For the purposes of this Article the creditor shall be a person or a group of persons who in the procedure and cases prescribed by laws are entitled to grant the consumer credit by virtue of their commercial and professional activities.

Article 6.887. Form and contents of the consumer credit agreement

1. The consumer credit agreement shall be made in writing.

2. One copy of the agreement shall be handed to the debtor. In case of a dispute, the fact of the handing to the debtor of a copy of the agreement shall be proved by the creditor.

3. The consumer credit agreement shall specify:

1) the amount of the credit or the limit of the credit, if any:

2) the annual credit repayment rate, the interest rate, fees and other expenses of the debtor related to the receipt and usage of the credit;

3) the credit repayment term or - if the credit should be repaid in instalments - the amount of each instalment and the payment term;

4) in case of the credit assigned for the purchase of a thing or service - the price of the thing (service) and the aggregate amount of the credit;

5) the right of the debtor to repay the credit prior to the repayment term in compliance with the provisions of Article 6.888 of this Code;

6) the conditions and procedure of the change of the annual credit repayment rate if such possibility is stipulated in the agreement on condition that no unilateral changes shall be made by the creditor.

4. If the creditor must provide the credit insurance, the agreement shall also specify the value of the credit insurance as well as the conditions under which the amount of insurance will be transferred to the creditor.

5. At the time of execution of the agreement the debtor shall be notified in writing about:

1) the restrictions on the credit granted, if any;

2) the annual interest rate and fees imposed from the moment of execution of the agreement, as well as the provisions under which they may be changed;

3) the procedure for amendment of the agreement.

6. Within the validity term of the agreement, the debtor shall be notified on each change of the annual interest rate or similar expenses at the time of occurrence of such changes**.**

7. The procedure for calculation of the annual credit repayment rate shall be established by the Government and the Bank of Lithuania.

8. In all cases, notwithstanding the proposed to the consumer way of execution of the credit agreement (including the advertisement), the annual credit repayment norm shall be specified. The written offer shall contain an example of calculation of the aggregate credit amount.

Article 6.888. Rights of the debtor

1. Unless no obligatory conditions stipulated in clause 3 of Article 6.887 of this Code are provided for in the agreement or if the information contained in the agreement is misleading, the

debtor shall have the right to waive the agreement. In such case the debtor shall have to repay the credit without an obligation to pay the interest or other fees established in the agreement.

2. The debtor shall be entitled to repay the credit prior to expiration of its repayment term, however he shall pay the interest and other fees calculated until the credit repayment day.

Article 6.889. The termination of the agreement at the debtor's request

The creditor shall have the right to terminate the agreement in the presence of the following two conditions:

1) the payment is delayed longer than one month and its amount is not less than ten percent of the total amount of the credit;

2) the payment has not been made within two weeks from additional notification to the debtor.

Article 6.890. Prohibition to accept bills of exchange, checks and debt instruments

1. The creditor shall be prohibited to accept contributions from the debtor in bills of exchange, checks and debt instruments**.**

2. If the creditor accepted the contributions in the means of payment established in clause 1 of this Article, he shall indemnify the debtor all the damages related to further use of such means.

Article 6.891. The credit agreement concerning the purchase of a certain thing or service

1. If the debtor and the creditor enter into agreement on financing of the purchase of certain things or services, and there is an agreement made between the creditor and the seller or the provider of services in respect of the sale of such things or provision of such services, when the seller or the provider of services fails to perform or properly perform his contractual obligations, the debtor shall be entitled to:

1) suspend the performance of his obligation under the credit agreement;

2) demand the creditor to refund the payments already made.

2. The debtor may exercise the rights established in clause 1 of this Article only after he had addressed the seller or the provider of services with the request to duly perform the agreement, however the conditions of the purchase-sale agreement or the agreement on provision of services were not performed within a reasonable term after such address.

3. The debtor whose rights have been infringed shall be entitled to defend them in judicial procedure or through institutions protecting consumer rights.

CHAPTER XIV

BANK DEPOSIT

Article 6.892. Concept of the bank deposit

1. By the bank deposit agreement (the deposit) one party (a bank or any other credit institution) undertakes to accept from the other party (depositor) or, having received the amount of money transferred to the other party (deposit), undertakes to return such deposit and pay the interest for it under the terms and procedure established in the agreement.

2. When the depositor is a natural person, the bank deposit agreement shall be deemed a public contract.

3. The relations between the bank or any other credit institution and the depositor, who has an account in which the deposit has entered, shall be governed by the norms of Chapter XLVI of this Book regulating the bank account agreement, unless the rules of the present Chapter set forth otherwise and this contravenes the essence of the bank deposit agreement.

Article 6.893. The right to accept deposits

1. The right to accept deposits shall be vested only in the banks or any other credit institutions having the permit (licence) issued for such activity in the procedure prescribed by laws.

2. If the deposit was accepted by the person not entitled to do so or if the deposit was accepted in violation of the operational rules of the banks, the depositor shall have the right to demand to return him immediately all the paid amounts, the interest determined by laws and the damages to the extent not covered by the interest.

3. Unless the law provides otherwise, the legal consequences set forth in clause 2 of this Article shall also apply when:

1) the monetary funds are collected from the sale of shares or other securities the issue whereof is recognised as unlawful;

2) the monetary funds are collected from the issue of notes or other securities and their holders are not granted the right to receive the monetary funds upon first demand.

Article 6.894. Form of the bank deposit agreement

1. The bank deposit agreement shall be made in writing.

2. A written form of the agreement shall be deemed the depositor's book, deposit certificate or any other document issued by the bank or any other credit institution which complies with the operational rules of the banks or other credit institutions.

3. If the written form is not observed, the bank deposit agreement shall be null and void.

Article 6.895. Types of deposits

1. The bank deposit agreement can be made establishing the obligation of the bank or any other credit institution to pay the deposit upon the first demand (demand deposit) or establishing the obligation of the bank or any other credit institution to pay the deposit after lapse of a certain term (fixed-term deposit).

2. The legal acts regulating the activities of the banks or any other credit institutions and the parties by agreement may also provide for other types of deposits.

3. Notwithstanding the type of the deposit, the bank or any other credit institution shall pay the deposit in full or in part upon the first demand of the depositor. A provision of the agreement stipulating the depositor's waiver of the right to receive the deposit upon the first demand shall be null and void.

4. In case when the deposit is paid to the depositor prior to the maturity of the term established in the agreement or prior to occurrence of other circumstances set forth therein (except for demand deposits), the interest shall be paid in the amount corresponding to the interest imposed on the demand deposits unless otherwise established in the agreement.

5. If the depositor does not demand the payment of the fixed-term deposit upon expiration of its term or any other circumstances stipulated in the agreement occur, the agreement shall be deemed renewed on the conditions of the demand deposit, unless otherwise established in the agreement.

Article 6.896. Interest

1. The bank or any other credit institution shall pay to the depositor the interest in the amount established in the agreement.

2. The amount of the interest can be differentiated by the type of the deposit. It shall be prohibited to set the amount of the interest based on the depositor's personal, official or other characteristics which are not related to the amount, type or term of the deposit.

3. If the amount of the interest is not defined in the agreement, the bank or any other credit institution shall pay an average interest rate which existed on the day of execution of the agreement in the place of execution thereof.

4. Unless the agreement provides for otherwise, the bank or any other credit institution shall be entitled to unilaterally change the amount of the interest paid for the demand deposits. If the bank or any other credit institution reduces the amount of the interest, then the new interest rate shall be started to apply in respect of the deposits paid prior to notification for the depositors about the reduction of the amount of the interest only after lapse of a month from such notification, unless otherwise established in the agreement.

5. The bank or any other credit institution shall have no right to unilaterally reduce the amount of the interest paid for the fixed-term deposits or any other deposits, unless otherwise established in the agreement.

Article 6.897. Calculation and payment of interest

1. Calculation of the interest on the deposits shall be started from the day following the day of acceptance of the deposit and shall be calculated until the day preceding the day when the deposit was paid or written off from the account on any other grounds.

2. Unless the agreement provides for otherwise, the interest shall be paid to the depositor upon his demand, after expiration of the quarter, separately from the amount of the deposit. The deposit shall be increased by the amount of the unpaid interest and the interest shall be calculated from the increased amount.

3. The deposit shall be paid together with the interest accrued until that moment.

Article 6.898. Guarantees for the return of deposits.

1. The bank and any other credit institution shall secure the return of the deposits in the established procedure by compulsory insurance thereof, and in cases determined by laws - in other ways as well.

2. When entering into the bank deposit agreement, the bank or any other credit institution shall furnish to the depositor the information about the guarantees for the return of the deposit.

3. If the bank or any other credit institution fails to perform its obligation to secure the return of the deposit, as well as in case of loss or worsening of the guarantees, the depositor shall have the right to demand the bank or any other credit institution to immediately return the deposit, pay the interest and indemnify the loss.

Article 6.899. Third persons' right to pay money to the depositor's account.

Third persons shall have the right to pay the money to the depositor's account unless otherwise established in the agreement. In such event the bank or any other credit institution shall transfer all the amounts, received on behalf of the depositor, to the depositor's account. In such cases it is presumed that the depositor has agreed to accept the amounts of money from the third persons and provided them with the required data about his deposit account.

Article 6.900. Deposits for the benefit of third persons

1. A deposit can be made in the bank or any other credit institution for the benefit of the third person. Unless the agreement provides for otherwise, such third person shall acquire the depositor's rights from the moment of his first demand to the bank or any other credit institution or from the moment of any other expression of his intention to exercise the depositor's rights.

2. The essential condition of the bank deposit agreement for the benefit of the third person shall be the name and surname or the title of the third person.

