L A W O N B U S I N E S S C O M P A N I E S

P a r t o n e
GENERAL PROVISIONS

1. Basic principles

Subject of the Law
Article 1

This Law shall regulate the founding of the companies, their management, the rights and obligations of the founders, partners, members and shareholders, association and reorganization (status changes and changes of legal form of the companies), and liquidation of the companies.

Concept and legal forms of the companies
Article 2

(1) A company is a legal person founded by a legal and/or natural person for the purpose of conducting activities with the aim of gaining profit.

(2) The legal forms of the companies within the meaning of this Law are general partnership, limited partnership, limited liability company and joint stock company (open and closed).

(3) Besides the legal forms of the companies stated in Paragraph (2) of this Article, other legal forms of the companies may be prescribed by special laws.

Organizational part
Article 3

(1) A company, domestic or foreign one, may establish one or more branches.

(2) A branch is an organizational part of a company which does not have the capacity of a legal person. A branch has a business location and authorized representatives, and conducts business with third parties in the name of and on behalf of the company.

(3) A branch of a company must be registered as required by the Law which regulates registration of business entities.

Duration of a company
Article 4

A company is founded for an unlimited duration, unless the Articles of Association states that the company will exist for a limited period of time or until the occurrence of a particular event or accomplishment of a particular purpose.

Activities of a company
Article 5

(1) A business company may perform any lawful activity.

(2) In cases where a law prescribes that certain activities may be carried out only with approval, permit or other document issued by a competent body, such activities may be conducted upon obtaining such approval, permit or other document.

(3) In cases where a specific law prescribes that certain activities may be carried out only by a particular legal form of a company, such activities may not be conducted in another legal form of a company.

Requirements for performing company's activities
Article 6

(1) A business company may perform its activities in the premises which meet requirements for technical equipment, protection at work and environmental protection and improvement, as well as other prescribed requirements.

(2) Compliance with the requirements referred to in paragraph (1) of this Article shall be verified by the competent body during a regular inspection control.

(3) A business company may start performance of its activities consisting of production, trade, distribution, processing or warehousing of the material which is hazardous or harmful to persons or the environment, if a competent body issues a certificate that the requirements referred to in paragraph (1) are met.

2. Founding of a company

Articles of Association and other documents
Article 7

(1) A company shall be founded by its Articles of Association which represents a founding contract in case of more founders or a founding decision if there is only one founder.

(2) The persons who are responsible for founding a company are herein considered the company's founders. All founders of a company shall sign its Articles of Association.

(3) The company's Articles of Association shall be notary verified and shall include the contents laid down by this Law for that legal form of a company.

(4) In addition to the Articles of Association, a general partnership or limited partnership may have a partnership agreement among the partners, a limited liability company may have a company agreement among the members, and a joint stock company may have a statute.

(5) Founders and other persons who, under this Law, join a general partnership upon its founding are partners; such persons in a limited partnership are general partners or limited partners; such persons in a limited liability company are company members; and such persons in a joint stock company are shareholders.

3. Registration and its publication

Beginning of existence as a legal person
Article 8

A company shall begin its existence as a legal person upon its registration into the court register (hereinafter called the register) as prescribed in the law which regulates the registration of business entities.

Registration and its publication
Article 9

Registration of the information on a company and its publication shall be carried out in accordance with the law which regulates registration of business entities.

Effects of the registration and its publication regarding third parties
Article 10

(1) It shall be considered that third parties have knowledge of the registered information on the company upon publishing such information, excerpt from the information, or even documents that were base for the registration, by means of a reference to the them.

(2) It shall be considered that third parties have knowledge of, or that under the circumstances may have knowledge of the information and documents referred to in Paragraph (1) of this Article before their publication, and after they are stored in the register, if so proved by the company.

(3) If published information is inconsistent with the registered information, the latter shall be considered correct for a company, and company cannot use published information in it relation with the third parties if the third party relied on the information from the register.

Nullity of a founding registration
Article 11

(1) The registration of a company's founding shall be nullified in cases prescribed by this Law and the law which regulates registration of business entities.

(2) Founding registration and registration of other information regarding a company shall be nullified if:

a) the number of the founders is less than the number prescribed by this Law,

b) all founders are without legal and business capacity,

c) the Articles of Association is not in prescribed form,

d) the Articles of Association does not state the business name of the company, the amount and type of the share of each founder or the amount the of the company's basic capital that is required by this Law or the company's activities,

e) the minimum capital contribution was not made in accordance with this Law,

f) the company’s activities are illegal or contrary to the public order

(3) If the basis for the nullity of the company’s registration can be remedied, the competent court, upon initiation of the procedure for determining nullity, shall set a deadline for such remedying which shall be not later than 90 days after the complaint is filed and shall suspend the procedure during that period.

4) Nullity of a company's registration shall have no legal effects on the company’s legal affairs concluded with conscientious third parties.

(5) In case of nullity of a company's registration, members and shareholders shall be jointly liable for payment of company creditors' claims.

4. Liability of founders and other persons

Liability for obligations before registration
Article 12

(1) Founders or other persons shall be liable jointly with all of their assets for the obligations taken upon the founding of a company, unless otherwise contracted with third parties who have a claim for such obligations.

(2) A company shall be jointly liable with founders or other persons referred to in Paragraph (1) of this Article for the obligations referred to in Paragraph (1) of this Article, if it commits to them after registration in accordance with this Law.

Contributions, assets, basic capital and liability for contributions
Article 13

(1) Partners, members or shareholders of a company are obliged to pay their agreed contributions to company’s capital as required by this Law, the company's Articles of Association or any other company’s document.

(2) For the contributions referred to in Paragraph (1) of this Article, a partner or a member shall receive a partnership interest, and a shareholder shall receive share in the company.

(3) Persons referred to in Paragraph (1) of this Article who fail to fulfill their obligations with respect to the company's founding or who submit false information on contributions to capital shall be liable to a company for any damages resulting from such failure.

(4) Failure to comply with obligations to pay a contribution to the company’s capital shall be subject to the provisions of this Law as well as of the Law on Obligations.

(5) If persons referred to in Paragraph (1) of this Article do not pay agreed non-monetary contributions, they may decide, upon prior consent of the company, to contribute cash equal to the value of the non-monetary contribution that has not been paid.

(6) All contributions which have been paid to a company are the property of the company and may not be used by partners, members or shareholders as their personal property.

(7) A company may not release or reduce the obligations under this Article of persons referred to in Paragraph (1) of this Article.

(8) Persons referred to in Paragraph (1) of this Article shall not be entitled to refund of or payment of interest on a contribution that has been paid to a company. A company's payment based on withdrawal or cancellation of shares or acquisition of its own shares and interests, as well as other payments made to those persons in accordance with this Law shall not be considered a refund of or payment of interest on a contribution.

(9) In case of a transfer of interest or share, the transferor and the transferee shall be jointly liable for the transferor's obligations related to the contributions paid prior to the time of transfer, unless otherwise stated in this Law.

(10) All the rights of a company based on the liabilities stated in paragraphs (1) through (9) of this Article shall be brought about by members or shareholders who represent 5% or more of the company's capital.

(11) A company's assets under this Law consist of the property right and other rights that the company has acquired through contributions and activities.

(12) The basic capital of a company is the difference between the total value of its assets and its liabilities.

Valuation of non-monetary contributions
Article 14

(1) Under this Law, non-monetary contributions shall mean contributions in kind, interests and shares in other companies, as well as contributions paid in work and services.

(2) The value of non-monetary contributions to a general partnership, a limited partnership, a limited liability company or a closed joint stock company shall be determined by the agreement of the partners, members or shareholders in accordance with the Articles of Association.

(3) If the value of non-monetary contributions is not determined as referred to in paragraph (2) of this Article, partners, members or shareholders may appoint an authorized appraiser for that purpose or may request the court to appoint an appraiser in non-contentious proceeding.

(4) The value of non-monetary contributions to an open joint stock company shall be determined by an authorized appraiser appointed by the founders i.e. board of directors from the list of authorized appraisers, or they may request a court to appoint the appraiser in a non-contentious proceeding.

Misuse of a legal form
Article 15

(1) A limited partner of a limited partnership, a member of a limited liability company, and a shareholder of a joint stock company may be held personally liable to third parties for obligations of the company if they misuse company for illegal or fraudulent purposes or treat the assets of the company as though they were their personal assets and as though the company did not exist as a legal person.

(2) Persons referred to in paragraph (1) of this Article shall be jointly liable for the company’s liabilities.

(3) Liability referred to in paragraphs (1) and (2) of this Article shall be determined by a competent court taking into consideration all the circumstances related to the misuse and particularly considering that the general principle of limited liability shall not apply in cases referred to in paragraph (1) of this Article.

5. Head office and business name of a company

Head office
Article 16

(1)The head office of a company is the location from which the company's business is conducted.

(2) The head office of a company shall be stated in the company's Articles of Association and registered in accordance with the law which regulates registration of business entities.

Business name
Article 17

(1) The business name of a company is the name under which the company conducts its business.

(2) A company's business name must be clearly distinguishable from the name of any other company and may not mislead with respect to the company or it business.

Required contents of the name
Article 18

(1) The business name of a general partnership shall include the words " general partnership" or the abbreviation "GP".

(2) The business name of a limited partnership shall include the words "limited partnership" or the abbreviations "LP".

(3) The business name of a limited liability company shall include the words "limited liability company" or the abbreviations "LLC".

(4) The business name of a joint stock company shall include the words “joint stock company " or the abbreviations "JSC".

(5) The business name of a company in liquidation or in bankruptcy shall include the words "in liquidation" or “in bankruptcy”, respectively.

Abbreviated or modified business name
Article 19

A company may do business using one or more abbreviated or modified business names only if such abbreviated or modified name is stated in its Articles of Association and under the same conditions under which the business name is used.

Restrictions on use of national and official names and symbols
Article 20

(1) The business name of a company may include the name of the Republic of Srpska or a unit of self-governance, as well as their coat of arms, flag or other state logo or mark, but only with prior consent of a competent authority.

(2) The business name of a company may include the name or symbols of a foreign state or an international organization only if permitted under the laws or regulations of that foreign state or organization.

(3) The business name of a company may not include or imitate official marks used for quality control or product warranty.

Restrictions on use of personal names
Article 21

(1) The business name of a company may include the name or part of the name of a natural person only with his consent or, in the case of a deceased person, only with the consent of all heirs in the first line of heritage.

(2) If a company in doing its business or in any other manner violates the respect and honor of the person whose name is part of the company's business name, that person's name shall be deleted from the company's name, upon the request of that person or his heirs in case of his death.

Use of business name and other details in documents
Article 22

(1) Business letters and other forms addressed to third parties by a company, including those in electronic form, shall provide the following information: business name and legal form of a company; head office of the company; register where the company is registered and number of the company's registration; business name and head office of a bank where the company has its bank account; bank account number and tax identification number.

(2) Besides the details referred to in paragraph (1) of this Article, business letters and other forms of a limited liability company and of a closed or open joint stock company shall also state the amount of a company's basic capital, indicating the amount of contributed, paid-in and subscribed capital of the company.

(3) Such letters and forms of a single-member limited liability company and joint stock company shall also state the fact that it is a single-member company.

Language and writing of a business Name
Article 23

(1) The business name of a company shall be in one of the languages and writings that are officially used in the Republic of Srpska.

(2) The business name of a company may be in a foreign language or may include some foreign words, if they constitute the business name of a company, company's

partner, member, shareholder or their trade or service mark, or if they are commonly used in the official language, or if those are words from a dead language.

Restriction on transfer of business name
Article 24

(1) The business name of a company may be transferred to another person only alongside with the assets or with the minimum of 30% of the assets value recorded in the accountancy books in the last annual financial statement (assets of major value).

(2) Transfer of a company's business name that contains a name of a person may be done only with the prior consent of that person or, if deceased, with the consents of his heirs.

(3) A decision to change a company's business name shall be made consistently with the company's Articles of Association.

6. Representatives and representation

Representatives and their competences
Article 25

(1) A representative of a company shall have a duty to the company to comply with any limitations on his competences which are stated in the company's Articles of Association, agreement among company's partners or members, statute or in a decision of the company.

(2) A representative of a company who exceeds limitations referred to in paragraph (1) of this Article shall be liable for any damage caused thereby to the company and to any third party with whom he has dealt.

(3) A limitation of the competences referred to in paragraph (1) of this Article, published or not published, may not be relied on by a company against a third party. A limitation of the competences for representation which include representation of two or more persons together may be relied on by a company against a third party in accordance with Article 10 of this Law.

(4) An act of a representative of a company shall be binding on the company even if the act is outside the business purpose of the company stated in its Articles of Association, unless the company proves that the third party knew, or under the circumstances should have known, that the act was outside the business purpose of the company. Publishing of the business purpose of a company shall not in itself constitute sufficient proof for such purpose.

(5) Published details about a person who has competences to represent the company shall be binding to the company, even if there are some irregularities in their appointment, this being relied on by third parties, unless the company proves that the third parties knew or should have known of the irregularity.

The definition of procura
Article 26

(1) Procura is a legal form of the competences in which a company authorizes one or more persons to conduct legal transactions related to the business purpuse of the company.

(2) If the procura does not state explicitly that it is issued for a particular branch of a company, it shall be considered to be issued for the entire company.

(3) A procura shall not authorize the entering into contracts for the transfer or charging of immovables. The competences from a procura may not be limited, it may not be given for particular period of time, neither conditioned by certain terms.

(4) Limitation of a procura has no legal effect as against third parties.

Issuance and types of procura
Article 27

(1) A procura may be issued by a company, to one person, or more than one person, weather separately or jointly.

(2) If a procura is issued to more than one person separately, each procurator shall have all representative competences from the procura in accordance with this Law.

(3) If a procura is issued to more than one person jointly, the transactions pursuant to the procura shall be valid only if agreed by all procurators. Declarations and legal transactions of third parties made to one of the procurators shall be considered to be made to all procurators.

(4) A procura shall be in written form.

(5) A procura may be granted only to a natural person.

(6) A procura is not transferable.

Procurator's signature
Article 28

A procurator shall sign for the company under his name and surname, with an indication which clearly states his positions placing the mark "p.p."

Termination of procura
Article 29

(1) A procura may be revoked by a company at any time.

(2) A company cannot waive its right to revoke a procura.

(3) If a procura is revoked, the procurator may exercise towards the company those rights which stem from the agreement on the basis of which procura was issued.

(4) A procura shall not be terminated by death or loss of capacity to act of the only member or shareholder of the company which issued the procura.

Registration of procura
Article 30

(1) A legal representative of a company shall submit an application for issuance or revocation of procura in the court register.

(2) At registration, a procurator shall deposit his signature with a mark indicating his position.

(3) A procura that is not recorded into the court register shall not exercise a legal effect.