3. The bank deposit agreement for the benefit of the third person who died prior to the moment of execution of the agreement or did not exist at the moment of execution thereof shall be null and void.

4. The person who has entered into the bank deposit agreement for the benefit of the third person shall have the right to exercise the depositor's rights only until the moment when the third person states his intention to exercise the depositor's rights.

5. The norms regulating the agreement for the benefit of the third person, shall apply to the deposit agreement of the bank or any other institution only to the extent they do not contravene the rules established in this Article and the essence of the bank deposit agreement.

Article 6.901. The depositor's book

1. Unless the agreement provides for otherwise, the bank deposit agreement shall be documented in the form of the depositor's book. The depositor's book may be issued only in the name of the depositor.

2. The depositor's book shall specify the name of the bank or any other credit institution, address and other details, the depositor, the amount of the deposit and the accounting of the amounts of money paid to and from the account, the computed and paid interest.

3. All operations in respect of the deposit shall be performed only upon submission of the depositor's book.

4. If the book is lost or unsuitable for usage, it shall be substituted in the procedure determined by the bank or any other credit institution.

Article 6.902. Deposit certificate

1. The deposit certificate shall be a security certifying the amount of the deposit and the depositor's rights to the deposit, as well as the interest upon expiration of the term prescribed for the deposit.

2. The deposit certificate may be issued only in the name of the depositor.

CHAPTER XLV

FACTORING

Article 6.903. Concept of the factoring agreement

1. By the factoring agreement one party (the financier) shall transfer or shall be obliged to transfer to the other party (the client) the money in exchange for the monetary claim of the client (the creditor), related to the sale of goods, performance of works or provision of services, against the third person (debtor), and the client shall assign or undertake to assign to the financier the monetary claim against the debtor (the financing on condition that the monetary claim is assigned) and to pay the remuneration set forth in the agreement.

2. The client may assign the monetary claim against the debtor to the financier also striving for the purpose of securing the performance of its obligations to the financier.

3. The factoring agreement may establish the financier's obligation to handle the client's bookkeeping, provide to the client the financial services related to the monetary claims which are the subject-matter of the assignment.

4. The factoring agreement may be long-term or executed in respect of each individual case.

Article 6.904. Financier

The financier under the factoring agreement may be only the bank or any other profit-seeking legal person entitled in the procedure prescribed by laws to perform the factoring activities.

Article 6.905. The subject-matter of the factoring agreement

1. The subject-matter of the factoring agreement, in respect of which the financing is given, may include the monetary claim under which the payment term has matured (the existing claim) and the future right to receive the amounts of money (the future claim).

2. The monetary claim, which is the subject-matter of the factoring agreement, shall be defined in the agreement concluded between the financier and the client so that the existing claim would be possible to be identified at the moment of execution of the factoring agreement and the future claim - not later than at the moment it arises.

3. By assignment of the future monetary claim it is recognised such claim has passed to the financier upon arising of the right to claim from the debtor the amounts of money established in the agreement. If the assignment of the monetary claim is related to a certain event, the assignment shall be recognised as having occurred upon occurrence of such event. In such cases no additional formalisation of the monetary claim shall be required.

Article 6.906. The client's liability against the financier

1. Unless the factoring agreement provides for otherwise, the client shall be liable against the financier for the validity of the assigned monetary claim, which is the subject-matter of the agreement.

2. The monetary claim to be assigned shall be valid if the client has the right to assign such claim and the circumstances, due to which the debtor would have the right not to satisfy the claim, are unknown at the moment of the assignment.

3. If the financier demands to satisfy the monetary claim assigned to him and the debtor does not satisfy or satisfies it improperly, then the client shall be not liable for such actions of the debtor, unless otherwise established in the agreement.

Article 6.907. The invalidity of the prohibition to assign the monetary claim

1. The assignment of the monetary claim to the financier shall be also valid in cases when the agreement made between the client and the debtor prohibits or limits such action.

2. The rule established in clause 1 of this Article shall not release the client from the obligations and liability against the debtor for the breach of the condition of the agreement which prohibits or limits the assignment of the claim.

Article 6.908. Subsequent assignment of the monetary claim

1. Unless the factoring agreement provides for otherwise, the financier shall have no right to further assign the monetary claim assigned to him.

2. If the factoring agreement permits a subsequent assignment, such assignment shall accordingly be subject to the applicable norms of this Chapter.

Article 6.909. Performance of the monetary claim

1. The debtor shall pay the amounts of money to the financier if the debtor has received from the client or the financier a written notification about assignment of the monetary claim to the financier and the notification specifies the monetary claim and the financier for whom the obligation should be performed.

2. At the debtor's request, the financier shall, within the reasonable term, submit the evidence of the assignment of the monetary claim. If the financier fails to perform such obligation, the debtor shall be entitled to perform the obligation to the client.

3. The performance of the monetary claim to the financier in accordance with the rules set forth in this Article shall release the debtor from the performance of an appropriate obligation to the client.

Article 6.910. The financier's rights to the amounts of money received from the debtor

1. If the financing of the client under the factoring agreement manifests itself in the purchase of the monetary claim from the client, the financier, having purchased such claim, shall acquire the right to all the amounts received from the debtor when the latter performs the demand and the client shall be liable against the financier if the latter receives less from the debtor than he has paid to the client for the purchased claim, unless otherwise established in the agreement.

2. If the client has assigned the monetary claim to the financier in order to secure the performance of his obligations to the financier, the financier shall submit to the client the report and transfer him the amount in excess of the debt of the client secured in this way, unless otherwise established in the agreement. If the financier has received from the debtor the less amount than the client's secured debt, the client shall be liable against the financier for the remaining uncovered part of the debt.

Article 6.911. The cross claims of the debtor

1. When the financier states his claim to the debtor for the payment of the money, the debtor shall be entitled to set off his cross monetary claims, arising from the agreement between the debtor and the client, provided that the debtor already had such claims at the moment of receipt of notification of the assignment of the claim to the financier.

2. The debtor shall have no right to use for his defence in respect of the financier the claims the debtor could state to the client due to the fact that the client breached the prohibition to assign the monetary claim.

Article 6.912. The return to the debtor of the debts received by the financier

1. When the client breaches the agreement concluded with the debtor, the debtor shall have no right to demand the financier to repay the amounts the latter has already received if the debtor is entitled to receive such amounts directly from the client.

2. The debtor who has the right to recover the amounts paid to the financier directly from the client, shall have the right to demand the financier to repay such amounts if the debtor proves that the financier has not paid the amount set forth in the factoring agreement to the client or has paid it in awareness that the client did not fulfil its obligation to the debtor.

CHAPTER XLVI

BANK ACCOUNT

Article 6.913. Concept of the bank account agreement

1. By the bank account agreement the bank undertakes to accept and enter the money into the account opened by the client (the owner of the account), follow the client's instructions concerning the transfer and payment of certain amounts from the account, also to carry out any other operations performed by the bank, and the client undertakes to pay the bank for the services and operations effected.

2. The bank may dispose of the funds in the client's account provided that it secures the client's right to freely dispose of such funds.

3. The bank shall have no right to determine and control the use of the money by the client or impose any other limitations of the client's right to dispose of the funds in the account, except as provided in the law or the bank account agreement.

Article 6.914. Conclusion of the bank account agreement

1. Upon conclusion of the bank account agreement, the bank account shall be opened with the bank for the client or his indicated person subject to the terms and conditions provided for in the agreement.

2. The bank shall enter into the bank account agreement with the client who has addressed with an application to open such account, subject to the terms and conditions declared by the bank for opening of a certain type of the account which shall comply with the requirements set by laws and legal acts governing the activities of banks.

3. The bank shall have no right to refuse to open the account if the possibility for its opening is set forth in the law, operational documents of the bank or the licence issued to the bank, except for the cases when such refusal is permitted by laws.

Article 6.915. Approval of the right to dispose of the funds in the account

1. The rights of the persons entitled to dispose, in the name of the client, of the funds in the account shall be approved by the law or any other legal act and the documents stipulated in the bank account agreement, which shall be submitted to the bank in the established procedure.

2. The client shall have the right to instruct the bank to withdraw funds from the account at the request of the third persons. Such instructions shall be accepted by the bank if the client specifies in writing the necessary data allowing to identify the person who has the right to withdraw the funds from the account.

3. The bank account agreement may prescribe that the right to dispose of the funds in the account shall be approved using, by electronic means, the person's signature, code, password or other data confirming that the instruction has been given by the person entitled to do so.

Article 6.916. Operations performed by the bank

The bank shall perform all operations to the client which are established for an appropriate type of accounts by the law, other legal acts governing the activities of the bank as well as good customs of the banking, unless otherwise established in the bank account agreement.

Article 6.917. Terms for performance of operations

1. The bank shall enter into the client's account the funds not later than on the day following the day on which it received an appropriate payment document, unless the bank account agreement provides for any other term.

2. The bank shall pay or transfer the funds upon the client's instruction not later than on the day following the day on which it received an appropriate payment document, unless otherwise established in the bank account agreement**.**

Article 6.918. Crediting of the account

1. If the bank pays any money from the client's account in accordance with the bank account agreement, notwithstanding the fact whether or not there is any money in the account (the crediting of the account), it is admitted that the bank grants to the client the credit of an appropriate amount from the day of payment of the money.

2. The relations between the bank and the client in respect of the crediting of the account *mutatis mutandis* shall be governed by the norms of Chapter XLIII of this Book, unless otherwise established in the bank account agreement.

Article 6.919. Fees for bank services and operations

1. The client shall pay for the services provided and operations performed by the bank under the terms and procedure stipulated in the bank account agreement.

2. The bank shall be entitled to write off the client's account on quarterly basis the amounts owed to the bank for the services provided to the client, unless otherwise established in the bank account agreement.

Article 6.920. Interest for use of the funds in the account

The bank shall pay the client the interest set forth in the agreement for the use of the funds in the account, unless otherwise established in the bank account agreement. The interest shall be transferred to the client's account on the established terms, and if such terms are not established - upon expiration of each quarter.

Article 6.921. Set-off of mutual claims of the bank and the client

1. The monetary claims of the bank and the client related to the crediting of the account, payment for the bank services, payment of the interest, shall result in set-off unless otherwise established in the bank account agreement.

2. The set-off of the claims provided for in clause 1 of this Article shall be effected by the bank. The bank shall notify the client about the effected set-off within the term established in the agreement, and if such term is not established - within a reasonable term.

Article 6.922. The grounds for withdrawal of monetary funds from the account

1. The funds shall be withdraw from the account upon instruction of the client.

2. Without the client's instruction, the funds may be withdrawn by the court judgement and in other cases determined by the law or the bank account agreement.

Article 6.923. Order of sequence of the withdrawal of the funds

1. If there is a sufficient amount of funds in the account to satisfy all the stated claims, the funds shall be withdrawn in the order of sequence of receipt of the clients' instructions or other documents (calendar order of sequence), unless otherwise established in the laws.

2. If the amount of the funds in the account is not sufficient to satisfy all the stated claims, the debtor shall instruct to withdraw the funds from the account in the following order:

1) in the first place to withdraw the funds according to the enforcement documents regarding the compensation of the damage incurred due to personal injury or death, and recovery of the maintenance;

2) in the second place to withdraw the funds according to the enforcement documents regarding the payments arising from employment and copyright agreements;

3) in the third place to withdraw the funds according to the payment documents establishing the payments to the budget (State, municipal or social insurance);

4) in the forth place to withdraw the funds according to the executive documents to satisfy other monetary claims;

5) in the fifth place to write off the funds according to other payment documents in the calendar order of sequence.

3. The funds subject to the claims of the same order sequence shall be written off in the calendar order of sequence of receipt of the payment documents**.**

4. The order of sequence for withdrawal of the funds in the cases of any enforcement proceedings, bankruptcy or other cases provided for by laws shall be established by other laws.

Article 6.924. The liability of the bank for improper performance of operations

If the bank fails to enter the received funds into the client's account on time or groundlessly withdraws them from the account, also if it does not follow the client's instructions concerning the transfer or payment of the funds from the account, the bank shall pay the client the interest set forth in the bank account agreement, and if such interest is not established - the interest set forth in Article 6.210 of this Code.

Article 6.925. The secret of the bank.

1. The bank shall secure the confidentiality of the bank account, the deposit, all related operations and the client.

2. The information constituting the secret of the bank may be disclosed only to the clients or their agents and in the cases and procedure prescribed by laws - to the relevant governmental authorities, officials and other persons.

3. If the bank discloses the secret of the bank, the client shall be entitled to claim compensation by the bank of the damages incurred thereby.

Article 6.926. Limitations on disposal of the account

It shall be prohibited to restrict the client's possibility to dispose of the funds in the account, except for the cases when the funds in the account are attached or if the operations performed by the bank are suspended in the cases and procedure prescribed by laws.

Article 6.927. Termination of the bank account agreement

1. The bank account agreement may be terminated at any time upon application of the client.

2. At the request of the bank, the bank account agreement may be terminated at any time if:

1) the amount of the funds in the clients' account decreases so that it is below the minimum amount established in the agreement, and the client does not increase it within one month from the day of the notification sent by the bank;

2) if no operations have been performed with the client's account for more than a year and unless otherwise established in the bank account agreement.

3. The balance of the funds in the account shall be released to the client or transferred upon the client's instruction to any other account not later than within five business days from the day of receipt of an appropriate written application of the client. If the client has given no instruction to transfer the funds to any other account, the bank shall transfer the funds to the internal accounts of the bank.

4. The termination of the bank account agreement shall be the ground for closing of the account. The bank account agreement shall be valid until the closing of the account**.**

Article 6.928. Bank accounts

The norms of this Chapter shall apply respectively to the correspondent accounts or other accounts of banks, unless otherwise established in the laws or the legal acts regulating the banking activities.

CHAPTER XLVII

SETTLEMENTS OF ACCOUNTS

SECTION ONE

GENERAL PROVISIONS

Article 6.929. Settlement in cash and non-cash

1. Settlements with participation of natural persons who are not engaged in economic-commercial activities may be effected only in cash without limitation of the amount, or in non-cash.

2. Settlements between legal persons and settlements with participation of natural persons who are engaged in economic-commercial activities shall be effected in non-cash and in the cases and procedure prescribed by laws - in cash as well.

3. Settlement in non-cash shall be effected through banks with which appropriate accounts are opened, unless otherwise established in the law or unless limited by the used settlement forms.

4. Settlements by checks and bills of exchange shall be accordingly regulated by the law on checks and law on bills of exchange.

Article 6.930. Means of settlements in non-cash

1. Settlements in non-cash shall be effected using payment orders, letters of credit, checks, bills of exchange, collection and other means of settlement established by laws.

2. The parties shall be entitled to choose and determine any means of mutual settlement established in clause 1 of this Article.

SECTION TWO

SETTLEMENTS BY PAYMENT ORDERS

Article 6.931. General provisions

1. While making settlements by payment orders the bank undertakes, subject to the payer's instruction, to transfer the indicated amount from the payer's account to any other account specified by the payer with the same bank or any other bank, within the terms established by laws or under the procedure prescribed by laws, unless the bank account agreement or operational rules of the bank provide for shorter terms.

2. The rules of this Chapter shall also apply to the settlements when the bank transfers the funds upon instruction of the person who has no account with the same bank, unless otherwise established in the laws or operational rules of the bank.

3. Settlements by payment orders shall be regulated by the laws and operational rules of the bank.

Article 6.932. Terms and conditions of performance of the payment order

1. The contents and form of the payment order as well as the same of the documents submitted along with the payment order shall comply with the requirements set forth by the laws and operational rules of the bank.

2. If the payment order fails to comply with the requirements specified in clause 1 of this Article, the bank may request to particularise the details of the payment order. Such request shall be sent by the bank to the payer immediately upon receipt of the payer's order. If within the term established by the laws or operational rules of the banks, and if no such term is established - within a reasonable term, the bank does not receive the answer to its request, the bank shall be entitled not to perform the payment order and return it to the payer unless otherwise established in the law, operational rules of the bank or the agreement made between the bank and the payer.

3. The bank shall perform the payer's order if there is money in the payer's account, unless otherwise established in the agreement made between the bank and the payer. The payment orders shall be performed observing the order of sequence of writing the funds off the account established in Article 6.923 of this Code.

Article 6.933. Performance of the order

1. The bank, having accepted the payment order, shall transfer the amount of money indicated in such order to the payee's bank for crediting of such amount to the account of the person specified in the order within the term referred to in clause 1 of Article 6.931 of this Code.

2. The bank shall be entitled to use the services of other banks for performance of the operations related to the performance of the payment order.

3. The bank shall immediately notify the payer at the latter's request about the performance of the order. The contents and form of such notification shall be established by the operational rules of the bank and the agreement made between the bank and the payer.

Article 6.934. Liability for non-performance or improper performance of the payment order

1. The bank, having failed to perform or properly perform the payment order, shall be liable under general rules of the contractual civil liability.

2. If the non-performance or improper performance of the payment order is through the fault of any other bank the services whereof have been used for performance of certain operations, the liability against the payer shall lie with the bank which accepted the payment order, unless otherwise established in the law or the agreement.

3. If the bank has unlawfully withheld the funds by reason of violation of the rules of settlement, the bank shall pay the interest set forth in Article 6.210 of this Code.

SECTION THREE

LETTER OF CREDIT

Article 6. 935. General provisions

1. In case of settlement by the letters of credit, the bank which has opened the letter of credit and acting at the request and instruction of the payer or in its own name (the bank of issue) undertakes to pay the money to the payee or accept and pay the bill of exchange issued by the payee, or authorise any other bank (the performing bank) to pay the money to the payee or accept and pay upon maturity the bill of exchange, or authorises any other bank to buy the documents (negotiate) provided that the submitted documents comply with the conditions of the letter of credit.

2. When designating the bank as performing, the bank of issue may authorise it to withdraw the total amount referred to in the documents of the letter of credit from its account with the performing bank or undertake to transfer, upon request of the performing bank, to the account indicated by the latter, or authorise the performing bank to apply to any other indicated bank for the payment.

3. The settlements by the letters of credit shall be regulated by laws and operational rules of the bank.

Article 6.936. Revocable letter of credit

1. The revocable letter of credit shall be deemed such letter of credit which may be changed or annulled by the bank of issue without prior notification to the payee.

2. The bank of issue of issue or the confirming bank (if any) shall compensate to the performing bank according to the revocable letter of credit if prior to the annulment of the letter of credit or change of the conditions the documents conforming to the conditions of the letter of credit were submitted to such bank.

Article 6.937. Irrevocable letter of credit

1. The irrevocable letter of credit shall be deemed the letter of credit which may not be changed or annulled without the consent of the bank of issue (if any) and the payee.

2. At the request of the bank of issue, any other bank which performs the operations in respect of the letter of credit may confirm the irrevocable letter of credit (the confirmed letter of credit). Such confirmation shall mean that the confirming bank undertakes, in addition to the obligation of the bank of issue, to make the payment or other operations subject to the conditions of the letter of credit.