7. Persons owing duties to a company

Basic principles
Article 31

(1) Duties to a company under this Law are owed by:

a) general partners and limited partners in a general or limited partnership;

b) persons who under this Law are considered controlling members of a limited liability company or controlling shareholders of a joint stock company;

c) representatives of a company;

d) members of a board of directors, members of an management board, members of a supervisory board, members of an audit committee, and an internal auditor of a limited liability company or a joint stock company;

e) persons who are authorized by contract to exercise management authority in a company; and

f) liquidators of a company.

(2) Persons named in paragraph (1) of this Article are obligated to act in the interest of the company.

Duty of care and business judgment rule
Article 32

(1) Persons named in paragraph (1) of the Article 31 have a duty to perform their functions fairly, with the care of a good businessman, and in the reasonable belief that they are acting in the company's best interests.

(2) Persons referred to in paragraph (1) of this Article are obligated to base their judgments on the information or opinions of persons who are experts for particular areas and who they believe are reliable and competent.

(3) A person who has acted in accordance with paragraphs (1) and (2) of this Article shall not be liable for damage to the company which may arise from such judgment.

Duty of loyalty
Article 33

(1) Persons referred to in paragraph (1) of Article 31 of this Law have a duty to act fairly and loyally to the company.

(2) Persons referred to in paragraph (1) of this Article who have a personal interest in a matter have a duty particularly not to use property of the company for their own needs, not to use confidential information of the company for the purpose of gaining personal profit, not to abuse their position in the company for the purpose of personal enrichment to the damage of the company, and not to take business opportunities of the company for personal purposes (hereinafter called the "duty of loyalty").

Personal interest and related persons
Article 34

(1) A personal interest in terms of Article 33 of this Law exists if a person referred to in paragraph (1) of Article 31 of this Law or a family member of such person:

a) is a party to a legal transaction with a company;

b) has a financial relationship with a party to a legal transaction which enters into contract with a company, or a financial interest in a legal transaction with the company that can be reasonably expected to affect his judgment contrary to the interests of the company; and

3) is under the controlling influence of a party to a legal transaction, or of a person who has a financial interest in the transaction that could reasonably be expected to affect his judgment adversely to the company.

(2) A "family member" of a person referred to in paragraph (1) of this Article includes:

a) the person's spouse, or/and parents, brother or sister of the person's spouse;

b) the person's child, parent, brother, sister, grandchild or a spouse of any of the foregoing;

c) a relative of direct vertical lineage and horizontal lineage to the second level of kinship, adopter and adoptee, a spouse's relative to the first level of kinship; and

d) an individual having the same home as the person.

(3) Persons referred to in paragraph (1), items 2) and 3) and paragraph (2) of this Article shall be considered to be related persons under this Law (hereinafter called "related persons").

Authorization of legal transactions involving conflict of interest
Article 35

(1) A person who enters into a legal transaction with the company shall not violate the principles related to conflict of interest stated in Article 34 of this Law, and shall not be liable for damages arising from his conflict of interest, if the legal transaction is authorized in good faith by either:

a) all other partners who do not have a personal interest (in the case of a general partnership) or all limited partners who do not have a personal interest (in the case of a limited partnership), unless the Articles of Association states that the authorization shall be given by a majority of such partners in accordance with the Articles of Association

b) a majority vote of the members who do not have a personal interest, given at a members' meeting (in the case of a limited liability company); or

d) a majority vote of the members of the board of directors who do not have a personal interest (or, if such a majority does not exist, a majority vote of shareholders who do not have a personal interest) (in the case of a joint stock company).

(2) The authorization of a transaction referred to in paragraph (1) of this Article will be effective if all material facts regarding the personal interest are known or have been disclosed to the partners, members of the company, members of the board of directors or shareholders who grant the authorization.

(3) In the case of any such authorization of a transaction with a joint stock company by the board of directors where there is a conflict of interest, the matter shall be reported to the first shareholders' assembly next following.

(4) A person who enters into a contract or transaction with the company shall not be considered to have violated the principle related to the conflict of interest referred to in Article 34 of this Law, and will not be liable for damages arising from his conflict of interest, if he proves that the transaction was in the interest of the company at the time it was entered into.

(5) A transaction which under Article 34 of this Law involves a conflict of interest, and which is not authorized in accordance with paragraphs (1) and (2) of this Article or for which proof is not made in accordance with paragraph (4) of this Article, shall be null.

(6) If a company does not authorize a legal transaction which involves a conflict of interest, persons referred to in paragraph (10) of Article 13 of this Law may exercise the rights laid down in this Law.

Prohibition of the competition
Article 36

(1) Persons referred to in paragraph (1) of Article 31 of this Law may not directly or indirectly engage in the other company of competing business, unless it is authorized in accordance with Article 35 of this Law.

(2) Such prohibited competition referred to in paragraph (1) of this Article shall include:

a) employee;

b) entrepreneur;

c) general partner or limited partner;

d) controlling member or shareholder;

e) member of a company body referred to in paragraph (1) 4) of Article 31 of this Law;

f) representative of a company;

g) liquidator of a company; and

h) person authorized by contract to manage a company.

(3) A company's Articles of Association may provide that the prohibition referred to in paragraphs (1) and (2) of this Article shall remain in force after the loss of the status referred to in those paragraphs, but for no longer than two years.

Legal effects of violation of conflict of interest principles and prohibition of the competition
Article 37

(1) Violation of conflict of interest and prohibition of the competition shall entitle a company to recover damages and the right to:

a) accept the transaction entered by a person for his own interest as being transactions made in the interest of the company;

b) transfer to the company any amount of money resulting from the transactions transaction entered by a person for his own interest; or

c) transfer to the company any claims stemming from the transactions transaction entered by a person for his own interest.

(2) Claims to enforce the rights of a company for violation of conflict of interest or prohibition of the competition may be brought by the company, a general partner, a member, or shareholders who have or represent at least 5% of the basic capital of the company, and must be brought within 60 days after discovery of the violation or three years after the date of the violation.

Duty to keep business secret
Article 38

(1) Information on operations of a company determined by company's Articles of Association, partnership agreement, company agreement, Articles of Association or statute of the joint stock company, which would obviously result in significant damage to a company if known by a third party are considered to be business secret.

(2) Information which is required to be disclosed by law or relates to violation of laws, good business practices and principles of business ethics, including information which is grounds for suspicion of corruption, will not be regarded as business secrets. Disclosure of such information is legal if its purpose is to protect the public interests.

(3) Persons referred to in Article 31 of this Law shall be liable for damages caused to the company in terms of keeping business secrets i.e. its unlawful disclosure.

(4) A company has a duty to provide full protection of a person who acts in good faith to bring the existence of corruption to the attention of a public body.

Changes in duties owed to a company
Article 39

(1) A general partnership, limited partnership, limited liability company or closed joint stock company may establish duties to the company in addition to those stated in Articles 32, 34, 36 and 38 of this Law.

(2) A company referred to in paragraph (1) of this Article including open joint stock company may, in its Articles of Association, partnership agreement, company agreement or statute (as the case may be), identify specific activities, types and manner of

conducting activities, as well as place of conducting activities which shall not represent a prohibition of the competition to the company.

8. Individual and derivative lawsuit

Individual lawsuit by a partner, member or shareholder
Article 40

(1) A partner, member or shareholder of a company has the right to file an individual lawsuit in his own name against any person referred to in paragraph (1) of Article 31 of this Law to recover damages caused by violation of duties by that person under this Law.

(2) In the case of a general partnership, duties which are owed to the company shall be considered as duties owed to the partners, unless the Articles of Association or partnership agreement provides otherwise.

(3) A lawsuit under paragraph (1) of this Article may be brought by one person in his own name or by more persons in their names acting together.

Derivative lawsuit by a limited partner, member or shareholder
Article 41

(1) A limited partner in a limited partnership, member in a limited liability company, or shareholder in a joint stock company has the right to file a lawsuit in his name and on the company's behalf against any person referred to in paragraph (1) of Article 31, to recover damages to the company caused by violation of duties owed to the company under this Law (hereinafter called a "derivative lawsuit").

(2) A derivative lawsuit may be filed by a limited partner, member or shareholder only if the following conditions are met:

a) the limited partner, member or shareholder had that status at the time of filing the lawsuit, or acquired that status as a result of transfer interests or shares from a person who had that status at the time of filing of the lawsuit.

b) the limited partner, member or shareholder owns interests or shares in the company representing at least 5% of the basic capital of the company, at which the interests and shares of all of them shall be counted together for this purpose; and

c) the limited partner, member or shareholder, before filing the lawsuit, had requested the company in writing to file the lawsuit and that request was refused or not responded to by the company within 30 days of the date of its submission.

(3) The request referred to in item c) paragraph (2) of this Article shall be made to all general partners in the case of a limited partnership, to a director, members of a supervisory board, or other persons who have authority to file the lawsuit in the case of a limited liability company and a joint stock company.

(4) Persons referred to in paragraph (2) of this Article are obligated to include, alongside with the derivative lawsuit, the evidence that the actions referred to in paragraph (2) item c) of this Article were taken.

(5) A derivative case may not be settled out of court.

(6) All damages received in a derivative case shall be the property of the company, except that the person who filed the lawsuit shall be entitled to recover their expenses.

(7) The provisions from the paragraph (1) though (6) shall not be applicable to a general partnership unless its Articles of Association or partnership agreement so provides.

Simultaneous individual and derivative lawsuits
Article 42

In case when individual and derivative lawsuits are filed simultaneously, the person filing a lawsuit may lead both court cases simultaneously, in which case the special restrictions referred to in Article 41 hereof shall not apply to the individual case.

9. Information, publication and time limitation

Right to information and access
Article 43

(1) Every company shall keep its general partners, members or shareholders informed regarding the company's business activities and financial condition and it shall make available information and documents required to be made available in this Law, the Articles of Association or statute.

(2) If a competent body or authorized person of a company fails to act as required under paragraph (1) of this Article, they shall be held liable for damages caused to partners, members or shareholders.

(3) If a competent body fails to carry out the duties referred to in paragraph (1) of this Article, the partners, members and shareholders may request the competent court in a non-contentious proceeding to issue an order to act as required in paragraph (1) of this Article.

Publishing of the information
Article 44

(1) A company which offers securities by public offering shall publish all information contained in the offering documents that is required by the law which regulates securities markets.

(2) A company shall also publish the information referred to in paragraph (1) of this Article in accordance with the law which regulates securities markets and with regulations of the Securities Commission.

Disqualifications from election
Article 45

(1) A person who has been convicted of criminal offenses related to economy and performance of his duties under a special law relating to the economy or business, as well

as a person who violates provisions of this Law on restrictions of payments, may not be an authorized representative, member of the board of directors, procurator or liquidator of a company until the legal consequences thereof have lapsed under the law.

(2) A member of one of the company's bodies, and persons related to such person as described in this Law, which have supervisory function in that company or the companies related to it, may not be a person with authority to represent or conduct management of the company.

Settlement of disputes
Article 46

(1) The court in the territory where a company's main office is located is competent to decide all disputes arising under this Law, unless this Law provides otherwise.

(2) The court shall decide in non-contentious proceedings in cases specified in this Law or in matters arising under this Law.

Obsolescence
Article 47

(1) Claims of company's general partners, members and shareholders (while they enjoy that status) as against the company shall become obsolete not later than six months after the date of becoming aware of the basis for the lawsuit but not in any event later than three years from the date of its maturity, unless provided otherwise by law for particular claims.

(2) Claims of company's creditors as against general partners, members and shareholders become obsolete not later than six months after the date of becoming aware of the basis for the lawsuit but not in any event later than three years from the date of dissolution of the company or from the date of termination of their status as partners, members or shareholders, unless different obsolescence term is provided by law for particular claims.

(3) The provisions of paragraphs (1) and (2) of this Article shall also apply to a company's claims against partners, members, shareholders, members of company bodies representatives and liquidators in such capacity.

P a r t t w o
LEGAL FORMS OF A COMPANY

I - GENERAL PARTNERSHIP

1. Definition and founding

Definition and liability
Article 48

(1) A general partnership under this Law is a company founded by two or more natural and/or legal persons thereby gaining the status general partners of the company with the aim to conduct business under a common business name.

(2) A general partnership is liable for all of its obligations with all of its assets.

(3) All partners of a general partnership are jointly liable for all obligations of the partnership with all of their assets, unless otherwise agreed with the creditor.

(4) If agreement concluded among partners contains a provision contrary to the paragraph (3) of this Article, that provision of the agreement is legally ineffective as against third parties.

Freedom to contract principle
Article 49

The partners of a general partnership may regulate freely their relations among themselves and with the partnership except if provided otherwise by this Law and other laws.

Articles of Association
Article 50

(1) The Articles of Association of a general partnership shall contain:

a) the full name and place of residence of all natural-person partners and the business name and main office of all legal-person partners;

b) the business name and main office of the partnership;

c) the business purpose of the partnership; and

d) a statement of the kind and value of the contribution of each partner.

(2) The Articles of Association may contain other matters of certain significance to the partnership and the partners.

(3) The Articles of Association may be amended only with the agreement of all partners, unless otherwise provided by the Articles of Association.

Partnership agreement
Article 51

(1) Apart from the Articles of Association, a partnership may have a partnership agreement regulating the business of the partnership and its management.

(2) A partnership agreement is not required to be submitted to the registration application.

(3) A partnership agreement must be in written form and must be signed by every partner.

(4) A partnership agreement and any amendments thereto shall have legal effect among partners as of the moment of signing of the agreement by all partners, unless provided otherwise in the partnership agreement.

Relationship between Articles of Association and partnership agreement
Article 52

In the event of any inconsistency between a partnership's Articles of Association and partnership agreement, the Articles of Association shall be applied.

2. Legal Relations among the partners and the partnership

Regulation by Articles of Association and partnership agreement
Article 53

Legal relations of partners among themselves and with the partnership shall be governed by the partnership's Articles of Association and partnership agreement if it has a partnership agreement.

Contributions
Article 54

(1) The contribution of a partner to a general partnership may be monetary or non-monetary, including work or services done to a company.
(2) All partners' contributions shall be equal in value.

Consequences of delay in payment of contribution
Article 55

(1) A partner who fails to pay his contribution when due as required by the Articles of Association, or fails to timely transfer to the partnership any amount of cash or other property he has received at any time on behalf of the partnership, or takes for himself cash or other property from the partnership without authorization, shall pay interest on the amount from the day on which his contribution or the transfer were due or from the day on which he took the cash or other property.
(2) The provisions of paragraph (1) of this Article shall not exclude any other compensation or damages available to a partnership.

Increase or reduction of contribution
Article 56

(1) No partner is obligated to increase his contribution above the amount agreed in the Articles of Association, or to increase his contribution agreed in the Articles of Association for covering losses of the partnership.
(2) No partner may reduce his contribution without the approval of all the other partners.

Transfer of interests among partners
Article 57

Transfer of interests among partners shall be unrestricted.

Decision making by partners
Article 58

(1) A decision in the ordinary course of a partnership's business shall be made by a majority of the total number of partners. The consent of all partners shall be required for a decision on a matter outside the ordinary course of the partnership's business and for the admission of a new partner.

(2) In the case of decisions involving a conflict of interest as referred to in Articles 34 and 35 of this Law, partners who have the conflict shall not participate in the decision.

(3) Partners shall make decisions for the partnership during a meeting of partners. The same applies as to partners engaged in management.

Management of the business
Article 59

(1) Each partner shall have the right and obligation to manage the business of the partnership (herein called "management of the business").

(2) If the Articles of Association or partnership agreement has assigned management of the business to one or more particular partners, the other partners shall be excluded from the management.

Management of the business by more than one partner
Article 60

(1) If two or more partners are authorized to conduct management of the business, each of them shall have the right to act independently, unless one of them contests such right.

(2) If the Articles of Association or partnership agreement provides that managing partners may act only jointly, the approval of all managing partners shall be required for each act or transaction, except when this would require deferment of a decision and the deferment would harm the partnership's interests.

(3) If the Articles of Association or partnership agreement provides that the management shall be by more than one partner, every managing partner shall follow advice given by the other managing partners, and every managing partner shall keep the other managing partners informed for the purpose of making joint decisions.

(4) If a managing partner is bound to follow instructions of another managing partner and the first managing director considers instructions under the paragraph (3) to

be inappropriate under the circumstances, he shall notify the other managing partners for deciding jointly, unless this would require deferment of a decision and the deferment would harm the partnership's interests.

Scope of the management
Article 61

(1) Management of the business shall include the competences for conducting legal transactions and matters in the ordinary course of the partnership's business.

(2) Legal transactions and matters which are outside the ordinary course of the partnership's business and that are not included in paragraph (1) of this Article shall require consent of all partners.

Transfer of management authority
Article 62

(1) A partner of a partnership company authorized to conduct company's business may transfer his management authority to a third party only if all other partners approve it.

(2) A partner of a partnership company who transfers his management authority to a third person who is not a partner is liable for the choice of that person and for the acts of that person in exercising those management rights.

Resignation of management authority
Article 63

(1) A partner of a partnership company may resign from management responsibilities within a time frame stated in the Articles of Association or partnership agreement, and on grounds which are reasonable in the judgment of the other partners.

(2) Any provisions in the Articles of Association or partnership agreement which would allow a partner to resign his right to conduct management of the company's business, shall be null and void.

(3) If there are reasonable grounds for a partner to resign sooner than the time frame referred to in paragraph (1) of this Article, he may do so.

(4) A partner of a partnership company authorized to conduct company's business must give notice of resignation in writing to all the partners and the partnership in time to allow for continuation of pending transactions by other managing partners, unless there are reasonable grounds for shorter notice.

(5) If a managing partner resigns contrary to paragraphs (1) and (3) of this Article, he is obligated to compensate any damage to the partnership caused thereby.

Revocation of management authority
Article 64

The management authority of a partner may be revoked by decision of a competent court upon request of the partnership or other partners made on reasonable

grounds which may include incapacity to perform managerial duties regularly or gross violation of duties.

Right to reimbursement of expenses
Article 65

(1) A partner shall be entitled to reimbursement of expenses which he has incurred in conducting the partnership's business and which were necessary in view of the circumstances.

(2) Expenses referred to in paragraph (1) of this Article shall be paid by the partnership.

Profit and loss
Article 66

(1) At the end of each business year partners adopt an annual financial report stating profits or losses of the partnership and each partner's share thereof.

(2) Each partner shall be entitled to an equal share of any profits of the partnership.

(3) Each partner shall bear equally any losses of the partnership.

(4) The interest of each partner in the profit of the partnership shall be paid to him not later than three months from the date of the adoption of the financial report.

(5) If the Articles of Association contains a provision which defines only interest weather in profit or loss, such provision shall be considered to relate both to profits and losses.

Applicability
Article 67

The provisions of Articles 54-66 of this Law shall apply to a partnership unless the partnership's Articles of Association or partnership agreement provides otherwise.

3. Legal relations of a partnership and partners to third parties

Right to representation
Article 68

(1) Each partner shall have authority to represent the partnership, unless the Articles of Association provides otherwise.

(2) If two or more partners have authority to represent a partnership, they may do so independently unless the Articles of Association provides otherwise.

(3) The Articles of Association may state that all or some of the partners may represent the company only jointly.

(4) Partners who are entitled by the Articles of Association to represent the company jointly may authorize one or more of them to carry out specific transactions or specific kinds of transactions. A communication from a third party delivered to any one of the partners entitled to participate in the representation of the partnership shall be considered to be delivered to the partnership.

(5) The Articles of Association may determine that the partners may represent the partnership only jointly with a procurator, in which case, paragraph (4) of this Article shall apply accordingly.

(6) Any kind of details related to the partners who represent the partnership such as the change of the partner who is entitled the representation, entitlement of the new partners, as well as any change in a scope of the partner's authority to represent the partnership shall be registered in accordance with the law which regulates registration of business entities.

Resignation of representation authority
Article 69

(1) A partner authorized to represent a partnership may resign within a time frame stated in the Articles of Association or partnership agreement, and on grounds which are reasonable in the judgment of the other partners.

(2) Any provisions in the Articles of Association or partnership agreement which would allow a partner to resign his representation authority, shall be null and void.

(3) If there are reasonable grounds for a partner to resign representation authority sooner than the time frame referred to in paragraph (1) of this Article, he may do so.

(4) A partner must give notice of resignation of representation authority in writing to all the partners and the partnership in time to allow for continuation of pending transactions by other partners.

(5) If a partner resigns contrary to paragraphs (1) and (3) of this Article, he is obligated to compensate any damage to the partnership caused thereby.

Revocation of representation authority
Article 70

Authority to represent a partnership may be revoked by decision of a competent court unless provided otherwise in the Articles of Association, or revoked based on a lawsuit filed by the partnership or upon request made by the other partners if it is determined that the partner is incapable of representing the partnership or is in gross violation of his duties to represent the partnership.

Complaint and compensation
Article 71

(1) A partner may file a personal complaint, as well as a complaint on behalf of the partnership, against a third party.

(2) A claim of a third party against a partner may not be compensated from claims of the partner against the partnership.

Liability of a new partner
Article 72

(1) A person who becomes a partner in an existing general partnership shall have all the liabilities as all existing partners including pre-existing liabilities.

(2) Provisions of the partnership agreement contrary to paragraph (1) of this Article are legally ineffective as against third parties unless the third parties agree.

4. Partnership Interests

Transfer of partnership interests to third parties
Article 73

(1) A partner may transfer his interest in a partnership to a third party only with the consent of all the other partners.

(2) In case of a proposed transfer of interest to a third party, the other partners shall have a preemptive right to purchase that interest.

(3) If the other partners do not give such consent and do not exercise such preemptive right, the partner who wishes to transfer his interest may do so freely to any third party.

(4) A pledge of an interest shall be considered a transfer of the interest for the purposes of paragraphs (1), (2) and (3) of this Article.

(5) Transfer of an interest at death to heirs and legal successors shall not be a transfer of interest to a third party for purposes of paragraphs (1), (2) and (3) of this Article.

(6) The Articles of Association or partnership agreement may contain provisions regarding transfer which are different from those in paragraphs (1)-(4) of this Article.

Liability related to transfer of interest
Article 74

(1) In case of any transfer of interest, the transferor and the transferee shall be jointly and severally liable to the partnership for all of the transferor's obligations to the partnership at the moment of the transfer, unless all of the partners agree otherwise.

(2) A claim by or on behalf of a partnership with respect to paragraph (1) of this Article must be brought within three years after from the registration of the transfer of interest.

(3) Provision established in paragraph (2) of this Article shall also apply accordingly to all other claims by or on behalf of a partnership against a person who has ceased to be a partner.

5. Dissolution of a general partnership and exit of the partners

Causes to dissolution of a partnership
Article 75

(1) A general partnership shall dissolve upon occurrence of any of the following events:

a) expiration of the term or completion of the task for which the partnership was established;

b) a decision of the partners to dissolve;

c) the date as of which the partnership has not carried out any business activities for two years in continuous succession;

d) a court decision that the partnership is dissolved; and

e) any event agreed to in the Articles of Association or partnership agreement that results in dissolution.

(2) A partner shall cease to be a partner upon the occurrence of any of the following events unless the Articles of Association or partnership agreement provides otherwise:

a) death of the partner;

b) opening of a bankruptcy proceeding against the partner;

c) resignation of a partner;

d) a decision of the partners made in accordance with the Articles of Association or the partnership agreement and this Law;

e) any other cases stated in the Articles of Association or partnership agreement.

Article 76
Tacit extension of duration

If a partnership has been established for a definite term or for the fulfillment of a specific purpose and continues operating after the expiration of that term or the achievement of that purpose, the partnership shall be considered to have received the tacit consent of all partners to exist for an indefinite period of time.

Resignation and withdrawal of a partner
Article 77

(1) A partner may withdraw voluntarily from a partnership by giving written resignation notice.

(2) Written resignation notice referred to in paragraph (1) of this Article shall be submitted to the other partners not less than six months before the end of the partnership's business year, unless the Articles of Association provides otherwise.

(3) A partner's right referred to in paragraph (1) of this Article may not be reduced or eliminated.

Dissolution of a partnership by court decision
Article 78

(1) Pursuant to a lawsuit filed by a partner, a partnership may be dissolved by court decision for justifiable reasons.

(2) A justifiable reason under paragraph (1) of this Article shall exist if the court finds:

a) that a partner has deliberately or by gross negligence violated his duties under this Law, the Articles of Association or the partnership agreement;

b) that the performance of such duties has become impossible;

c) that it is not otherwise possible to continue the partnership's business in conformity with this Law, the Articles of Association or the partnership agreement.

(3) Any agreement in which reduction or elimination of the partner's right to file a lawsuit referred to in paragraph (1) of this Article is stated, shall be null.

(4) A lawsuit referred to in paragraph (1) of this Article shall be brought against the partnership and all other partners in the competent court.

(5) Instead of ordering dissolution of the partnership as referred to in paragraph (1) through (4) of this Article, the court may, if request for lawsuit is reversed in that manner, to order the expulsion of a partner under Article 79 of this Law.

Expulsion of a partner
Article 79

(1) The provisions of this Law related to the expulsion of a member of a limited liability company shall apply to expulsion of a partner of a partnership.

(2) A decision to expel a partner shall be made by the remaining partners in accordance with Article 58 of this Law.

Consequences of partner’s exit form the partnership
Article 80

(1) The interest of a partner who exits the partnership shall be distributed among the remaining partners equally.

(2) The remaining partners shall be obligated to pay the departing partner the amount he would have received if the partnership had been dissolved at the time of his exit without taking account of then-outstanding transactions.

(3) If the value of the assets of the partnership is not sufficient to cover the partnership's commitments, the departing partner shall pay a part of the missing amount proportionate to his share in bearing losses of the partnership.

(4) Paragraphs (l)-(3) of this Article shall apply unless provided otherwise by the Articles of Association or partnership agreement.

Participation in unfinished transactions by a partner leaving the partnership
Article 81

The share of a partner leaving a partnership in profits and losses of pending transactions shall be included as of the date of his exit, unless the Articles of Association or partnership agreement provides otherwise.

Procedure in case of one remaining partner
Article 82

(1) If for any reason only one partner remains, he is obligated to take all necessary measures to adapt the company's business according to the conditions prescribed by this Law or continue the business as an entrepreneur within three months after the date that he became the only partner.

(2) If within the time limit referred to in paragraph (1) of this Article the sole partner fails to conform the status with the requirements of this Law, the partnership shall stop to exist by liquidation.

Continuation of a partnership with heirs
Article 83

(1) A general partnership shall continue the business with the heirs to a deceased partner, if so provided by the Articles of Association and consented to by the heirs.

(2) The heirs may exercise the right referred to in paragraph (1) of this Article from the date they knew of the succession or the date of the appointment of the representative of an heir who has no legal capacity, as the case may be.

Registration of partnership dissolution
Article 84

(1) The partners with authority to represent a partnership shall report a dissolution of the partnership and the exit of any partner from the partnership to the register for registration and publication.

(2) In case of dissolution by court decision, the court shall report the dissolution to the register ex officio.

II - LIMITED PARTNERSHIP

1. Definition and founding

Definition and Liability
Article 85

(1) A limited partnership under this Law is a company founded by two or more natural and/or legal persons thereby gaining the status of partners of the company with the aim to conduct business under a common business name and in which at least one partner's liability is unlimited (a "general partner") and at least one partner's liability is limited to the height of his agreed contribution (a "limited partner").

(2) A limited partnership is liable for all of its obligations with all of its assets.

Application of general partnership provisions to limited partnerships
Article 86

(1) Unless this Law provides otherwise, the provisions of this Law on general partnerships shall also apply to limited partnerships.

(2) A general partner in a limited partnership has the same status as a partner in a general partnership unless provided otherwise by this Law.

Articles of Association
Article 87

(1) The Articles of Association of a limited partnership shall contain:

a) a full name and place of residence of each natural-person partner and the business name and main office of each legal-person general partner and limited partner and a statement of which type of partner each is;

b) the business name and main office of the partnership;

c) the registration of the type and value of each founder's contribution;

d) the business purpose of the partnership.

(2) The Articles of Association of the limited partnership may contain other matters as considered relevant by the limited partnership and general partners.

Amendment of Articles of Association
Article 88

(1) The Articles of Association of a limited partnership may be amended only with the consent of all general and limited partners, unless the Articles of Association provide otherwise.

(2) An amendment of the Articles of Association of a limited partnership which increases the obligations of a particular partner or imposes new liabilities on a particular partner shall require the consent of that partner.

Limited partnership agreement
Article 89

(1) Apart from the Articles of Association a limited partnership may have a limited partnership agreement regulating the partnership's business and management.

(2) A limited partnership agreement is not required to be submitted to the register.

(3) A limited partnership agreement must be in writing and must be signed by every partner.

(4) A limited partnership agreement and any amendments thereto shall have legal effect among partners as of the moment of signing the agreement by all partners unless provided otherwise in that agreement.

Relationship of Articles of Association and limited partnership agreement
Article 90

In the event of any inconsistency between a limited partnership's Articles of Association and limited partnership agreement, the Articles of Association shall be applied.

2. Legal relations among the partners and the partnership

Contributions
Article 91

(1) The contribution of a limited partner to a limited partnership may be monetary or non-monetary including work or services done to the company.

(2) A limited partner must pay in all of his contributions to the limited partnership prior to his becoming a limited partner.