3. The irrevocable letter of credit, confirmed by the confirming bank, may not be changed or annulled without the consent of the confirming bank.

4. Unless explicitly specified in the letter of credit whether it is revocable or irrevocable, such letter credit shall be deemed irrevocable.

Article 6.938. Performance of the letter of credit

1. For the purposes of performance of the letter of credit, the payee shall submit to the bank of issue, the confirming bank (if any) or the performing bank the documents confirming that all the conditions of the letter of credit have been performed. In case of breach of at least one of these conditions, the letter of credit shall not be performed.

2. If the performing bank has made the payment or carried out any other operation subject to the conditions of the letter of credit, the bank of issue or the confirming bank (if any) shall compensate all the damages incurred by such bank. All the expenses related to the performance of the letter of credit shall be the payer's liability.

Article 6.939. Refusal to accept the documents

1. If the bank of issue or the confirming bank (if any), or the performing bank which acts in their name, refuses to accept the documents which do not conform to the conditions of the letter of credit, such bank shall immediately notify, specifying the reasons of such refusal, the bank from which he has received the documents, or the payee if the documents have been received directly from him.

2. If the bank of issue or the confirming bank (if any) establishes that the documents fail to conform to the conditions of the letter of credit, the bank shall be entitled to refuse to accept such documents and claim from the performing bank the refunding of the amount paid to the payee in violation of the conditions of the letter of credit, along with the interest, or refuse to compensate the amounts paid.

Article 6.940. The liability of the bank for violation of the conditions of the letter of credit

1. The liability against the payee for the breach of the conditions of the letter of credit shall lie with the bank of issue, and against the bank of issue - with the confirming bank (if any) and/or the performing bank, to the exclusion of exceptions set forth in this Article.

2. If the bank of issue or the confirming bank (if any), or the performing bank which acts in their name, groundlessly refuses to pay the funds after the payee submits the documents conforming to the conditions of the letter of credit, it shall be liable against the payee.

3. If the confirming bank (if any) and/or the performing bank improperly pays the funds under the letter of credit, in violation of the conditions of the letter of credit, the liability against the payee shall lie with the confirming bank (if any) and/or the performing bank, unless otherwise established in the agreement between the payer and the bank of issue.

Article 6.941. The closing of the letter of credit

The letter of credit shall be closed:

1) upon expiration of the term of the letter of credit;

2) when the bank of issue annuls the letter of credit;

3) when the bank pays the payee the amount established in the letter of credit or performs other operations prior to expiration of its validity term.

SECTION FOUR

COLLECTION

Article 6.942. General provisions

1. Collection shall mean operations performed by the bank (the instructing bank) with the documents upon the client's order, with the purpose to receive the payment and/or the acceptation of the payment or issue the documents (upon receipt of the payment and/or acceptation of the payment or under other conditions).

2. The instructing bank, upon receipt of the client's order, may use the services of any other bank (collecting bank) for the performance of such order.

3. Liability for non-performance or improper performance of the client's order shall lie with the instructing bank, unless otherwise established in the agreement between the client and the bank.

4. The settlements by collection shall be regulated by laws and operational rules of the bank.

Article 6.943. Performance of the collection order

1. If the received collection instructions are incomplete, or if the bank cannot follow them for any reasons, or if not all the documents specified in the collection order have been received, or if the documents fail to comply with the collection order, the collecting bank or the submitting bank shall immediately notify to that effect the party from which the collection order has been received. If the deficiencies reported by the bank are not eliminated or adjusted instructions are not received, the bank shall be entitled to return the documents and refuse to perform the order.

2. The documents shall be submitted to the payer in the form in which they have been received, except the bank markings and records which are necessary for performance of the collection operation.

3. If the documents are to be paid upon their submission, the collecting bank shall submit them for payment immediately after it receives the collection order.

4. If the documents are to be paid within a certain period time, the collecting bank shall submit the documents for the payer's acceptation immediately after it receives the collection order, and shall state its request for payment not later than within the payment term specified in the document.

5. Partial payments may be accepted only in the cases provided for in laws or the collection order.

6. The collecting bank shall immediately transfer the received (collected) amounts to the instructing bank which shall enter them into the client's account. The collecting bank shall be entitled to deduct from the collected amounts the fee due to such bank and the expenses borne.

Article 6.944. Notification on operations performed

1. If the collecting bank does not receive the payment and/or the acceptation, it shall immediately notify to that effect the instructing bank and specify the reasons for which the payment has not been received or it has been refused to accept it.

2. The instructing bank shall immediately communicate the information, received from the collecting bank, to the client and request for instructions on further actions.

3. The collecting bank, if it does not receive any instructions from the instructing bank within the terms set forth in the operational rules of the bank or the agreement, and if such terms are not set forth - within a reasonable term, shall be entitled to return all the documents to the instructing bank.

CHAPTER XLVIII

PUBLIC PROMISE OF REWARD

Article 6.945. Obligation to pay reward

1. A person who has publicly promised to pay reward to a person who will perform a lawful action indicated in the announcement within the term indicated in the announcement (find a lost thing etc.), shall pay the promised reward to any person who has performed the said action.

2. A duty to pay reward shall appear on condition that the contents of the public promise allows to identify the person who gives such promise. The person who has responded to the public promise, shall be entitled to request the promise to be confirmed in writing. If the person has failed to exercise such right, he shall bear the risk of negative consequences if it turns out later that the reward was promised by any other person than indicated in the public announcement.

3. If the amount of reward is not specified in the public announcement, such amount shall be fixed by agreement of the parties, and in case of failure to reach such agreement - by judgement of the court.

4. The duty to pay the reward shall appear notwithstanding whether the person who performed the action specified in the announcement did so due to the public promise of the reward or not.

5. If the action specified in the announcement was performed by several persons, the right to reward shall be vested in the person who was the first to perform such action. When it is impossible to establish who from such persons was the first to perform such action, or when several persons

performed such action together, the reward shall be paid to such persons in equal parts, unless they agree otherwise.

6. The compliance of the action performed with the conditions indicated in the announcement shall be determined by the person who has publicly promised the reward unless otherwise established in the announcement. In case of a dispute amongst the persons, such dispute shall be resolved in court.

Article 6.946. Revocation of the public promise to pay reward

1. The person who has publicly promised to pay reward, shall be entitled to revoke it in the same way as it was made, except for the cases when:

1) the announcement itself contained the statement that it is irrevocable;

2) the promise is irrevocable in its essence;

3) a certain term is required to perform the action indicated in the announcement;

4) one or several persons have already performed the action indicated in the announcement prior to its revocation.

2. The revocation of the public promise to pay reward shall not cancel the duty of the person who has announced such promise to indemnify the damages incurred by the persons in preparation to perform the action indicated in the announcement. The amount of the damages to be indemnified, however, shall not exceed the amount of the promised reward.

CHAPTER XLIX

PUBLIC TENDER

Article 6.947. Announcement of public tender

1. The public promise of a person to pay a special remuneration (the award) for the best performance of a certain work or any other result (the announcement of tender) obligates such person to pay the promised remuneration to the person whose work or any other result according to the conditions of the tender is recognised as the winner of the tender. The tender shall also be deemed the public promise of a person to grant a special right for the best project of implementation of a certain right. Such public promise obligates the person to grant a special right to the person whose project according to the conditions of the tender is recognised the winner of the tender.

2. When announcing the tender, it shall be required to state the task, the term for fulfilment of the task, the amount of the remuneration (the award) or the special right to be granted, the place of presentation of works or projects, the procedure and time of evaluation thereof, as well as any other conditions of the tender.

3. The public tender may be announced only in order to achieve a certain public or private goal which does not contradict good morals or public order.

4. The public tender may be open - when the offer of the organiser of the tender to participate in such tender is meant for all those who wish to participate therein and is announced in press or other mass media, or closed - when the offer to participate in the tender is sent to certain persons at the discretion of the organiser of the tender.

5. The conditions of the open public tender may establish certain qualification requirements for its participants if the organiser of the tender makes a preliminary selection of the persons who express their wish to participate in the tender.

Article 6.948. The change of the tender conditions or revocation of the tender

1. It is permitted to change the tender conditions or revoke the tender only in the first half of the term set for the delivery of works.

2. Notification on the change of the tender conditions shall be given to the participants of the tender in the same procedure as the announcement of the tender.

3. After the change of the tender conditions or its revocation, the organiser of the tender shall compensate the expenses incurred by each person who had performed the work stipulated in the conditions of the tender prior to the moment when he learnt or should have learnt about the change of the tender conditions or its revocation.

4. The organiser of the tender shall be dismissed from the compensation of the expenses stipulated in clause 3 of this Article if he proves that the work performed was not related to the tender (prior to the announcement of the tender) or does not conform to the conditions of the tender.

5. If during the change of the tender conditions or its revocation the requirements set forth in clauses 1 and 2 of this Article were breached, the organiser of the tender shall pay the remuneration to the person who performed the work conforming to the conditions of the tender.

Article 6.949. Resolution to pay remuneration (award) or grant a special right

1. The resolution to pay remuneration (award) or grant a special right shall be accepted and communicated to the participants of the tender while announcing the established terms and procedure of the tender.

2. If two or more persons (co-authors, collective of performers) are recognised as the winner of the tender, the remuneration to them shall be apportioned in the procedure established by agreement of such persons, and in case of a dispute among them the remuneration shall be apportioned by court based on the contribution of each of such persons.

3. If one award is allotted for two or more persons, it shall be apportioned in the procedure established in the rules of the tender, and if the rules of the tender do not provide for such procedure - in equal parts unless otherwise agreed by the winners themselves.

Article 6.950. Use of the works of science, literature, art and architecture awarded under the tender

If the subject-matter of the public tender was to create the work of science, literature, art or architecture, then the person who has announced the public tender shall acquire the priority right to enter with the winner of the tender into agreement on use of the created work and payment of the relevant remuneration to the author of the work, unless the conditions of the tender provide for otherwise.

Article 6.951. The return of the presented works or projects to the participants of the tender

The person who has announced the tender shall return to the participants of the tender the works or projects for which remuneration (award) is not assigned or the right is not granted, unless otherwise established while announcing the tender.

Article 6.952. Indemnification of damages to the participants of the tender due to non-observance of the rules of the tender by the person who has announced the tender

1. If the person who has announced the tender does not observe the announced procedure or terms for evaluation of the works or projects, the author of the presented work or project which complies with other the requirements of the tender shall acquire the right to receive compensation of the damages incurred to him.

2. If a special right (rights) is not (are not) granted to the winner of the tender, the winner shall be entitled to compensation of the damages incurred to him.

CHAPTER L

TRUST OF PROPERTY

Article 6.953. Concept of the property trust agreement

1. By the property trust agreement one party (the trustor) shall assign to the other party (the trustee) its property by the trust right for a certain period of time, and the other party undertakes to possess, use and dispose of such property in the interests of the trustor or its designated person (the beneficiary).

2. The assignment of property to any other person by the trust right shall not change the ownership right to the property. The trustor shall remain the owner of the assigned property.

Article 6.954. The contents of the property trust right

1. The contents of the property trust right is established by Article 4.106 of this Code.

2. The law or agreement may impose limitations on the rights of the trustee to possess, use or dispose of the property.

Article 6.955. Conclusion of transactions

1. The trustee shall conclude the transactions, related to the property assigned to him by the property right, in his own name, however specifying that he acts by the property trust right. The fact of the trust right shall be disclosed in the form established for the transaction to be concluded.

2. If the trustee fails to perform the obligation referred to in clause 1 of this Article, he shall be liable against third persons by his property.

Article 6.956. Objects of the trust right

1. The objects of the trust right may be movable and immovable things, securities or any other property.

2. The State or municipal property which is possessed, used or disposed of by a State or municipal enterprise, institution or organisation, shall not be assigned to any other person by the trust right, except for the cases when such enterprise, institution or organisation is liquidated or reorganised, as well as other cases provided for by the law.

Article 6.957. The founder of the trust right (trustor)

The founder of the trust right (trustor) may be the owner of the property or any other person established by law who is vested with such right.

Article 6.958. Trustee

1. The trustee may be a natural or legal person.

2. The law may establish the persons who are not entitled to be trustees.

3. The trustee may not be sole beneficiary under the property trust agreement.

Article 6.959. Essential conditions of the property trust agreement

1. The property trust agreement shall specify:

1) the property assigned by the trust right;

2) the trustor, the trustee, and if the agreement is made for the benefit of the third person (beneficiary) - the beneficiary;

3) the remuneration of the trustee and the procedure for its payment if the remuneration is set fort in the agreement;

4) the validity term of the agreement.

2. The property trust agreement shall be concluded for the term not exceeding twenty years. The law may also establish longer maximum terms for the validity of the agreement**.**

3. If upon expiration of the validity term of the agreement neither party states its wish to terminate the agreement, the agreement shall be deemed extended on the same conditions for the same term.

Article 6.960. The form of the property trust agreement

1. The property trust agreement shall be made in writing.

2. The immovable property trust agreement shall be in a notary form. It may be used against third persons only if it is registered with the public register in the procedure prescribed by laws.

3. The non-compliance with the requirements set in respect of the form of the agreement shall make the trust agreement null and void.

Article 6.961. Separation of property

1. The property assigned to the trustee by the trust right shall be separated from the property of the trustor and the trustee. The trustee shall make and manage the accounting (the balance-sheet) of the property assigned to it, and shall open a separate bank account for settlements.

2. It shall be prohibited to recover from the property assigned by the trust right subject to the actions brought by the creditors of the trustor, except for the cases when bankruptcy proceedings are instituted against the trustor or the trustor becomes insolvent. After institution of bankruptcy proceedings against the trustor or his becoming insolvent, the property trust right shall expire and the property shall be returned to the trustor.

Article 6.962. The assignment of the mortgaged (pledged) property by the trust right

1. The assignment of the mortgaged (pledged) property to any other person by the trust right shall not deprive the mortgagee (pledgee) of the right to recover from such property.

2. The trustee shall be informed that the property assigned to it is mortgaged (pledged). If the trustee did not or could not know about the mortgage (pledge) of the property, he shall be entitled to

claim the termination of the property trust agreement or be paid the remuneration and compensation of the loss.

Article 6.963. The rights and duties of the trustee

1. The trustee, complying with the law and agreement, shall exercise the owner's rights to the property assigned to him by the trust right.

2. All the rights acquired by the trustee in exercising the owner's rights shall be an integral part of the property assigned to it. The obligations arising in the course of activities carried out by the trustee shall be fulfilled using the property assigned to him.

3. The trustee shall be entitled to protect the trust right in the same ways as are used while protecting the possession and the ownership right.

4. The trustee shall submit the report on his activities to the trustor and the beneficiary in the procedure and terms established in the agreement. If the term for submission of the report is not provided, the report shall be submitted once a year. The owner shall have the right to control the trustee's activities at any time.

Article 6.964. Duty to perform the agreement personally

1. The trustee shall personally possess, use and dispose of the property assigned to him, to the exclusion of exceptions established in clause 2 of this Article.

2. The trustee shall be entitled to authorise any other person to perform certain actions required in respect of possession of the property provided that this is stipulated in the agreement or a prior written consent to that effect has been received from the trustor, or if it is necessary in order to protect the interests of the trustor or the beneficiary and it was not possible to receive the consent from the trustor within a reasonable term.

3. The trustee shall be liable for the actions of the person whom he has authorised to perform such actions, as if it were the actions of the trustee himself.

Article 6.965. The trustee's liability

1. The trustee which has failed to duly, in the interests of the trustor and the beneficiary, take care of the property assigned to him, shall indemnify to the beneficiary and the trustor the damages incurred due to the loss or damage of profit as well as the loss of income.

2. The trustee shall be released from compensation of the damages if he proves that the loss has been incurred due to force majeure circumstances or the actions of the trustor or the beneficiary.

3. If the trustee concludes the transaction in excess of the powers granted to him or in violation of limitations established in the agreement, he shall be personally liable under such transaction. If any third persons did not or could not know about the abuse of powers or violation of limitations, this will cause the appearance of the legal consequences set forth in clause 4 of this Article. In such case the trustor shall be entitled to claim from the trustee the compensation of the damages.

4. The debts under obligations which accrued during possession, usage and disposal of the property by the trust right, shall be covered from the entrusted property. If such property is not sufficient, the recovery shall be made from the trustee's property, and when the latter property is not sufficient - from any other property of the trustor.

Article 6.966. Remuneration for the trustee

The trustee shall be entitled to the remuneration set in the agreement and compensation of obligatory expenses from the proceeds from the property assigned to him, unless otherwise established in the agreement.

Article 6.967. The expiration of the property trust agreement

1. The property trust agreement shall expire in the following cases:

1) When the beneficiary dies or is liquidated, unless otherwise established in the agreement;

2) when the beneficiary waives the benefit received under the agreement, unless otherwise established in the agreement;

3) when the trustee dies, is recognised as legally incapable, of limited legal capacity or untraceable, or is liquidated;

4) when bankruptcy proceedings are instituted against the trustor;

5) when the trustor or the trustee waives the agreement because the trustee in not in a position to fulfil the agreement itself;

6) when the trustor waives the agreement on any other grounds and pays the trustee the remuneration established in the agreement and compensates the necessary expenses incurred by virtue of termination of the agreement.

2. Any party that wishes to waive the agreement shall give the other party six-month prior written notification to that effect, unless the agreement establishes any other term.

3. Upon expiration of the property trust agreement, the trustee shall return the property to the trustor, unless otherwise established in the agreement.

Article 6.968. Peculiarities of the property trust right

Laws may establish certain peculiarities of the property trust right when the trustee is a State or municipal enterprise, institution or organisation, also when the trust right appears on any other grounds than under the agreement.

CHAPTER LI

JOINT ACTIVITIES (PARTNERSHIP)

Article 6.969. Concept of the agreement on joint activities (partnership)

1. By the agreement on joint activities (partnership) two or more persons (partners), co-operating their property, work or knowledge, undertake to act jointly for a certain goal or certain activities which do not contravene the law.

2. The agreement on joint activities can also serve as the basis for establishment of partnerships.

3. The goal of the joint activities is not related to the seeking of profit, the agreement on joint activities is called the association agreement.

4. The agreement on joint activities (partnership) shall be made in writing, and in the cases prescribed by the law - in notary form. If the requirements set for the form of the agreement are not satisfied, the agreement shall become null and void.

Article 6.970. Contributions of the partners

1. A contribution of a partner shall be deemed everything such partner contributes to the joint activities - money, any other assets, professional or any other knowledge, skills, reputation and business relations.

2. It is presumed that the contributions of the partners are equal unless otherwise established in the agreement on joint activities. A contribution shall be assessed in money by agreement of all partners.

Article 6.971. Joint ownership of partners

1. The property contributed by the partners, which was previously their ownership, also the production received during joint activities, income and results, shall be joint-partial ownership of all the partners, unless otherwise established in the law or the agreement on joint activities.

2. If the contributed property previously was not the ownership of a partner, and the partner uses such property on any other grounds, this property shall be used in the interests of all the partners and shall also be deemed the property which is jointly used by all the partners, unless otherwise established in the law.