Transfer of interests
Article 92

(1) A general partner of a limited partnership may not transfer all or any part of his partnership interest without the consent of all limited and general partners.

(2) A limited partner of a limited partnership may transfer all or any part of his partnership interest by sale, gift, inheritance or otherwise.

Profit and loss
Article 93

Each general and limited partner shall be entitled to a share of any profits and shall bear any losses from the partnership in proportion to his of the company's shares.

Applicability
Article 94

The provisions of Articles 91-93 of this Law shall apply to a limited partnership unless the Articles of Association or partnership agreement provides otherwise.

Management of a limited partnership
Article 95

(1) One or more general partners shall manage the business of a limited partnership.

(2) A limited partner may not participate in management of a limited partnership.

3. Legal relations of the limited partnership and its partners with third parties

Representation
Article 96

A limited partner shall not represent a limited partnership in dealings with third parties.

Liability of a limited partner as a general partner in certain cases
Article 97

(1) A limited partner shall be liable as a general partner towards third parties if his name is included in the business name of the limited partnership with his consent.

(2) A limited partner shall be liable as a general partner if he acts contrary to paragraph (2) of Article 95 of this Law.

4. Changes in membership and status of a company

Termination of partner status and changes of a legal form
Article 98

(1) A limited partnership shall not dissolve upon the death of a limited partner or upon dissolution of a limited partner who is not a natural person.

(2) If all general partners exit the limited partnership and new general partners are not admitted within 90 days after the date of the exit of the last general partner, the

limited partners may unanimously decide in another 90 day long period to change the legal form of the company into a limited liability company or joint-stock company in accordance with this Law.

(3) If limited partners of a limited partnership do not comply with the action and time frame stated in paragraph (2) of this Article, the limited partnership shall be terminated by liquidation in accordance with this Law.

(4) If all limited partners exit a limited partnership, the company may continue its business a general partnership or an entrepreneur in accordance with the paragraph (2) of this Article.

(5) Any amendments form paragraphs (1)-(4) of this Article shall be recorded and published in accordance with the law which regulates registration of business entities.

III - LIMITED LIABILITY COMPANY

1. Basic Principles

Definition and liability
Article 99

(1) A limited liability company under this Law is a company founded by two or more legal and/or natural persons thereby gaining the status of members of the company with the aim to conduct business under a common business name

(2) A limited liability company is liable for all of its obligations with all of its assets.

(3) A member of a limited liability company is not liable for obligations of the company, except up to the amount of unpaid contribution into the company's capital.

(4) A limited liability company may have a maximum 50 members.

(5) If the number of members of a limited liability company exceeds the number stated in paragraph (4) of this Article but is not more than 100, and if such situation continues for more than one year, the company shall change its form to a closed joint stock company.

Principle of the freedom to make contracts
Article 100

The members of a limited liability company may regulate freely their relations among themselves and with the company except as provided otherwise in this Law.

2. Articles of Association and company agreement

Articles of Association
Article 101

(1) The Articles of Association of a limited liability company shall contain:

a) the full name and place of residence of each natural-person member and business name and main office of each legal person member of a company;

b) the business name and main office of the company;

c) the business purpose of the company;

d) the amount of the company's basic capital, the amount, type and value of each founder's contribution, and a description of the type and value of any such contributions which non-monetary;

e) the manner and time of making contributions, whether monetary or non-monetary;

f) the total amount of all the company’s forming costs, or an estimate of all the costs payable by the company or chargeable to it by reason of its formation and, where appropriate, the costs made before the company is authorized to commence business; and

g) any special advantage granted to any person who has taken part in the company’s founding, or in the activities proceeding or anyone who has taken part in the determining the eligibility to initiate business.

(2) The Articles of Association of a limited liability company may also contain other provisions including provisions that may be contained in a company agreement.

Company agreement
Article 102

(1) Apart from the Articles of Association a limited liability company may have a company agreement regulating the company's business and management. A company agreement shall be in writing and shall contain provisions which:

a) impose obligations on members to make contributions to the company in addition to their initial contributions, and prescribe specific payments and other consequences for their failure to meet such obligations;

b) state conditions for and the manner of transfer of shares by members in ways different from those stated in this Law;

c) prescribe detailed procedures for decision-making including a method for settling disputes in case of deadlock among members.

(2) A company agreement is not required to be submitted to the register.

(3) A company agreement and any amendments thereto shall have legal effect among members as of the moment of the signing of the agreement by all members, unless provided otherwise in the company agreement.

Relationship of Articles of Association and company agreement
Article 103

In the event of any inconsistency between a company's Articles of Association and company agreement, the Articles of Association shall be applied.

3. Costs

Founding costs
Article 104

(1) The Articles of Association of a limited liability company may provide that the cost of founding a company shall be borne by the company or by its founders.

(2) If not provided otherwise in the Articles of Association, the founders shall bear the cost of founding the company.

(3) If the Articles of Association provides that the cost of founding shall be borne by the company, the cost shall be reimbursed by the company to the founders up to the amount stated in the Articles of Association.

4. Basic obligations of the members

4.1. Obligation Concerning Contributions

Form of contributions
Article 105

(1) A member's contribution to a limited liability company may be monetary or non-monetary including work or services done to a company.

(2) Limited liability company members' contributions may not be equal in value.

(3) Contributions to a limited liability company, monetary or non-monetary shall be paid in to the company as provided in the company's Articles of Association.

4.2. Additional contributions

Foundation
Article 106

(1) Members of a limited liability company may make a decision on payment of additional contributions if so provided by the company's Articles of Association or company agreement.

(2) Unless provided otherwise in the Articles or Association or company agreement, such additional contributions shall be made by the members in proportion to their respective shares.

(3) If a member of a limited liability company does not pay the additional contribution as referred in paragraph (2) of this Article, the remaining members shall be obligated to pay that amount in proportion to their shares unless provided otherwise in the Articles of Association or company agreement.

(4) A limited liability company's Articles of Association may provide that a member who does not meet his obligations referred to in paragraphs (1) and (2) of this Article shall be liable to other members and the company for the damage caused.

5. Basic capital

Minimum basic capital
Article 107

(1) The monetary value of the basic capital of a limited liability company at the day of payment shall not be less than 2000 BAM (two thousand Bosnia and Herzegovina marks), of which sum at least one half shall be deposited in an interim account until the registration of the company, while the remainder shall be transferred to the company's account within two years from the date of registration.

(2) A higher amount of minimum basic capital may be required by a separate law for the founding of financial and insurance companies, as well as other companies that conduct certain business as limited liability companies.

Increase and decrease of the capital
Article 108

(1) A limited liability company's basic capital may be increased by decision of its members, through additional contributions by members or through conversion of any reserves available for that purpose.

(2) A limited liability company's basic capital may be decreased by a decision of its members, but not below the amount required by this Law.

(3) A decrease of a limited liability company's basic capital on one basis can be conducted simultaneously with an increase of its basic capital on another basis, in accordance with this Law.

(4) Registration of an increase or decrease of a company's basic capital shall be done once a year, and within thirty days from the day of the members' annual assembly.

Applicability
Article 109

Provisions of this Law that regulate the maintenance, reserves, increase and decrease of basic capital and convening of shareholder meetings of an open joint stock company, shall apply to the maintenance, increase and decrease of basic capital and convening of member meetings of a limited liability company when the company's losses do not exceed 50% of the company's basic capital.

6. Interests

One interest per member
Article 110

(1) A member of a limited liability company shall acquire an interest in the basic capital of the company in proportion to the value of his contribution.

(2) A member of a limited liability company may have one interest in the company.

(3) If a member limited liability company acquires one or more additional interests, they will be combined with his existing interest and all will constitute a single interest.

Voting right and property rights based on contributions
Article 111

Unless provided otherwise in a company's Articles of Association, the limited liability company members' voting right and their property rights in the company, including participation in the profit and distributions of the liquidation surplus shall be in proportion to their then-current percentages of the total contributions of all members paid in.

Legal nature of the interests
Article 112

(1) Interests in a limited liability company shall not be securities.

(2) Interests in a limited liability company may not be acquired or offered through public invitation.

(3) Unless provided otherwise in a company's Articles of Association or company agreement, a limited liability company shall issue a certificate to each member identifying his membership and evidencing his share.

Co-ownership of an interest
Article 113

(1) An interest may have one or more than one owner (hereinafter called co-owners of the interest). Co-owners of an interest shall be considered to be one single member of the company and each co-owner's full name and address shall be put in the company's book of interests.

(2) Unless provided otherwise in a company's Articles of Association or company agreement, co-owners of an interest in a limited liability company shall exercise their voting and other rights in the company only through a single joint representative. In case of the existence of the single joint representative, co-owners of an interest in a limited liability company are obligated to identify that representative to the company in order for him to be put in the company's book of interests.

(3) Any notice given by the limited liability company to such a designated representative referred to in paragraph (2) of this Article shall be considered to be given to all of the co-owners. If the co-owners of the interest fail identify a joint representative to the company, a notice given by the company to any co-owner shall be considered to be given to all co-owners.

(4) Co-owners of an interest shall be jointly liable to the limited liability company for all obligations to the company related to their interest.

(5) Legal action by a limited liability company against one co-owner shall have binding effect against all co-owners.

Book of interests
Article 114

(1) A limited liability company shall keep a book of interests at its main office.

(2) The book of interests referred to in paragraph (1) of this Article shall contain: the personal name and place of residence, or business name; main office and the tax reference number of every company member, every co-owner of an interest and their representative; the amount of all contracted and paid-in contributions of each member and any secondary obligations and additional contributions besides the initial contributions; all pledges of interests; the number of votes or the percentage of voting power of each interest; all transfers of interests including the date of the transfer and the name of the transferor and the transferee; and all changes in any of the foregoing.

(3) A limited liability company shall submit application and documents for any changes in data entered into the book of interests to the register in order to be registered and published in accordance with the law which regulates registration of business entities.

(4) A member of a limited liability company shall have the right to examine and make a copy of the book of interests.

(5) The directors of a company or members of the board of directors shall be liable to the company for the validity of the data in the book of interests in compliance with this Law.

Registration in the book of interests
Article 115

(1) In relation to a limited liability company, a company member shall be a person who is registered as such in the company's book of interests, whereas in relation to third parties a company member shall be a person registered as such in the register.

(2) It shall be considered that a company member is registered in the book of interests on the date when application for registration is submitted, where application shall include all the information that are entered in the book of interests, regardless of actual time of registration.

Definition and acquisition of own interests
Article 116

(1) Under this Law, own interests of a limited liability company shall mean interests that company acquires from members.

(2) A limited liability company may not subscribe to its own interests, directly or indirectly, through third parties who would acquire them on the company’s behalf.

(3) A limited liability company may acquire its own interests from members, whether wholly paid or partly paid interests.

(4) Interests referred to in paragraph (3) of this Article may be acquired by purchase from a member in case of involuntary termination of a member's membership or otherwise.

(5) A limited liability company may not acquire its own interests contrary to the provisions of this Law that imposes restrictions on the payments.

(6) Limited liability company's interests shall not provide a company with a voting power, shall not be counted in calculating a quorum for voting, and shall not carry the right to receive dividends.

(7) Own interests or parts of the interests owned by a limited liability company that have not been managed for a year from the date of their acquisition, shall be cancelled by the company.

Pledge of interests
Article 117

(1) A limited liability company may pledge interests in the company only if the amounts of debt claims secured by the pledge are less than the value of the interests, i.e. the paid value of the interests.

(2) A pledge by a member of his interest to the company or to a person who acts in the name and on behalf of the company shall be subject to the provisions of this Law relating to acquisition of own interests.

Loans by a company to acquire its interests
Article 118

(1) A limited liability company may not directly or indirectly provide any financial support for acquisition of its interests.

(2) Paragraph (1) of this Article shall not apply to transactions by financial institutions in the normal course of business or to loans or advance payments for acquisition of interests by employees or the company or a related company.

(3) Transactions referred to in paragraph (2) of this Article shall be carried out only within the restrictions on payments imposed by this Law.

Withdrawal and cancellation of interests
Article 119

(1) A limited liability company may withdraw and cancel its own interests in cases foreseen by the Articles of Association or company agreement.

(2) A decision on withdrawal or cancellation of interests shall be made by the assembly of the company's members, unless provided otherwise in the company's Articles of Association or company agreement.

(3) A decision of the assembly of the company's members to withdraw and cancel interests shall state the grounds for withdrawal and cancellation, the amount paid to the member whose interest is withdrawn or cancelled, and the effect it produces on the company's capital.

(4) A decision referred to in paragraph (4) of this Article shall be entered into the company's book of decisions.

(5) All rights and obligations of a limited liability company members arising from an interest shall terminate upon withdrawal and cancellation of that interest.

7. Basic rights of company members

7.1. Right to disposal of interest

Unrestricted transfer
Article 120

Unless provided otherwise in this Law or the Articles of Association or company agreement, a limited liability company member's interest may be freely transferred:

a) to another member of the company or to the company;

b) to the transferring member's spouse, brother, sister, lineal ancestor, lineal descendant, or spouse of a lineal descendant;

c) to a member's legal representative or heir upon his death; or

d) by a status change of the company under this Law.

Preferential right to acquisition of interests
Article 121

(1) Before offering his share or a part thereof to a third party who is not a person referred to in Article 120 of this Law, a transferring member of a limited liability company is obligated to offer it first to the company.

(2) If the company does rely on its preferential right to acquisition of interests within the period stated thereof in the company's Articles of Association or company agreement, the decision on which is to be made by the members' assembly, the offer shall be sent to the other members of the company, in accordance with the Articles of Association or company agreement.

(3) If a company or other members do not inform the transferring member on their decision within the period stated in the Articles of Association or company agreement, the offer shall be deemed refused.

(4) The company or the other members may make a counteroffer to the transferring member, in which case the transferring member shall give a response in writing within 10 days of receipt of the counteroffer. If the transferring member does not do so within such period, the counteroffer shall be deemed refused.

(5) A company accepting an offer may allocate some or all of the purchased interest or part thereof to one or more of its members if all the members who voted in favor of the purchase approve the allocation. If the company is unable to buy the interest because of the restrictions on payment in this Law, the members who voted for the purchase shall be obligated to do so in proportion to their contributions in the company.

(6) If the offering member's offer is rejected by the company or other members, the offering member may, during a period of 60 days after the rejection, transfer his share to a third party at the price and on other terms offered to the company and members or a higher price.

Transfer of interest in court enforcement proceeding
Article 122

In the case when a transfer of a interest of a limited liability company member is performed in an enforcement court proceedings, a company and its members shall have the preferential rights to acquisition stated in Article 121 of this Law, and shall also be subject to laws regulating enforcement proceedings.

Requirements and consequences of transfer
Article 123

(1) An interest shall be transferred by written contract with notary certified signatures of the transferor and the transferee. A company's Articles of Association need not be amended to reflect a transfer, unless the company's Articles of Association provides otherwise.

(2) A transferor and a transferee of an interest shall be obligated to notify the company immediately of the transfer, change of membership and the time of the transfer, for entry into the company's book of interests. A company shall give effect to a transfer when it has received notice of the transfer.

(3) A transferee of an interest shall become a member of a limited liability company only when he has agreed in writing to be a member and to be bound by the company's Articles of Association and company agreement by signing it and when he is registered in the company's book of interests.

(4) An interest transfer to heirs shall become effective as of the date the decision on succession becomes valid.

Division of interest and Transfer of a part of the interest
Article 124

(1) An interest of a member of the limited liability company may be divided in case of inheritance, legal succession, and transfer to two or more persons.

(2) A company's Articles of Association or company agreement may prohibit division of an interest or may permit it only in certain cases such as the case of a transfer by a member to two or more other members.

(3) The provisions of this Law on interest transfer shall apply to transfers of interests in whole or in part.

Pledge of an interest by a member
Article 125

(1) A member of a limited liability company may pledge his interest as a security for a loan or other obligation of the member, unless the company's Articles of Association or company agreement provides otherwise.

(2) Any pledge shall be entered into the company's book of interests and the pledge register.

(3) Unless the company's Articles of Association or company agreement provides otherwise, a pledgee shall not have any voting or management rights in the company until and unless he has become a member of the company.

(4) An approval of a pledge shall not imply approval for transfer of ownership or membership to a third party unless the approval so states, and the approval is not contrary to the company's Article of Association or company agreement.

7.2. Right to receive payment

Financial reports
Article 131

(1) A limited liability company's directors or board of directors shall submit financial reports and business reports, together with any related independent auditor's report, to an annual assembly of members to be adopted by them.

(2) Any adoption by the limited liability company members' assembly of a company's annual or other financial statements shall not affect any right available to the members if such statements are later found to be incorrect or misleading.

General provisions regarding payment
Article 127

(1) A limited liability company may make payments to its members at any time, unless provided otherwise in the company's Articles of Association or company agreement and if it is not contrary to the provisions of this Law restricting payments.

(2) Unless provided otherwise in a company's Articles of Association or company agreement, any payments to limited liability company's members shall be made to them in proportion to their then-current contributions in the basic capital of the company at the point in time when the company's decision to make the payment is made.

(3) A company agreement may contain other provisions regarding payments, including provisions specifying times and amounts for payments, majority of the assembly's members who make a decision on payment, amount of the payment and authorization of the director or board of directors to declare and make such a payment, date to determine the identity of members who are entitled the payment, or imposing limitations on distributions in addition to those in the provisions of this Law restricting payments.

(4) When a limited liability company member becomes entitled to receive a payment, he becomes a creditor of the company with respect to the payment.

Restrictions on payments
Article 128

(1) A limited liability company may not make a payment to its members if, after payment, either:

a) the company's net assets would be less than its basic capital, increased by the amount of any reserves that may be used for payments to members in compliance with this Law and other regulations and decreased by any amount that the company is required to enter into reserves for the year in which payments are made; or

b) the company would be incapable of paying its debts as they become due in the ordinary course of the company's business.

(2) As an exception to paragraph (1) of this Article, a limited liability company may make a payment to its members if its financial statements prepared in accordance with the law which regulates accounting and auditing show that the payment is reasonable in the given circumstances.

Liability for prohibited payments
Article 129

(1) A limited liability company member who receives a prohibited payment contrary to the Article 128 of this Law, and who knew, or who under the circumstances must have known, at the time that the payment was thus prohibited, shall be liable to the company for the return of the amount of the payment.

(2) A member, director or a member of the board of directors of a limited liability company who causes such a prohibited payment to be made, and who knew, or who under the circumstances must have known, at the time that the payment was thus prohibited, shall be liable to the company for the return of the amount of the payment.

(3) If more than one person has liability under paragraphs (1) and (2) of this Article with respect to a particular prohibited payment, their liability shall be joint.

(4) A company's Articles of Association or company agreement may provide that members must replenish the decrease of the company's basic capital if the persons referred to in paragraph (2) of this Article may not reimburse the company for such prohibited payments.

Loan instead of capital
Article 130

(1) If a member of a limited liability company has granted the company a loan at a time when the members acting as orderly merchants would instead have made capital contributions (such as at a time of financial crisis), the member shall be a subordinated creditor under the Law on Bankruptcy for repayment of the loan in a bankruptcy proceeding against the company.

(2) If a third party has granted the company a loan described in paragraph (1) of this Article and a company member has provided the third party with collateral or guarantees for repayment of the loan, then in a bankruptcy proceeding against the company the third party may assert a claim for repayment only of amounts that remain unpaid.

(3) The provisions of paragraphs (1) and (2) of this Article shall apply mutatis mutandis to other actions of a company member or a third party that are commercially equivalent to the granting of loans as described in paragraphs (1) and (2) of this Article.

(4) The foregoing rules shall not apply with respect to a member or director of the company who holds shares representing less than 10% of the company's capital.

(5) If the company has repaid a loan or other amounts referred to in paragraphs (1) -(3) of this Article within a year preceding the commencing of bankruptcy proceedings against the company, then the member who gave the security shall reimburse the company the amount that was repaid.

(6) The obligation referred to in paragraph (5) of this Article shall, however, exist only up to the amount of the value of the security given by him at the time of the repayment of the loan.

(7) A member shall be discharged from the liability referred to in paragraph (5) hereof if he makes available to the company, for satisfaction of the obligation, the assets which were granted as security.

(8) Paragraphs (l)-(7) of this Article shall apply mutatis mutandis to other legal transactions which are the commercial equivalent of a loan.

8. Assembly

8.1. Definition and competence

Definition
Article 131

(1) The members of a limited liability company shall make a members' assembly.

(2) In a single-member limited liability company the power of the members' assembly shall be exercised by the single member or another person authorized by the member.

(3) A member of limited liability company referred to in paragraph (1) of this article shall, upon the adoption of a decision from the scope of the members; assembly, record and sign the minutes and enter the decision in the company's book of decisions.

(4) Any agreements made between a member referred to in paragraph (2) of this Article and a company shall be in writing or entered in the company's book of decisions, unless they concern current operations in the normal course of the company's business.

Competence
Article 132

Unless provided otherwise in this Law or in a company's Articles of Association or company agreement, the members' assembly shall make decisions on:

a) approving business operations concluded in relation with founding of the company prior to registration;

b) appointment and removal of directors or members of board of directors and fixing their remuneration;

c) adopting financial reports and deciding the time and amount of payments to members;

d) appointing internal auditors or independent auditors, approval of their findings and opinions, and determining their remuneration and other conditions of their engagement;

e) appointing liquidators and confirming the liquidation balance sheet;

f) increasing or decreasing the basic capital of the company, acquiring, withdrawing or canceling own interestss, and issuing any securities;

g) granting procuration and other business powers-of-attorney for the company and any company branches;

h) deciding on any additional capital contributions to be required from members;

i) expulsion of members, admission of new members, and approval of transfer of interests to third parties when company approval is required;

j) changes in status, changes in legal form and termination of existence of the company;

k) approving legal transactions of the company, directors and other persons in accordance with the Article 35 of this Law;

l) acquisition, sale, lease, pledge, and other dispositions of major assets as provided in this Law;

m) amending the company's Articles of Association or company agreement;

n) establishing branches;

o) adopting a book of rules for members' assembly; and

p) any other matters which the Articles of Association of company agreement states shall be within the exclusive competence of the members' assembly.

8.2. Convening an assembly and agenda

A meeting of the members' assembly
Article 133

(1) A meeting of limited liability company members' assembly shall be convened when necessary but always in cases prescribed by this Law or the company's Articles of Association or company agreement.

(2) A meeting of limited liability company members' assembly shall be convened by the company's single director or board of directors unless the company's Articles of Association or company agreement provides otherwise. The place of each meeting shall be the company's main office, unless the Articles of Association or company agreement prescribes differently or the members decide differently.

Regular and extraordinary meetings of the members' assembly
Article 134

(1) A regular annual meeting of the members' assembly shall be held no later than six months after the end of the company's business year with an aim of adopting the financial reports and making decisions on profit distribution.

(2) Meetings of the members' assembly held between the annual meetings shall be known as extraordinary meetings.

(3) A request to convene a meeting the members' assembly may be submitted to the director or board of directors by any member at any time.

(4) An extraordinary meeting shall be convened if requested in writing by members with at least 10% of the voting power of all members, unless the Articles of Association or company agreement prescribes that this right belongs to members who together represent a smaller percentage of the voting power.

(5) A request referred to in paragraph (4) of this Article shall be made to the director of board of directors of the company.

(6) If the director or board of directors does not, within 15 days after receiving the request, grant the request referred to in paragraph (4) of this Article and convene an extraordinary meeting, the request submitters may convene the meeting themselves, stating the agenda. In this case the meeting shall determine the person to bear the costs of the thus convened session.

(7) If an extraordinary meeting convened by minority members referred to paragraph (4) of this Article is not held or lacks a quorum, the minority members may convene an additional meeting not less than seven days later, and if the thus convened meeting is not held or lacks a quorum they shall have the right to ask the court, in non-contentious proceedings, to appoint a person who shall convene the meeting and state the agenda in the capacity of interim legal representative.

(8) The court shall be obligated to decide on a minority members' request referred to in paragraph (7) of this Article within 48 hours upon receiving it.

Notice and agenda
Article 135

(1) A members' meeting shall be convened by sending an invitations in writing to each member at the addresses stated in the company's book of interests. An invitation may be sent to a member by email if the member has consented thereto in writing.

(2) The invitations shall be thus delivered to each member not later than seven nor more than 15 days prior to the meeting.

(3) The invitation shall contain the business name and main office of the company, the time and place of the meeting, the proposed agenda, and any other matters required in the company's Articles of Association or company agreement. If a decision on amending the Articles of Association or company agreement is proposed the full proposed amendment must be enclosed. The invitation must also include drafts of proposed decisions relating to the agenda, drafts or descriptions of contracts the meeting is to approve, and, when appropriate, financial reports, managing board reports, supervisory board reports and auditors' reports.

(4) The meeting shall make decisions on the issues stated in the agenda and also on issues proposed by any member who has informed the other members of his proposal not later than three days prior to the meeting. Matters that are not listed in the invitation or of which members have not been informed can be added to the agenda only if all members are present and do not object to discussing and voting on them. Decisions on such added issues are effective if no absent member expresses disagreement therewith, in accordance with the Articles of Association or company agreement.

Exclusion of the right to objection
Article 136

A member who attends a meeting of the members' assembly, in person or through an authorized representative, may not object to any irregularities noticed in convening the meeting unless he provides a justifiable objection in writing during the meeting.

Holding a meeting – special case
Article 137

Unless provided otherwise in a company's Articles of Association or company agreement, a members' meeting may also be held without complying with the procedures prescribed in Article 135 if all the attending members agree to this and if all the non-attending members waive any objection in writing.

8.3. Decision making procedure

Voting by a representative
Article 138

(1) Unless provided otherwise in a company's Articles of Association or company agreement, a member may appoint any other person (a representative) to vote for him in the assembly by signing a written power of attorney.

(2) A member of a limited liability company may not be represented in the assembly under circumstances where the representative has only part of the voting, and may not grant the power of attorney to more than one person.

(3) A legal representative of a natural person and a properly appointed representative of a legal person shall represent that person without the power of attorney referred to in paragraph (1) of this Article.

(4) A proxy agreement may be valid for only one members' meeting including any reconvening of that meeting.

(5) A director or member of the board of directors of a limited liability company may be representatives of the members who employed in the company or of a related person to an employee.

Quorum
Article 139

(1) In order to hold a meeting of the members' assembly, a simple majority of the voting power on a matter shall be necessary (hereinafter: quorum), unless the Articles of Association or company agreement requires a larger majority.

(2) If a meeting is not held or a decision not made due to lack of the quorum prescribed in paragraph (1) of this Article, it may be reconvened with the same proposed agenda at a date not less than 10 nor more than 30 days from the date of the first meeting in the manner prescribed in Article 135 (reconvened meeting).

(3) At the reconvened meeting one-third of the voting power on a matter shall constitute a quorum for action on that matter, unless the Articles of Association or company agreement requires a larger quorum.

Conduct of the members' assembly
Article 140

(1) A limited liability company members' assembly may adopt procedural rules which shall determine the assembly's conduct and decision–making procedure in detail and which shall be consistent with this Law, the Articles of Association and company agreement.

(2) A meeting of a limited liability company members' assembly shall be presided over by a chairman who shall be elected at the beginning of the meeting, unless the Articles of Association, company agreement or rules adopted by the meeting provide otherwise.

(3) The authority, obligations and liabilities of the chairman of a meeting of a limited liability company members' assembly may be specified in a company's Articles of Association, company agreement or rules adopted by a meeting.

(4) The chairman at a meeting of a limited liability company members' assembly shall appoint a person to keep minutes of the meeting, two persons to certify the minutes as being accurate, and a person to count votes, unless the Articles of Association, company agreement or rules adopted at a meeting provide otherwise.

(5) All directors or members of the board of directors of a company shall attend each meeting of the members' assembly if possible.

Decision making
Article 141

(1) An assembly of the limited liability company members shall make decisions by a simple majority of voting power as prescribed in paragraphs (1) and (2) of Article 139, unless a company's Articles of Association or company agreement requires a higher vote.

(2) Unanimous agreement of all members shall be required for the following matters, unless the Articles of Association or company agreement provides for a lower vote (but not less than a simple majority of the voting power of all members): amendment of the company's Articles of Association or company agreement, increasing or decreasing the company's basic capital except by additional contributions of members required in the company's Articles of Association or company agreement; legal status changes of the company, change of legal form, termination of the company; making of payments to members; acquisition by the company of its own interests; or the disposition of major assets as provided in this Law.

(3) A decision that reduces or eliminates the rights as a member of one or more members in relation to the rights as a member of any other member shall require the agreement of the affected member or members, unless otherwise provided in this Law.

Meetings, meetings by telephone, voting by mail, and decision-making without a meeting
Article 142

(1) A meeting of the members' assembly of a limited liability company with not more than 10 members may be held through conference telephone or other audio or visual communication equipment if all of the participants can listen and talk to each other. The persons participating in such a meeting shall be considered to be personally present at the meeting.

(2) A limited liability company's member may vote at a meeting by mail or other means of document delivery, unless the Articles of Association or company agreement provides otherwise. The Articles of Association or company agreement shall contain detailed rules for such voting, including rules specifying the issues which may be thus voted on.