3. One of the partners appointed by joint agreement of all the partners shall be in charge of the accounting of the joint property.

4. The joint property shall be used, possessed and disposed of by joint agreement of all the partners. In case of a dispute, at the request of any of the partners the procedure shall be established by the court.

5. The obligations of the partners related to the maintenance of the joint property, and the coverage of any other expenses, shall be established in the agreement on joint activities.

Article 6.972. Management of joint affairs

1. While managing joint affairs, each of the partners shall be entitled to act on behalf of all the partners, unless the agreement on joint activities provides that joint affairs shall be managed by one of the partners or all the partners together. If the affairs may be managed only by all the partners together, the conclusion of each transaction shall require the approval by all the partners.

2. In case of relations with the third persons, the right of a partner to conclude the transactions on behalf of all the partners shall be approved by the power of attorney issued by the remaining partners or the agreement on joint activities.

3. In case of relations with the third persons, the partners shall not rely on limitations of the rights of the partner, who has concluded the transaction, to act on behalf of all the partners, except for the cases when they prove that at the time of conclusion of the transaction the third person knew of should have known about such limitations.

4. The partner who has concluded the transaction on behalf of all the partners in abuse of the powers granted to him or who has concluded the transaction in his own name in the interests of all the partners, shall be entitled to claim from the other partners the indemnification of the loss incurred if he proves that such transactions were necessary in order to protect the interests of the other partners. The partners who have incurred the damages by virtue of such transactions shall be entitled to claim from the partner, who has concluded such transactions, the compensation of such damages.

5. The decisions related to the joint affairs of the partners shall be adopted by joint agreement of the partners, unless otherwise established in the agreement on joint activities.

Article 6.973. The right of the partners to information

Each partner shall be entitled to have access to the documents concerning the management of the joint affairs, notwithstanding whether or not he has the right to manage the joint affairs. Any agreements imposing limitations on, or cancelling, the above mentioned right shall be void.

Article 6.974. Joint expenses and joint damages

1. The distribution of joint expenses and joint damages, related to the joint activities, shall be established in the agreement on joint activities. Absent such agreement, each partner shall be liable for the joint expenses and joint damages in proportion to the amount of his part of such expenses or damages.

2. The agreement which fully releases one of the partners from the coverage of the joint expenses or joint loss shall be null and void.

Article 6.975. The liability of partners under joint obligations

1. If the agreement on joint activities is not related to the economic-commercial activities of the partners, each partner shall be liable under joint contractual obligations to the extent of all his property in proportion to his part of such obligations.

2. Under the joint non-contractual obligations the partners shall be solidarily liable.

3. If the agreement on joint activities is related to the economic-commercial activities of the partners, all the partners shall be solidarily liable under the joint obligations, notwithstanding the ground for appearance of such obligations.

Article 6.976. Distribution of profit

1. The profit, obtained from the joint activities, shall be distributed among the partners in proportion to the value of the contribution of each of them into the joint activities, unless otherwise established in the agreement on joint activities.

2. The agreement to exclude any of the partners while distributing the profit shall be null and void.

Article 6.977. The separation of the interest of a partner

The creditors of a partner shall be entitled to claim the separation of the partner's interest from the joint property pursuant to the rules established in Book Four of this Code.

Article 6.978. The expiration of the agreement on joint activities

1. The agreement on joint activities shall expire:

1) when one of the partners is recognised as legally incapable, of limited legal capacity or untraceable, unless the agreement on joint activities or later arrangement of the remaining partners establishes to retain the agreement on joint activities among the remaining partners, except for the cases when the agreement on joint activities is valid without the above mentioned partner;

2) when bankruptcy proceedings are instituted against one of the partners, to the exclusion of exceptions established in sub-clause 1 of this clause;

3) in case of death or liquidation or reorganisation of one of the partners, unless the agreement on joint activities or later agreement of the remaining partners establishes to retain the agreement on joint activities among the remaining partners or substitute the deceased (liquidated or reorganised) partner with his legal successors;

4) when one of the partners refuses to continue as a participant of the non-term agreement on joint activities, to the exclusion of exceptions established in sub-clause 1 of this clause;

5) when the fixed-term agreement on joint activities is terminated at the request of one of the partners, to the exclusion of exceptions established in sub-clause 1 of this clause;

6) upon expiration of the validity term of the agreement on joint activities;

7) upon separation of the interest of one of the partners from the joint property at the request of his creditors, to the exclusion of exceptions established in sub-clause 1 of this clause;

2. Upon expiration of the agreement on joint activities, the things assigned for the joint use by all the partners shall be gratuitously returned to the partners who have assigned them, unless otherwise agreed by the parties.

3. From the moment of expiration of the agreement on joint activities, its participants shall be solidarily liable against the third persons for the outstanding joint obligations.

4. The property which is the joint ownership of the partners after termination of the agreement on joint activities shall be distributed in accordance with the rules established in Book Four of this Code.

5. The partner who has contributed a distinctive thing after expiration of the agreement on joint activities shall be entitled to demand to return him the thing unless the interests of other partners and creditors are infringed by such return.

Article 6.979. Waiver of the non-term agreement on joint activities

1. The partner who wishes to waive the non-term agreement on joint activities shall notify to that effect the other partners at least three months prior to such withdrawal, unless otherwise established in the laws or the agreement.

2. The agreements imposing the limitations on the right of the partners to waive the non-term agreement on joint activities or cancelling such right, shall be null and void.

Article 6.980. Termination of the agreement on joint activities at the request of one of the partners

1. One of the partners shall be entitled to terminate the agreement concluded with other partners, fixed-term or made for a certain goal, if:

1) other partners are in material breach under such agreement;

2) the partner who wishes to terminate the agreement cannot perform the agreement for important reasons;

2. The partner who has terminated the agreement shall indemnify to the other partners the direct damages incurred by virtue of such termination.

3. After termination of the agreement by one of the partners, the agreement shall remain in force in respect of the other partners, to the exclusion of the exceptions established in sub-clause 1 of clause 1 of Article 6.978 of this Code.

Article 6.981. Liability of the partner who has terminated the agreement on joint activities

If the agreement on joint activities is terminated upon refusal of one of the partners to be a participant of the agreement, or at the request of one of the partners, the person who is no longer a participant of the agreement on joint activities shall be liable against third persons under the obligations which appeared while he was a participant of the agreement on joint activities as if he were a partner.

Article 6.982. Undeclared partnership

1. The agreement on joint activities may stipulate that a partner (partners) shall be not avowed to third persons (the secret partnership). Such agreement shall be governed by the rules of the present Chapter, to the exclusion of the exceptions established in the agreement and this Article.

2. In case of relations with the third persons, each of the undeclared partners shall be liable to the extent of all his property under all the transactions he has concluded in his own name in the interests of all the partners.

3. All the obligations arising among the partners during their joint activities shall be partial.

CHAPTER LII

PEACEFUL SETTLEMENT AGREEMENT

Article 6.983. Concept of the peaceful settlement agreement

1. By the peaceful settlement agreement the parties shall resolve, by making mutual allowances, an existing judicial dispute, preclude a judicial dispute in the future, resolve an issue of enforcement of the court judgement or any other controversial matters.

2. The obligation of the parties arising from the peaceful settlement agreement in respect of its subject-matter shall be deemed indivisible.

3. The peaceful settlement agreement shall be in made in writing. The non-compliance with such requirement shall make the agreement null and void.

Article 6.984. The cases when the peaceful settlement agreement is not valid

The peaceful settlement agreement regarding the legal status or legal capacity of persons, regarding the matters regulated by the imperative norms of law, as well as regarding the matters related to public order, shall be void.

Article 6.985. The effect of the peaceful settlement agreement

1. The peaceful settlement agreement, upon approval by the court, shall have the effect of the final judgement (*res judicata*).

2. The peaceful settlement agreement, upon approval by the court, shall be an enforceable document.

Article 6.986. Recognition of the peaceful settlement agreement as void

1. The peaceful settlement agreement may be recognised as null and void due to essential inequality of its parties (Article 6.228 of this Code), as well as on other grounds of invalidity of transactions.

2. If the peaceful settlement agreement is made based on the transaction which was not in force at the time of making of the peaceful settlement agreement, such peaceful settlement agreement shall be null and void.

3. If the peaceful settlement agreement is made based on written documents which later appear as fake, such peaceful settlement agreement shall be null and void.

4. The peaceful settlement agreement shall be null and void if at the moment of making of the peaceful settlement agreement one or both parties did not know that the issue, which is the subject-matter of the peaceful settlement agreement, had already been resolved by the *res judicata* court judgement.

5. The peaceful settlement agreement shall be void if after its execution there appear the documents confirming that one of the parties to the peaceful settlement agreement is not or was not entitled to what is recognised as belonging to it by the peaceful settlement agreement.

6. The error of the parties in respect of the legal norms, except for the imperative legal norms, shall not be the ground to recognise the peaceful settlement agreement as void.

CHAPTER LIII

INSURANCE

Article 6.987. Concept of the insurance agreement

By the insurance agreement one party (the insurer) undertakes to pay, subject to the insurance contribution (premium), established in the agreement, to the other party (the insured) or the third person for whose benefit the agreement has been made, the insurance indemnity established in the insurance agreement to be calculated in the procedure prescribed in the insurance agreement, if an insured event set forth in the law or the insurance agreement occurs.

Article 6.988. Forms and branches of insurance

1. Insurance may be compulsory and voluntary.

2. The branches of insurance shall be life and non-life insurance.

3. The types and conditions of insurance as well as the branches of insurance and the interests of insurance shall be governed by other laws.