(3) If a company's Articles of Association or company agreement requires that action of the members must be taken at a meeting, any action which may be taken at a meeting may be taken without a meeting if consent in writing, stating the action so taken, is signed by all of the members entitled to vote on such matter.

Open and secret voting
Article 143

(1) Voting at a meeting of the limited liability company members' assembly shall be open - by show of hands.

(2) Voting on any matter shall be by secret ballot if requested by members who are present and have or represent at least 10% of the voting power on the matter in question.

Disqualification of the right to vote
Article 144

(1) A member may not vote at a meeting on decisions that would:

a) eliminate or reduce his obligations to the company;

b) initiate or terminate a lawsuit against him; or

c) approve transactions between him and the company referred to in Article 35 of this Law.

(2) References in paragraph (1) of this Article to a member include related persons as defined in this Law.

(3) A member shall not be disqualified from voting on decisions to appoint or remove him as director or liquidator of the company or to appoint or remove another person related to him.

(4) The voting power of a member whose vote is disqualified shall not be taken into consideration in establishing the quorum or the number of votes necessary for making a decision.

Minutes
Article 145

(1) Decisions of the limited liability company members' assembly shall be recorded in minutes.

(2) The minutes shall include particularly the name of the person presiding the meeting and any persons appointed to certify the minutes or count votes, the issues that were subject to voting, the results of voting for and against and abstained, any objections of members against the holding of the meeting, any dissenting opinions of members, and any objections by directors or board of directors to decisions made.

(3) The list of present members and the documents related to convening the meeting of the assembly shall be filed with the minutes.

(4) The minutes shall be signed by the assembly's chairman and the recording clerk.

(5) Failure by a chairman to sign the minutes shall not in itself affect otherwise validity of the decisions brought by the assembly of the limited liability company members, in case that minutes are made by the recording clerk..

Book of decisions
Article 146

(1) Decisions adopted at a meeting of the members assembly shall be entered into a book of decisions without any delay.

(2) The decisions referred to in Article (1) shall be valid from the moment of adoption, unless provided otherwise in the Articles of Association or company agreement.

8.4. Nullity and disproof of assembly's decisions

Applicability
Article 147

Provisions of this Law related to general and special bases for declaration of nullity and disproof of a decision of a shareholders' assembly, exceptions from a declaration of disproof and procedure of disproof referring to a joint stock company shall apply to a limited liability company.

9. Director or board of directors

9.1. Status and method of work

Definition
Article 148

(1) A limited liability company may have a single director or a board of directors.

(2) A company's Articles of Association shall state whether the company shall have a single director or a board of directors.

(3) A single director of a limited liability company may be a member of the company or may be a person who is not a member.

(4) If a company has a board of directors, the board may consist of all members of the company or it may consist of other persons.

Election of directors and members of the board of directors
Article 149

(1) A director or members of the board of directors of a limited liability company shall be elected by the members of the company at a meeting of the member's assembly, except that the initial director or members of the board of directors may be appointed in the Articles of Association.

(2) A company's Articles of Association or limited liability company agreement may provide for election of directors by cumulative voting as described in this Law.

Number of members of the board of directors and vacancies
Article 150

(1) A company's Articles of Association or company agreement shall state the number of members of the company's board of directors.

(2) If the number of members of the company's board of directors falls below number stated in the company's Articles of Association or company agreement, remaining members may fill the vacancy up to the prescribed number, if so prescribed by company's Articles of Association or company agreement.

(3) In such a case, the remaining directors shall convene a members' meeting without delay to fill the vacancy, and the remaining members shall perform only urgent tasks before the vacancy is filled, unless the company's Articles of Association or company agreement provides otherwise.

Chairman of the board
Article 151

(1) Unless a company's Articles of Association or company agreement provides otherwise, the company's board of directors shall have a chairman who shall be elected by the majority of members.

(2) A chairman shall have authority to represent the company.

(3) The chairman shall convene and preside at meetings of the board and shall be responsible for the taking of minutes of meetings of the board.

(4) The Articles of Association or company agreement may provide that the chairman shall preside at the meetings of the members' assembly and shall be responsible for the taking of minutes of the meetings.

9.2. Activities of the single director or board of directors

Competence
Article 152

(1) Unless provided otherwise in a company's Articles of Association, a single director or board of directors shall have the following competence:

a) representation of the company and managing company's business in accordance with this Law, the Article of Association and the company agreement;

b) establishing proposals of a business plan;

c) convening members' assemblies and establishing the proposed agenda for those meetings;

d) implementing decisions of the members' assembly;

e) establishing record dates and payment dates as of which the company determines the identity of its members for entitlement to dividends, voting and other purposes;

f) concluding loan agreements;

g) establishing the date as of which members acquire the right to participate in profit and the date of payment of participation in profit, as well as the date of acquiring the right to vote of other members of the company;

h) granting or revoking procura; and

i) any other matters provided for in the Articles of Association or company agreement.

(2) If so stated in the Articles of Association or company agreement, a single director or board of directors shall have the following responsibilities:

a) implementing the acquisition, withdrawal and cancellation of company interests when authorized;

b) determining the amount of dividends;

c) issuing bonds and other securities.

(3) A director or board of directors may transfer activities relating to matters referred to in paragraphs (1) and (2) of this Article unless the company's Articles of Association provides otherwise.

Liability for business records
Article 153

A single director or board of directors of a company shall be responsible for appropriate business record keeping and internal surveillance of the business in compliance with this Law.

9.3. Method of work of the board of directors

Individual or joint action by board members
Article 154

(1) If a limited liability company is represented or managed by the board of the directors, each member of the board shall have the right to act independently, unless the company's Articles of Association provides otherwise.

(2) If the Articles of Association of a limited liability company provides that persons referred to in paragraph (1) of this Article may act only jointly, the approval of all directors shall be required for each act or transaction, except when this would require deferment of a decision and the deferment would harm the company's interests.

(3) If the Articles of Association or company agreement provides that persons referred to in paragraph (1) of this Article are bound to follow instructions of another person and also considers instructions given to be inappropriate, he shall notify the other persons for the purpose of deciding jointly on the transaction, unless this would require deferment of a decision and the deferment would harm the company's interests.

(4) In the case of dispute between persons referred to in paragraph (3) of this Article, an extraordinary meeting of the members' assembly shall be convened in accordance with this Law.

Meetings of the board
Article 155

(1) The board of directors of a limited liability company shall hold at least four regular meetings each year, one of which shall be held immediately prior to the annual members' meeting.

(2) Apart from the meetings referred to in paragraph (1) of this Article, the board of a limited liability company may hold extraordinary sessions which may be convened by the chairman at his own initiative or at the request of any member of the board. If the president fails to convene a meeting at the written request of one of the members, the meeting may be convened by the member himself.

(3) The convening of extraordinary sessions of the board of a limited liability company shall be done in writing, stating the reasons, the time and the place of the meeting, which shall be given to all the members of the board.

(4) A meeting of the board may be held through conference telephone or other audio or visual communication equipment if all of the participants can listen and talk to each other. The persons attending a meeting in this way shall be considered to be personally present at the meeting.

(5) A meeting of the board of a limited liability company may be held without the procedures prescribed in paragraphs (2)-(4) of this Article if it is attended by all of members, if none of them objects to the procedure of convening and holding a meeting and if non-attending members waive no objection in writing regarding the procedure of convening and holding a meeting in accordance with the Articles of Association and company agreement.

(6) The board of directors of a limited liability company may adopt rules of procedure which further govern their procedures so long as those rules are not inconsistent with the company's Articles of Association or company agreement.

(7) Paragraphs (l)-(6) of this Article shall apply to a company unless the company's Articles of Association or limited liability company agreement provides otherwise.

Action without a meeting
Article 156

Unless provided otherwise in a company's Articles of Association or company agreement, any decision which may be taken by the board at a meeting, may be taken by the board without a meeting if a consent in writing is signed by all of the members of the board entitled to vote on that matter.

Quorum and majority
Article 157

(1) The quorum for decision making by the board of a limited liability company shall be a majority of the total number of members of the board.

(2) The decisions of the board of a limited liability company shall be made by the majority of the total number of members of the board.

(3) Decisions of the board of a limited liability company shall become effective at the moment of their adoption. Decisions of the board shall be entered in the company's book of decisions.

(4) If the votes of the members of the board of a limited liability company result in a draw, the deciding vote shall be that of the chairman, who shall vote last.

(5) Provisions referred to in paragraphs (l)-(4) of this Article shall apply to a company unless the company's Articles of Association or company agreement provides otherwise.

Disqualification from right to vote
Article 158

The provisions of this Law related to disqualification of a limited liability company members from his right to vote in the members' assembly shall be applied with

respect to disqualification of member of the board from his right to vote in the procedure of decision making by the board of directors.

Committees
Article 159

(1) The board of directors of a limited liability company may form one or more committees comprised of members of the board or other persons.

(2) The conditions and the manner of work for such committees referred to in paragraph (1) of this Article may be defined by the board in a manner consistent with the company's Articles of Association or company agreement.

(3) Unless provided otherwise in the company's Articles of Association or company agreement, all actions and decisions of a committee referred to in paragraph (1) of this Article shall be subject to the board's approval.

Minutes
Article 160

(1) Minutes shall be kept of each meeting of a company's board or committee of a board of a limited liability company and shall be presented for approval at the next-following meeting of the board or committee. The minutes shall be signed by the person presiding at the meeting and the person who took the minutes.

(2) The minutes of a meeting of a company's board or committee of a board of a limited liability company shall be written within 10 days after the meeting.

(3) The minutes of a company's board or committee of a board of a limited liability company shall state the time and place of the meeting, the directors present, the agenda of the meeting, a summary of the discussions, the issues subject to voting, and the results of voting including identification of those who voted in favor, against or abstained.

(4) A failure to comply with paragraphs (l)-(3) of this Article shall not affect otherwise validity of the actions by the board or committee.

9.4. S t a t u s l i a b i l i t y

Resignation
Article 161

The provisions of this Law that refer to resignation of a director or a member of a board of directors of a joint stock company shall apply with respect to resignation of a director or a member of a board of directors of a limited liability company.

Dismissal
Article 162

(1) The members' assembly of a limited liability company may dismiss a director or a member of the board of directors of the company with or without stated cause.

(2) Any such dismissal of a director or a member of the board of directors shall be without prejudice to a director's rights to compensation under any separate contract with the company but such a contract may not eliminate the company's right stated in paragraph (1) of this Article.

Chapter 10

Supervision

Internal Audit

Article 163

(1) A limited liability company may have an internal audit, if specified by the Articles of Association or an agreement between the company members. In addition to internal audit, the limited liability company may also have the audit committee.

(2) The work of internal audit is carried out by an internal auditor as a natural person.

Election and Removal and Application

Article 164

(1) An internal auditor or member of an audit committee shall be elected by the members' meeting of limited liability company from among independent persons as defined in this Law. The first internal auditor and audit committee members are determined by the Articles of Association or a special act of the founder.

(2) The internal auditor and audit committee members of limited liability company may be removed by decision of the members' meeting, with or without a stated reason for removal.

(3) Any such removal shall not in itself prejudice any right to compensation which the person may have under a contract with the company. Such a contract may not eliminate the company's rights under paragraph (2) of this Article.

Competence and Method of Work

Article 165

(1) An audit committee of the limited liability company:

a) adopts the plan of work of internal audit,

b) reviews internal audit reports and makes recommendations on audit reports,

c) reports to the director or board of directors, if the company has a board of directors, on implementation of recommendations based upon audit reports,

d) reports to the members' meeting on the accounting statements and financial operations of the company and any related companies,

e) makes statement on the proposal on profit distribution adopted by the members' meeting,

f) reports on the company's compliance with legal and other regulatory requirements, and

g) proposes to the members' meeting appointment of an independent auditor, if the company is obliged to audit the financial statements.

(2) In performing its duties the internal auditor of a limited liability company:

a) controls and reports to the audit committee on the adequacy and completeness of financial statements of the company,

b) controls and reports to the audit committee on the adequacy and completeness of the company's disclosure of financial and other information to the members,

c) controls the compliance of the company's business transactions with the provisions of this law relating to financial matters and conflict of interest, and

d) controls procedure for resolving complaints from members, or other persons relating to matters referred to in subparagraphs a) to c) of this paragraph.

(3) The internal auditor or audit committee shall present a report to the members on the foregoing at each annual members' meeting and at any extraordinary members' meeting when it considers a report to be appropriate or necessary and when so requested by the company's board of directors.

(4) In carrying out their duties the internal auditor or audit committee may inspect all documents of the company, request statements and explanations of members of the board of directors or employees and inspect the state of the company's assets.

(5) The internal auditor and the audit committee shall submit a separate report to the members' meeting on contracts concluded between the company and the company's director or members of the board of directors, if the company has the board of directors, or related persons as defined in this Law.

(6) In performing their duties the internal auditor or audit committee may engage other persons competent in their fields and pay reasonable remuneration to them.

(7) The internal auditor or audit committee shall perform its activities including those referred to in paragraphs (1) – (6) of this Article, as well as other activities, in compliance with the law, Articles of Association and Company Agreement.

(8) If a limited liability company has an internal audit and no audit committee, the duties specified in paragraph 1 of this Article shall be carried out by an internal auditor.

(9) If a limited liability company has an internal audit and no audit committee, the internal auditor submits the reports specified in paragraph 2 to the members' meeting.

Independent auditor

Article 166

(1) A limited liability company may have an independent auditor.

(2) An independent auditor of a limited liability company shall be notified of the holding of annual members' meeting simultaneously with the members, in order to participate in the meeting in accordance with the law.

Fiduciary Agent - Expert

Article 167

The provisions of this Law relating to the appointment of a fiduciary agent-expert and his competences and reports in a joint stock company shall apply mutatis mutandis to a limited liability company, unless provided otherwise in the Articles of Association or Company Agreement.

Chapter 11

Amendments to the Articles of Association and Company Agreement

Method of Amendment

Article 168

(1) Articles of Association of a limited liability company may be amended only by unanimous agreement of all members of the company, unless provided otherwise in the Articles of Association.

(2) Articles of Association of a limited liability company may permit amendment of the Articles of Association by majority vote, but not less than a simple majority vote of the company's voting power.

(3) A Company Agreement of the members of limited liability company may be amended only by unanimous agreement of all members of the company, unless provided otherwise in the Company Agreement.

(4) The Company Agreement may permit amendment of the Company Agreement by a majority vote, but not by less than a simple majority of the company's voting power.

(5) Notwithstanding paragraphs (l) – (4) of this Article, any amendment of a company's Articles of Association or Company Agreement that change the rights of a member of the company shall be conducted with the consent of that member.

(6) An amendment to the Articles of Association shall be notary-certified.

Chapter 12

Company Documents and Information

Retention of Company's Documents and Information

Article 169

(1) Every limited liability company must at all times keep and maintain the following documents:

a) a copy of the notary-processed Articles of Association, including all amendments thereto,

b) a Company Agreement, if the company has one, and all amendments thereto,

c) the decision on registration,

d) internal documents approved by its members' meeting and board of directors,

e) its book of decisions,

f) foundation documents of every branch and representative's office of the company,

g) documents proving the ownership and other rights of the company over its assets,

h) minutes and decisions of all members' meetings and board of directors' meetings,

i) minutes of any audit committee meeting and their other written orders and decisions,

j) financial statements, reports on business operations and independent auditors' report,

k) accounting files and documents,

l) documents on financial and operations reports submitted to authorized bodies,

m) a list of all related companies with information showing the share or other rights in those companies,

n) the book of shares,

o) a list of full names and addresses of all members of the board of directors and all persons authorized to represent the company and company's independent auditor, as well as information whether the authorized persons represent the company collectively or individually,

p) the full name and address of the internal auditor and members of the audit committee,

q) a list of all transfers of shares including pledges or any other transfer to a person who does not thus become a member of the company, and

r) a list of all contracts concluded between the company and director, members of the board of directors and related persons as defined in this Law.

(2) A limited liability company shall keep the documents and information referred to in paragraph (1) of this Article foregoing at its registered office or another place known to and accessible to all of the company's members.

(3) A limited liability company shall keep the copy of its Articles of Association and Company Agreement permanently, and other documents referred to in paragraph (1) of this Article for at least five years, and after that date these documents are kept in accordance with regulations on archives.

Access to Records and Information

Article 170

The provisions of this Law relating to access to the company's records and information of a joint stock company and access thereto by court order shall apply mutatis mutandis to access to company's records and information on a limited liability company and access thereto by court order.

Chapter 13

Rights Based on Termination of a Member's Membership in a Company and Termination of Company

13.1. Termination of a Member's Membership in a Company

Article 171

Events causing the termination of membership to the member of limited liability company:

a) death, in the case of a natural person;

b) termination of existence as a legal entity, in the case of a legal entity;

c) resignation (withdrawal) of a member in accordance with the company's Articles of Association or Company Agreement;

d) resignation (withdrawal) of a member in violation of the company's Articles of Association or Company Agreement;

e) resignation (withdrawal) of a member in compliance with a court decision;

f) expulsion of a member in compliance with a court decision,

g) expulsion of a member in compliance with the company's Articles of Association or Company Agreement,

h) transfer of all of the member's share to another person, or

i) an event agreed to in the Articles of Association or Company Agreement as causing the member to cease to be a member.

13.2. Withdrawal and Expulsion of a Member

Basic Principles

Article 172

(1) A limited liability company's Articles of Association or Company Agreement may state grounds, procedures and consequences of termination of membership of a member of the company, including contractual penalties or a requirement for damage compensation upon expulsion or wrongful withdrawal.

(2) The Articles of Association or Company Agreement of a limited liability company may not deny in advance the right to withdraw from the company and a member may not renounce that right in advance. The same applies with respect to a member's right to make claims against the company for wrongful expulsion and the company' right to make claims against the member for wrongful withdrawal.

Withdrawal of a Member for Justified Reasons

Article 173

(1) A member of a limited liability company may withdraw from the company if other company members or the company have caused damage to the member by their actions, that the member has been prevented from exercising his rights in the company, or that the company or company members have imposed unreasonable obligations on him, or for other justified reasons.

(2) In a case referred to in paragraph (1) of this Article, the member is entitled to bring proceedings before the competent court aimed at establishing justified reasons for withdrawal, if his reasons for withdrawal are challenged.

(3) A member withdrawing from the company for justified reasons shall have the right to compensation based on the market value of his share, to be paid within any time period stated in the Articles of Association or company agreement, as well as the right to compensation for any damage caused to him.

(4) A member withdrawing from the company without justified reasons shall be obligated to compensate for any damage caused to the company.

Expulsion of a member
Article 174

(1) Assembly members of a limited liability company may make a decision to initiate the expulsion procedure before the competent court of an individual member from the company if the member of the company fails to make a contribution as required by the Articles of Association or company agreement or if other justified reasons exist.

(2) Other justified reasons referred to in Paragraph 1 of this Article exist if the member of the company:

a) deliberately or with gross negligence inflicts the damage to the company or to other members of the company;

b) deliberately or with gross negligence fails to comply with the Articles of Association or company agreement or obligations prescribed by law;

c) is involved in activities which prevent the execution of business operations between the company and the member of the company, and

d) obstructs or hinders the business of the company by his action.

(3) A claim for expulsion of a member may be submitted by the company, as well as any member of the company upon which, if it finds it necessary and justified, the court may suspend the right to vote of the member whose expulsion is required, as well as to suspend other rights of the member of the company.

(4) A limited liability company is entitled to compensation for the damage inflicted on it by the expulsion of the member of the company due to justified reasons.

Consequences of termination of membership
Article 175

(1) Upon withdrawal and expulsion of a member of a limited liability company, the capacity of a member in the company and all the rights deriving thereof shall cease to exist.

(2) The provision of Paragraph 1 of this Article also applies on other grounds of termination of the capacity of a member of a limited liability company.

(3) A member of a limited liability company whose capacity of member in the company ceases to exist is entitled to market value compensation of his shares at the time of termination of the membership in the company.

(4) The right for compensation referred to in Paragraph 3 of this Article shall not apply to a member whose capacity of a member was terminated by his death, but his heirs shall be entitled to take over his shares and become members of the company.

(5) The provision of Paragraph 3 of this Article shall not apply to a member of the company who sold his shares to another person who is entitled to take over his shares and become a member of the company.

(6) The claims of a limited liability company on the grounds of owned compensation of a member of the company in the case of expulsion for justified reasons or unreasonable withdrawal, as well as on the grounds of breach of any other obligation of a member of the company, shall be offset against the claim of the shares value of a member of the company whose capacity of member ceases to exist on this ground.

(7) The compensation of the share value of the member of a limited liability company, whose capacity of a member ceases to exist in accordance with this Law, may not be done if the action violates the provisions of this Law on payment restrictions to the members of the company.

(8) In order to secure payment of claims on the grounds of withdrawal or expulsion of the member of a limited liability company, the court may suspend the membership rights of a member in the company and order other temporary measures.

13.3 Termination of the company

Basis
Article 176

A limited liability company ceases to exist in case of:

a) expiration of time determined in the Articles of Association,

b) the decision of the Assembly members,

c) statutory changes that result in termination of the company,

d) final court decision stating that the registration of the company is null and void and determining deletion of the company from the Court Registry, and

e) occurrence of an event determined by the Articles of Association or company agreement.

Single-member company
Article 177

A single-member limited liability company shall cease to exist in the case of bankruptcy or liquidation against its only member who does not have legal successor or in case of the death of the member who does not have an heir of shares.

Termination of the company by a court decision
as the right of minority members
Article 178

Provisions of this Law regulating the termination of a joint stock company and other legal remedies at the request of minority shareholders shall apply to a limited liability company as well.

IV – JOINT STOCK COMPANY

1. Definition

Definition and liability
Article 179

(1) In terms of this Law a joint stock company is a company organised by one or more legal entities and/or natural persons as shareholders and in order to perform certain

activities, under a common business name, whose basic capital is determined and divided into shares.

(2) A joint stock company is liable for its obligations with its entire assets.

(3) Shareholders of a joint stock company are not liable for obligations of the company, except to the extent of agreed but unpaid investment in the assets of the company, in accordance with this Law.

2. The Articles of Association and Statue

The Articles of Association
Article 180

(1) The Articles of Association of a joint stock company must contain:

a) full name and address of natural person, or business name and address of legal entity of each of the company founders,

b) business name and address of the company,

c) activity,

d) an indication of whether the company is an open or a closed company,

e) the amount of basic capital, subscribed and paid, and the way of its payment or the form of the capital,

f) the number of shares and their nominal value, the types and classes of shares that the company is authorised to issue as well as the right of each class of shares,

g) the number of shares of each type and class which have been issued,

h) the identification of an initial shareholder providing a non-cash investment, the description of that investment and the number and type of shares for the investment,

i) the duration of the company, unless it is perpetual,

j) the total or estimated amount of the costs related to foundation of the company at the expanses of the company, before it is determined that the company fulfils the conditions to commence business, and

k) special benefits, to the day of foundation of the company or to the moment when the company is authorised to commence business, given to the founders or other persons involved in the foundation of the company or in operations required for obtaining such an authority.

(2) The Articles of Association of a joint stock company may also contain:

a) the names and addresses of the first director or the members of the first Board of directors,

b) authorisation to the Board of directors to issue approved (authorised, unissued) shares in accordance with this Law and the statute,

c) restrictions on transfer of shares of a closed joint stock company, and

d) other issues that in accordance with this Law can be an integral part of the Articles of Association or the statute of the company.

Statute
Article 181

(1) Apart from the Articles of Association, a joint stock company may also have the statute regulating even more the business and management of the company.

(2) The statute of a joint stock company is not submitted with the application for registration.

(3) The statute of a joint stock company is made in written form.

(4) The statute of a joint stock company, as well as its amendments, shall have legal effect to shareholders as of the day of its adoption, unless the statute determines otherwise.

(5) If the Articles of Association does not explicitly provide shareholders with the power to adopt and amend the statute of a joint stock company, the statute of the company shall adopt and amend the Board of directors.

Relationship of the Articles of Association and statute
Article 182

In the case of inconsistency between the Articles of Association and the statute of a joint stock company, the Articles of Association shall apply.

3. Benefits and costs

Special benefits
Article 183

(1) Special benefits for initial shareholder or a third party shall be included in the Articles of Association of the company, stating the persons to whom they are given and the basis on which they are given, and if limited, stating the deadline for the benefits.

(2) Special benefits shall expire with its limited period or with amendments of the Articles of Association of the company which determine the issues.

(3) If the special benefits referred to in Paragraph 1 of this Article are not determined by the Articles of Association of the company, the contracts regulating them shall have no effect. The amendments to the Articles of Association of the company adopted after the registration may not legally provide effects to the contracts toward the company.

Founding costs
Article 184

(1) The Articles of Association of a joint stock company may provide that the company or its founders bear the costs of founding the company.

(2) The founders of a joint stock company shall bear the costs of founding the company, unless the Articles of Association of the company determines otherwise.

(3) The compensation for founding costs of a joint stock company may be granted to the founders only up to the amount determined by the Articles of Association.

4. Investment

Loans for shares
Article 185

(1) A joint stock company may not make loans, credits or other financial support or specific provisions for acquisition of its shares.

(2) The provision of Paragraph 1 of this Article shall not apply to current legal issues of the financial organisations, as well as to advances, credits or providing security for acquiring shares for employees in the company or for linked companies in accordance with this Law.

(3) Dispositions referred to in Paragraph 2 of this Article may be performed in accordance with the limitations of payments determined by this Law.

Valuation of non-cash investment
Article 186

(1) If a shareholder makes a non-cash investment, one or more authorised appraisers shall prepare a report about the valuation before the registration of the company.

(2) The appraiser referred to in Paragraph 1 of this Article may be an authorised natural person or a company authorised to perform these duties in accordance with this Law.

(3) The report on valuation of non-cash investment shall include a description of each of the investments, as well as a description of method used in valuation determining whether that value corresponds to the number and nominal value of the shares.

(4) The report of appraisers referred to in Paragraph 3 of this Article shall be submitted to the Registration court with the application for registration.

(5) The valuation of a non-cash investment in assets and rights in a closed joint stock company shall be done in accordance with Article 14 of this Law.

Types of investments and their payment into the company
Article 187

(1) Investment in a joint stock company in exchange for shares may be done in money or in property rights, but not in work or services for the company, whether past or future.

(2) An exception referred to in Paragraph 1 of this Article, an investment in a closed joint stock company may be done in work or services performed for the company if provided so in the Articles of Association.

(3) Shares of an open joint stock company may be paid as an investment to another company only in case of linked companies from Article 357 of this Law.

(4) Contractual investment paid in money shall be paid to the time of registration of the company, at least 50% of the nominal value of shares, and the remainder shall be paid at least within two years from the day of registration of the company.

(5) If the shares or other securities are acquired by registering the rights over the assets and rights, their payment shall be done by transferring the rights into the assets of the company.

5. Closed and open joint stock company

Types
Article 188

(1) A joint stock company may be closed and open.

(2) If the Articles of Association does not state the type of a joint stock company, than the joint stock company shall be an open company.

Closed company
Article 189

(1) A closed joint stock company is a company whose shares may be issued only to its founders or to a limited number of other persons, in accordance with this Law.

(2) A closed joint stock company may have no more than 100 shareholders.

(3) If the number of a closed joint stock company exceeds and maintains over the number of shareholders referred to in Paragraph 2 of this Article for more than a year, the company shall be an open company.

(4) A closed company may not subscribe the shares in public offering or otherwise offer its shares publicly.

(5) A closed joint stock company may become an open company, or an open joint stock company may become a closed company, in accordance with this Law and regulations determining the securities market.

(6) The transformation of a closed joint stock company into an open company, or an open joint stock company into a closed company, shall require amendments on the Article of Association and shall not be considered as the change of legal form of the company in accordance with this Law.

(7) The transformation of a closed joint stock company into an open company, or an open joint stock company into a closed company, shall require an approval of the Securities Commission in accordance with regulations determining the securities market.

Transfer of shares of a closed company
Article 190

(1) The Articles of Association or the statute of a closed company may impose restrictions on transfer of shares, including the restrictions referred to in Article 121 of this Law relating to a limited liability company.

(2) If the Articles of Association or the statute of a closed company do not impose the restrictions on transfer of shares, the shares shall be freely transferred.

Open company
Article 191

(1) A joint stock company shall be deemed open if the founders publicly call for registration and payment of shares at the time of initial registration of the company, or if the company shall announce a call after the registration of the company.

(2) The public call referred to in Paragraph 1 of this Article may be made in public offering and by prospectus in accordance with this Law and the Law regulating the securities market.

(3) An open joint stock company may be included in the stock market and other public markets in accordance with the Law regulating the securities market.

(4) An open joint stock company may not restrict the transfer of its shares.

Subscription and payment of shares from the initial issue
of an open company
Article 192

(1) The initial (first) issue of shares of an open company shall be deemed successful if offered shares from the public offering and prospectus are subscribed in the number which is anticipated as a successful subscription in public offering and prospectus, or if the subscribed shares are paid in at least the amount determined by Article 187 Paragraph 4 of this Law.

(2) If the shares from the public offering and prospectus are not subscribed and paid in accordance with Paragraph 1 of this Article, the founding of a joint stock company shall be deemed unsuccessful, and the founders shall be obliged to jointly refund the amounts to the subscribers without delay.