4. Only the interests protected by laws may be insured.

Article 6.989. The form of the insurance agreement

1. The insurance agreement shall be made in writing.

2. The insurance agreement shall be approved by the insurance certificate (policy).

Article 6.990. The procedure for execution of the insurance agreement

1. The insurance agreement shall be made when the insurer accepts the proposal (application) of the insured submitted to the insurer, or when the insured accepts the insurer's proposal to enter into the agreement. In the cases determined by the rules of the type of insurance, the application of the insured shall be made in writing. In such case the form and the contents of the written application shall be determined by the insurer.

2. The insured shall be liable for the accuracy of the data submitted in the proposal (application). Upon conclusion of the insurance agreement, the written application by the insured shall become an integral part of the insurance agreement.

Article 6.991. The insurance certificate (policy)

1. The insurance certificate (policy) shall contain:

1) the number of the insurance certificate (policy);

2) the name and the address of the insurer's office;

3) the name, surname or title of the insured, covered person or beneficiary;

4) the group of insurance and the name and number of the rules of a certain type of insurance;

5) the object of insurance;

6) the amount of insurance, except for the cases when the specific amount of insurance is not established;

7) the insurance premium and the terms for its payment;

8) the type of insurance;

9) the validity term of the insurance agreement;

10) the record that the insured is familiar with the rules of the type of insurance and has received a copy thereof;

11) the signature of the person authorised by the insurer to conclude the insurance agreement and the seal of the insurer, or the facsimile copies thereof;

12) the date of issue of the insurance certificate (policy);

2. The procedure for the registration and protection of the insurance certificates (policies) shall be established by laws.

3. If the insurance certificate (policy) fails to conform to the contents of the written application by the insured, and the agreement was made by accepting the application of the insured to enter into such agreement, the written application of the insured shall prevail.

Article 6.992. The execution of the insurance agreement according to standard conditions

1. If the insurance agreement is made according to the rules of the type of insurance drafted in the procedure prescribed by laws, the insurance agreement shall accordingly be governed by Articles 6.185-6.187 of this Code.

2. The insurer shall provide the conditions for public acquaintance with the rules of the type of insurance and, prior to execution of the insurance agreement, shall submit their copies to the insured.

Article 6.993. The obligation to disclose information

1. Prior to entering into the insurance agreement, the insured shall provide to the insurer all the held information about the circumstances which can have material effect on the probability of occurrence of the insured event and the amount of potential loss in respect of such event (the risk of insurance), if the insurer does not and should not know such circumstances.

2. Material circumstances about which the insured shall inform the insurer shall be deemed the circumstances indicated in the standard conditions of the insurance agreement (rules of the type of insurance), as well as the circumstances on which the insurer has requested in writing the insured to provided information.

3. If the insured fails to give a written answer to the inquiry by the insurer about certain circumstances, and the insurer, notwithstanding this fact, has entered into the insurance agreement, the insurer shall lose the right to claim the termination of the insurance agreement or recognise it as void based on the fact that the insured did not furnish him the information.

4. If after execution of the insurance agreement it is established that the insured has furnished to the insurer a knowingly misleading information about the circumstances stipulated in clause 1 of this Article, the insurer shall be entitled to claim the recognition of the insurance agreement as void, except for the cases when the circumstances, which have been concealed by the insured, disappeared prior to the insured event or had no effect on the insured event.

5. If after the execution of the insurance agreement it established that the insured through negligence has failed to submit the information stipulated in clause 1 of this Article, the insurer shall, not later than within two months from becoming aware of such circumstances, propose the insured to change the insurance agreement. If the insured refuses to do so and does not respond to the submitted proposal within one month (in case of life insurance - within two months), the insurer shall be entitled to claim termination of the insurance agreement.

6. If the insured through negligence has failed to provide the information stipulated in clause 1 of this Article, the insurer, upon occurrence of the insured event, shall pay a portion of the insurance indemnity to be paid to the insured subject to the fulfilment of the obligation provided for in clause 1 of this Article, which shall be proportionate to the ratio of the agreed insurance premium and the insurance premium which would have been established for the insured if the latter had fulfilled the obligation stipulated in clause 1 of this Article.

7. If the insurer, being aware of the circumstances which have not been reported by the insured through negligence, had not executed the insurance agreement, the insurer, within two months from his becoming aware that the insured has not submitted the information stipulated in clause 1 of this Article through negligence, shall be entitled to claim termination of the insurance agreement. Upon occurrence of the insured event, the insurer shall be entitled to refuse to pay the insurance indemnity only if he proves that not a single insurer, being aware of the circumstances which have not been indicated by the insured through negligence, would have executed the insurance agreement.

8. During the execution and validity term of the insurance agreement the insurer shall provide the insured the following information: the name of the insurer, the type of the insurance company, the address of the insurer's division or the insurer's representative (if the insurance agreement is executed in any other place than the insurer's registered office), the procedure for settlement of the disputes arising from or related to the insurance agreement, the behaviour of the insurer when the insured breaches the conditions of the insurance agreement, possible cases of increase of the risk of insurance as well as other information referred to in the legal acts regulating the insurance activities.

Article 6.994. The right of the insurer to evaluate the risk of insurance

1. Before execution of the insurance agreement the insurer shall be entitled to inspect the property to be insured, and, if necessary, to appoint, at own cost, the expertise for determination of its value.

2. If the insurance interest is related to the life and health of a natural person, the insurer shall be entitled to demand from the insured the documents confirming the age, condition of health, profession of the insured (covered person), and other circumstances relevant for the risk of insurance.

Article 6.995. Confidentiality of information

The insurer shall have no right to disclose information, obtained in the course of his insurance activities, about the insured, the covered person or the beneficiary, their health condition and property status, as well as other confidential information established in the insurance agreement, to the exclusion of exceptions stipulated by laws. The insurer, having breached such obligation, shall indemnify to the insured, the covered person or the beneficiary the property and non-property loss incurred.

Article 6.996. The coming into force of the insurance agreement

1. The insurance agreement, unless it provides for otherwise, shall come into force from the moment of payment by the insured of full insurance contribution (premium) or the first instalment thereof.

2. If the insured fails to pay the insurance contribution (premium) stipulated in clause 1 hereof, the insurance agreement shall terminate, unless otherwise established in the agreement.

3. Insurance shall be applied to all insured events which occurred after coming into force of the insurance agreement, unless otherwise established in the agreement. If the insurance agreement establishes to apply insurance also to the insured events which occurred prior to the coming into force of the insurance agreement, such condition shall be valid if the parties to the insurance agreement were not aware of the insured event which occurred prior to the coming into force of the insurance agreement.

Article 6.997. The amount of insurance

1. The amount of insurance of property interests and the amount of the insurance indemnity (the amount of insurance) the insurer undertakes to pay, shall be established by agreement of the parties to the insurance agreement or by the law.

2. In case of non-life insurance, to the exclusion of exceptions provided for by laws, the amount of insurance shall not exceed the actual value of the property insured or the property risk (the value of insurance).

Article 6.998. Contesting of the amount of insurance

The amount of insurance indicated in the insurance agreement may not be contested after execution of the agreement, except for the cases when the insurer, having failed to exercise his right to evaluate the risks of insurance, was defrauded due to indication of the knowingly misleading value of insurance or an arithmetic or spelling mistake.

Article 6.999. Partial insurance

1. If the amount of insurance established in the non-life insurance agreement, except for cases provided for by laws, is less than the value of insurance, then upon occurrence of the insured event the insurer shall indemnify to the insured (the beneficiary) a portion of the damages incurred in proportion to the ratio of the amount of insurance and the value of insurance.

2. The insurance agreement may also establish a bigger insurance indemnity not exceeding, however, the value of insurance.

Article 6.1000. Additional insurance

If only a portion of the value of property or risk (insurance) is insured in the non-life insurance agreement, except for cases stipulated by laws, the insured (the beneficiary) shall be entitled to additionally insure them by entering into an additional insurance agreement with the same or any other insurer. However, in such cases the total amount of insurance under all insurance agreements may not exceed the value of insurance.

Article 6.1001. Legal consequences of the insurance which exceeds the value of insurance

1. If the amount of insurance, specified in the insurance agreement, exceeds the value of insurance, the insurance agreement shall be void in respect of the portion of the insurance amount which exceeds the value of insurance. However, the paid insurance indemnity which exceeds the value of insurance may not be recovered.

2. If the insurance contributions (premiums) are paid on regular basis and, upon establishment of the circumstances stipulated in clause 1 of this Article, the insurance contribution (premium) has not been fully paid, the remaining payable amount of the insurance contribution (premium) shall be reduced in proportion to the amount of the reduction of the amount of insurance.

3. If the insurance amount is increased through the fraud of the insured, the insurer shall be entitled to demand to recognise the insurance agreement void and indemnify all the loss incurred to the extent such loss is not covered by the received insurance contribution (premium).

4. The rules of this Article shall also apply in the cases when the amount of insurance exceeds the value of insurance having insured the same object under several insurance agreements with different insurers (double insurance). In such case the insurance indemnity to be paid by each of the insurers shall be reduced in proportion to the reduction of the insurance amount under an appropriate insurance agreement.

Article 6.1002. Insurance against various risks

1. The object of insurance may be insured against different risks executing one or several insurance agreements with the same or different insurers. In such case the total amount of insurance under all insurance agreements shall be permitted to exceed the value of insurance.

2. If the obligation of the insurers to pay the insurance indemnity for the same consequences of the same insured event is stipulated under several insurance agreements made pursuant to clause 1 of this Article, there shall appear the consequences set forth in Article 6.1001 of this Code.

Article 6.1003. Coinsurance

The object of insurance may be insured under one insurance agreement jointly by several insurers (the coinsurance). Unless the insurance agreement provides for the rights and obligations of each of the insurers, in such case all the insurers shall be liable against the insured (the beneficiary) jointly and severally for the payment of the insurance indemnity.

Article 6.1004. Insurance contribution (premium)

1. The insured (the beneficiary) shall pay for the insurance protection to the insurer, subject to the terms set forth in the agreement or law, the established amount or amounts of money (the insurance contribution (premium))

2. The insurance agreement may establish that the insurance contribution (premium) shall be paid at once or regularly on the terms stipulated in the agreement. When the insurance contribution (premium) is paid regularly, the insurance agreement shall provide for the legal consequences of failure to make a regular contribution within the established term.

3. If the insured event occurs prior to the making of the insurance contribution (premium) which payable, the insurer shall be entitled to set-off the outstanding amount against the insurance indemnity.

Article 6.1005. The substitution of the covered person

The insured shall be entitled to substitute the covered person with any other person only upon receipt of the written consent of the insurer, unless otherwise established in the insurance agreement.

Article 6.1006. Substitution of the beneficiary

1. The insured shall be entitled to substitute the beneficiary indicated in the insurance agreement with any other person, to the exclusion of exceptions stipulated in laws or the agreement, upon prior written notification to the insurer.

2. If the beneficiary has been appointed upon consent of the covered person, the beneficiary may be substituted only upon consent of the covered person.

3. The beneficiary may not be substituted with any other person if he has fulfilled any obligations under the insurance agreement or claimed the insurer to pay the insurance indemnity.

Article 6.1007. Performance of the insurance agreement when there are both the insured and the beneficiary

1. If the insurance agreement is concluded for the benefit of the third person (the beneficiary), the liability against the insurer for the performance of the agreement shall lie with the insured, unless otherwise established in the insurance agreement.

2. The insurer shall be entitled to request the insurance agreement to be performed by the beneficiary if the insured has not performed the agreement, and the beneficiary shall claim the insurer to pay the insurance indemnity.

Article 6.1008. Substitution of the insurer

1. The insurer shall be entitled to assign its rights and duties under the insurance agreement to any other insurer or insurers in the procedure prescribed by the insurance agreement, upon receipt of the permission from an appropriate State authority which exercises the supervision of insurance.

2. The insurer shall give two-month prior notification to the insured about its intention to assign its rights and duties, unless a longer term is provided for in the insurance agreement.

Article 6.1009. The termination of the insurance agreement prior to the term

1. The insurance agreement may be terminated prior to its validity term established therein if after the coming into force of the agreement the possibility for occurrence of the insured event or the insured risk disappeared due to the circumstances which are not related to the insured event (the object of insurance perished for the reasons not related to the insured event etc.).

2. The insured shall be entitled to terminated the insurance agreement in any case.

3. If the insurance agreement is terminated on the ground established in clause 1 of this Article, the insurer shall be entitled to the portion of the insurance contribution (premium) which is proportionate to the validity term of the insurance agreement.

4. If the insured terminates the insurance agreement prior to the term, the insurance contribution (premium) paid to the insurer shall not be refunded, unless otherwise established in the insurance agreement.

Article 6.1010. Increase and decrease of the insurance risk

1. If during the validity term of the insurance agreement the circumstances stipulated in the insurance agreement change essentially, causing the increase or possible increase of the insurance risk, the insured shall notify the insurer to that effect immediately upon learning about such changes.

2. The insurer which been notified about the increase of the insurance risk shall be entitled to request to change the conditions of the insurance agreement or increase the insurance contribution (premium). If the insured in such case disagrees to change the conditions of the insurance agreement or pay bigger insurance contribution (premium), the insurer shall be entitled to apply to court for termination or amendment of the insurance agreement upon essential change of the circumstances (Article 6.204 of this Code).

3. If the insured fails to fulfil the obligation stipulated in clause 1 of this Article, the insurer shall be entitled to request to terminate the agreement and indemnify the loss to the extent such loss is not covered by the received insurance contribution (premium). However, the insurer shall have no right to request to terminate the insurance agreement if the circumstances which could cause the increase of the insurance risk have disappeared.

4. If during the validity term of the insurance agreement the circumstances established in the agreement change, causing the decrease or possible decrease of the insurance risk, the insured shall be entitled to request to change the conditions of the insurance agreement or reduce the insurance contribution (premium). If the insurer in such case disagrees to change the conditions of the insurance agreement or pay the reduced insurance contribution (premium), the insured shall be entitled to apply to court for termination or amendment of the insurance agreement upon essential change of the circumstances (Article 6.204 of this Code).

Article 6.1011. The change of the owner of the insured property

1. If the ownership right to the insured property passes from the person, in whose interests the insurance agreement has been made, to any other person, then the rights and obligations under the insurance agreement shall go over to the new owner of the insured property, except for cases when the property from the original owner is taken in compulsory procedure or the insurance agreement provides for otherwise.

2. The new owner of property shall immediately notify the insurer in writing about the assignment of the ownership right.

Article 6.1012. The obligation of the insured to notify about the insured event

1. The insured, having learnt about the insured event, shall notify the insurer or its representative to that effect within the term and in the way stipulated in the agreement. The beneficiary shall have the same obligation if he knows about the insurance agreement concluded for his benefit and intends to exercise his right to the insurance indemnity.

2. If the insured (the beneficiary) fails to fulfil the obligation set forth in clause 1 of this Article, the insurer shall be entitled to refuse to pay the insurance indemnity or reduce it in

consideration of whether the insured has failed to fulfil his obligation wilfully or through negligence, except for the cases when it is proved that the insurer has learnt about the insured event in a timely manner or when the failure to notify about the insured event has not effect on the insurer's obligation to pay the insurance indemnity.

Article 6.1013. The obligation to take measures to mitigate the loss

1. Upon occurrence of the insured event, the insured shall take reasonable accessible measures to mitigate the potential damage, following the insurer's instructions provided that such instructions have been given to the insured.

2. The necessary expenses incurred by the insured while mitigating the damage or following the insurer's instructions, shall be covered by the insurer, notwithstanding that appropriate measures have caused no positive result. Such expenses shall be covered in proportion to the ratio between the amount of insurance and the value of insurance, notwithstanding that the expenses, together with the amount of the loss, exceed the amount of insurance.

3. The insurer shall be released from compensation of the damages if the damage was caused by the wilful failure of the insured to take reasonable accessible measures to mitigate or avoid such damage.

Article 6.1014. Release from the payment of the insurance indemnity

1. The insurer shall be released from the payment of the indemnity if the insured event has occurred through a malicious act of the insured, covered person or the beneficiary, to the exclusion of the exceptions established in clauses 3 and 4 of this Article. The insurer shall pay the insurance indemnity if malicious acts or omission are socially valuable (self-defence, performance of a civil duty etc.).

2. The law may determine cases in which the insurer shall be released from the payment of the insurance indemnity due to the fact that the insured event has occurred through gross negligence of the insured or the beneficiary.

3. The insurer shall not be released from the payment of the insurance indemnity under the civil liability insurance agreement if the personal injury or death has been made through the fault of the person liable for such damage.

4. The insurer shall not be released from the payment of the insurance indemnity when such indemnity is to be paid under the insurance agreement in case of death of the insured, where the reason of the death was suicide, but the insurance agreement had been in force for more than three years.

5. Unless the insurance agreement provides for otherwise, the insurer shall be released from the payment of the insurance indemnity also in the following cases:

1) if the insured event occurred due to the acts of war or impact of radioactive radiation;

2) if the damage was caused by seizure, attachment or destruction of property following the instructions of governmental authorities;

3) in other cases prescribed by laws.

6. The laws may also establish other cases of release from the payment of the insurance indemnity.

Article 6.1015. The assignment of the rights of the insured to compensation of the damage onto the insurer (subrogation)

1. Unless the insurance agreement provides for otherwise, the right to claim the paid amounts from the person liable for the damage incurred shall pass over to the insurer who has paid the insurance indemnify. If the damage has been made by malice, the claim right shall pass over to the insurer notwithstanding the fact that the subrogation is prohibited by the insurance agreement. Subrogation shall not apply in case of insurance against accidents and illness, civil liability insurance, as well as in other cases prescribed by laws.

2. Having passed over to the insurer, the claim right shall be implemented in compliance with the rules establishing the relations between the insured (the beneficiary) and the person liable for the loss.

3. The insured (the beneficiary) shall transfer to the insurer all the information which is required for the insurer to duly implement the assigned claim right.

4. If the insured (the beneficiary) refused his claim right or if it became impossible to implement such right through the fault of the insured (the beneficiary), the insurer shall be released, fully or in part, from the payment of the insurance indemnity and shall be entitled to request to refund the indemnity which had already been paid.

Article 6.1016. Reinsurance

1. The insurer may fully or in part insure the risk of the payment of the insurance indemnity by concluding reinsurance agreements with other insurers. In such case the insurer under the original insurance agreement shall become the insured under the reinsurance agreement.

2. The reinsurance agreements mutatis mutandis shall be subject to the rules of this Chapter.

3. In case of reinsurance the insurer under the original insurance agreement shall remain liable against the insured for the payment of the insurance indemnity.

Article 6.1017. Mutual insurance

1. Natural and legal persons may insure the property interests on mutual basis, joining the funds necessary for such insurance in self-insurance societies.

2. The activities of self-insurance societies shall be regulated by laws.

3. The rules of this Chapter shall apply to mutual insurance unless other laws provide for otherwise.

Article 6.1018. Special branches and groups of insurance

The rules of this Chapter shall apply to the branches and groups of insurance unless other laws provide for otherwise.