6. The founding assembly of an open company

Convocation
Article 193

(1) The founders who publicly establish the joint stock company in case of successful issuance are obliged to convene and hold a founding assembly not later than 60 days from the closing date for subscription of shares in public offering and prospectus.

(2) The founding assembly shall be convened by written notice to every subscriber of shares in accordance with this Law relating to convening the assembly of shareholders.

(3) The written notice for meeting of the founding assembly shall also include the Articles of Association, the report of founders and authorised appraisers including the report on the costs of founding, a list of shares according to subscription based on public offering and a list of persons who have taken shares in the capacity of founders without subscription based on the offering with indication of the number and type of shares taken of each of the persons.

(4) On the request of the founders who have at least 1/10 of the subscribed shares, the court in non-contentious proceeding may extend the deadline for the founding assembly by 30 days.

Eligibility for decision- making
Article 194

(1) All the subscribers of paid shares shall have the right to participate in voting at the founding assembly.

(2) The quorum for holding the founding assembly and valid deciding shall be made of a simple majority of paid shares with right to vote on matters within its jurisdiction.

(3) The founding assembly of a joint stock company shall be opened by a founder with the highest rate of paid shares, and if there are more such persons, the person who first paid the shares shall open the assembly.

(4) The person referred to in Paragraph 3 of this Article shall made the list of present subscribers of shares or their representatives to determine whether all the terms referred to in Paragraphs 1 and 2 of this Article for holding the assembly are met.

(5) If the founding assembly not have the quorum referred to in Paragraph 2 of this Article, the founders may reconvene the assembly in the same way, except that not less than 8 and not more than 15 days shall pass between the first and the second convocation.

Consequences of neglect
Article 195

(1) If the founders of a joint stock company do not convene the founding assembly within the deadline referred to in Article 193 of this Law, or if the founding assembly is not held in accordance with this Law or does not adopt the required decisions, it shall be considered that the founding assembly failed, and the founders shall jointly respond to the subscribers of shares for the return of paid amount.

(2) The founders shall call the subscribers in the same manner as public offering to take their payments within 15 days after the deadline for holding of the founding assembly, in accordance with Article 193 of this Law.

(3) If the founders fail to act in accordance with Paragraph 2 of this Article, the decision for public offering on the request of some of the subscribers of shares may be issued by the court in non-contentious proceeding.

Procedure
Article 196

(1) The founding assembly of a joint stock company shall elect a President, a recording secretary and two counters of votes, after which the reports on the founding and appraisal shall be read.

(2) Appendices and reports referred to in Paragraph 1 of this Article shall be read only if requested by the subscribers of shares who have at least 10% of all votes present or represented subscribers of shares at the assembly.

(3) The minutes on work of the founding assembly of a joint stock company shall be taken by the recording secretary and signed by the president, the recording secretary, both of the counters of votes and the founders of the company.

Competence
Article 197

(1) The founding assembly of a joint stock company shall:

a) determine whether the shares are properly subscribed and paid, or whether the non-cash investments are registered, in accordance with this Law and the Articles of Association,

b) appoint the first director of the company, or the members of the first Board of directors if the founders did not appoint them in the Articles of Association ,

c) decide on special rights of the founders and approve special benefits to the founders or other persons,

d) make decision on accepting the valuation of non-cash investment (in assets and rights),

e) decide on approval of contracts concluded by the founders before the registration of the company, and which are related to the founding of the company, and

f) determine the amount of founding costs.

(2) If the number of subscribed shares in relation to the number of shares from the public offering is higher, the founding assembly may decide to accept the subscribed surplus or its part. If the assembly decides to accept a part of the subscribed surplus of shares, the subscribers of shares who subscribed earlier shall have a priority right, and if more persons subscribed the shares at the same time, they shall accept the subscribed surplus in the proportion to the shares of the subscribers that are not surplus.

(3) If the founding assembly makes decision to accept the surplus of subscribed and paid shares, the shareholders who subscribed and paid shares shall have the right to vote at the founding assembly from the moment of making the decision at the assembly, in accordance with this Law.

Decision- making
Article 198

(1) At the founding assembly each ordinary share shall entitle to one vote.

(2) The founding assembly shall make decisions by simple majority of shareholders with ordinary shares, unless the higher majority is determined with this Law or the Articles of Association.

(3) The founding assembly of a joint stock company shall vote separately on accepting the valuation of non-cash investment for each investment. On the basis of the non-cash investment the founders and subscribers of shares are not entitled to vote on the issue and their votes shall not be counted in the quorum or for the necessary majority in decision-making.

(4) Amendment on a provision of the Articles of Association on the amount of initial capita (acceptance of surplus of the subscribed shares) shall be made with the consent of all the subscribers of paid shares, unless the Articles of Association or prospectus determines otherwise.

(5) At the founding assembly the founders whit costs of founding the company shall not have the right to vote on approving the costs of founding, and persons who have special contracts with the company and are subject to approval of the assembly shall not have the right to vote on the issue.

7. Shares and other securities

Ordinary and preferred shares
Article 199

(1) A joint stock company may issue ordinary (regular) and preferred (priority, preference) shares.

(2) A joint stock company must have at least one ordinary share.

(3) Ordinary shares of a joint stock company shall always represent one class of shares.

(4) Preferred shares of a joint stock company may be divided in two or more classes with different rights (different rates of dividends or different participative or cumulative rights to dividends or different rights to distribution of the assets of the company in liquidation).

(5) Ordinary shares of a joint stock company shall have the same nominal value.

(6) Preferred shares of a joint stock company of the same class shall have the same nominal value.

(7) A joint stock company may issue the shares only on a name.

Approved (unissued) and issued shares
Article 200

(1) Apart from issued shares, a joint stock company may have approved (unissued, authorised) shares.

(2) The number of approved ordinary shares and the number of approved preferred shares of any class shall be determined by the Articles of Association of the joint stock company. The number of approved shares of a joint stock company may not be greater than 50% of the number of issued ordinary shares at the time when this number is determined by the Articles of Association of the company.

(3) A joint stock company may issue all or only a part of its approved ordinary shares and it may not issue approved preferred shares of any class, or to issue a part or all of it.

(4) The decision about the number, time and other conditions of any issuance of shares shall be made at the assembly of shareholders, unless the Articles of Association of a joint stock company transfer this authorisation to the Board of directors of the company that may make a decision in accordance with the Articles of Association.

(5) The authorisation referred to in Paragraph 4 of this Article shall include the issuance of approved shares for the increase of capital with new contributions, mainly in

cash, in accordance with this Law regulating the increase of capital with new investment, but in any case it shall not include the issuance of approved shares on the basis of increase of capital from the company's funds in accordance with this Law.

(6) The Board of directors authorisation for the issuance of any type of approved shares may not be given for the period longer than five years than determined number of approved shares in the Articles of Association, but the assembly of shareholders can renew the five-year period once or more times.

(7) Issuance of shares of a joint stock company shall be done in accordance with the Law regulating the securities market.

Registration of issuance and the right to inspect
Article 201

(1) The founders of an open joint stock company, or an open joint stock company, shall subscribe the issuance of shares and other securities issued in public offering, in accordance with the Law regulating the securities market and acts of the Securities Commission.

(2) A joint stock company shall make subscription of issued shares and other securities and the identity of shareholders in the Central registry of the securities (hereafter: the Central registry) in accordance with the Law regulating the securities and acts of the Securities Commission.

(3) A joint stock company shall make subscription of issued shares and the identity of shareholders in the book of shareholders of a joint stock company.

(4) The subscription referred to in Paragraph 3 of this Article may particularly contain: full name and address or business name and address; the tax identification number of each shareholder, co-owner of shares and representative of shareholders and other securities; the number of bank account of shareholders; the amount of agreed and paid investment of each shareholder, secondary investment beside the initial investment; pledge of shares; the transfer of shares including both the name of transferor and transferee, as well as any change in this data.

(5) The book of shareholders referred to in Paragraph 3 of this Article shall be kept in electronic form in the Central registry.

(6) A joint stock company is obliged to inform the Central registry about the data referred to in Paragraphs 3 and 4 of this Article including the changes of the data in accordance with the Law regulating the securities market.

(7) A shareholder shall have the right to inspect the book of shareholders and the right to excerpt from the book of shareholders.

(8) The director or the Board of a joint stock company shall be responsible for proper and timely subscription of shares of the company, as well as for the keeping the book of shareholders and its accuracy, and for the damage caused to a shareholder or to the third party by failing to perform these duties.

Subscription of shares
Article 202

(1) A shareholder in relation to a joint stock company or a third party shall be a person subscribed in the Central registry in accordance with the Law regulating the securities market.

(2) In case of incongruity between the book of shareholders and the Central registry, the relevant subscription shall be in the Central registry.

(3) The subscription of shares in the Central registry shall be done in the way determined by the Law regulating the securities market.

The rights of shareholders of ordinary shares
Article 203

(1) Every ordinary share of a joint stock company shall give the same rights to a shareholder in accordance with this Law, the founding act and statue of the company, and the rights shall particularly include:

a) the right of access to legal acts and other documents and information of the company,

b) the right to participate in the work of assembly of the company,

c) the right to vote at the assembly of the company so that one share always gives the right to one vote,

d) the right to receive dividends, after the payment of dividends on all issued preferred shares in full,

e) the right to participate in distribution of surplus in liquidation after the liquidation of the company, and after the payment of creditors and shareholders of any preferred shares,

f) the preferential right of acquiring shares from the new issuance and convertible bonds, and

g) the right to dispose the shares of all types in accordance with the Law.

(2) Ordinary shares of a joint stock company may not be converted into preferred shares or the securities.

(3) The rights referred to in Paragraph 1 Items d, e, and f of this Article may be transferred by the contract from a shareholder to a third party.

The rights of shareholders of preferred shares
Article 204

(1) Preferred shares of a joint stock company of each class shall give the same rights to a shareholder.

(2) The rights of shareholders of preferred shares shall be determined in the Articles of Association.

(3) The rights of shareholders of preferred shares shall particularly include priority over ordinary shares with respect to payment of dividends (which in case of preferred shares may be participative or cumulative in accordance with the Law regulating the securities market) and priority to payment in case of liquidation of the company.

(4) The rights of shareholders of preferred shares may also include the right to convert the preferred shares into ordinary shares or into another class of preferred shares under the terms and in case determined in the Articles of Association, as well as the right of a joint stock company to redeem the shares at the price and under other conditions determined in the Articles of Association.

(5) The shareholders of preferred shares shall have the right to vote per one share in any Assembly of shareholders on issues requiring group voting of shareholders of a preferred shares class, in accordance with this Law.

(6) The Articles of Association of a joint stock company may also determine that the holders of preferred shares have the right to vote with holders of ordinary shares at the Assembly of shareholders, if:

a) such preferred shares may be converted into ordinary shares (in the case when they may have the number of votes equal to ordinary shares they may be converted into), and

b) the dividends on acquired preferred shares whose payment has been required but not done, to their payment.

(7) The shareholders of preferred shares shall not have the right to vote with shareholders of ordinary shares at the Assembly of shareholders, except in cases referred to in Paragraph 6 of this Article.

(8) The number of votes of shareholders of preferred shares may not be equal or higher to the number of votes of shareholders of ordinary shares.

(9) The shareholders of preferred shares shall have the right to be present and participate in discussions at the Assembly of shareholders.

(10) The shareholders of preferred shares shall have the same rights as the shareholders of ordinary shares regarding access to acts, other documents and information in possession of the company.

Convertible bonds, bonds and warrants
Article 205

(1) The joint stock company may issue other securities than shares, including convertible bonds and warrants, unless the Articles of Associations determines otherwise.

(2) In terms of this Law, warrants are deemed as securities which give right to its owner to acquire specified number of shares, of specified type and class and at the specified price.

(3) The convertible bonds and warrants may not be issued in number greater than the number of approved (unissued) shares.

(4) A joint stock company shall inform the Central registry about the number of approved shares required to secure the rights of holders of the securities.

(5) A joint stock company shall be obliged to maintain the number of approved shares referred to in Paragraph 4 of this Article of the type and class that shall be sufficient to secure the rights of such holders.

(6) The decision for issuance of convertible bonds and warrants in specified number, the time and price of their acquisition and other conditions shall be made by the Assembly of shareholders, unless the Articles of Association or a decision of the Assembly of shareholders in accordance with this Law authorise the Board of directors for making such a decision.

(7) The decision for issuance of bonds with specified number, time, price and other conditions of issuance shall be made by the Assembly of shareholders, unless the Articles of Association or a decision of the Assembly of shareholders in accordance with this Law authorise the Boards of directors for making such a decision.

(8) The convertible bonds may not be issued at the price lower than the nominal value of shares into which they are converted.

(9) Issuance of bonds and convertible bonds shall be made in accordance with provisions of the Law regulating the securities market and the acts of the Securities Commission.

(10) The holders of convertible bonds and warrants shall have the right of shareholders to be informed and the right to inspect business records and documents of the company, unless the decision on issuance of these securities determines otherwise or in the case of other agreement with the holders.

Dividends on partly paid shares
Article 206

Dividends on partly paid shares shall be payable in proportion to the amount already paid for shares, calculated from the day of entitlement to dividends.

Sale price of shares and other securities
Article 207

(1) Sale price of shares may not be lower than their nominal value.

(2) The difference between sale price of shares and their nominal value shall be presented in the capital reserves (share premium).

(3) The sale price may be lower than the market price determined in accordance with the rules regulating the securities market for:

a) issuance of shares at the price determined for the warrants or for the convertible bonds,

b) issuance of ordinary shares in accordance with the procedure determined in this Law for execution of the right of preferential subscription of shares of existing shareholders at the price that may not be lower than 90% of their market value,

c) issuance of shares in the process of reorganisation of the company, and

d) issuance of shares to a broker or other intermediary for the purpose of resale at the market value, at the price that may be lower than the market value but not more from the amount of broker’s commission determined as a percentage of the value at which shares are issued, provided that it may not exceed 10% of the market value of the shares.

(4) A joint stock company shall issue warrants or convertible bonds at the price not lower than the market value at the time of their issuance, except for:

a) issuance in accordance with the procedure determined in this Law for the purpose of execution of the right of preferential subscription of newly issued shares of holders of such warrants or convertible bonds at the price that may not be lower than their market value, and

b) issuance to a broker or other intermediary for the purpose of resale at the price that may be lower than the market value, not more from the amount of broker's commission determined as a percentage of the value at which shares are issued, provided that it may not exceed 10% of the total value of such warrants or convertible bonds.

The right of preferential acquisition of newly issued share
Article 208

(1) A shareholder shall have the right of preferential acquisition of newly issued shares of a joint stock company in proportion to the nominal value of possessed shares at the time determined in accordance with Article 213 of this Law.

(2) A shareholder referred to in Paragraph 1 of this Article shall exercise his right of preferential acquisition by the decision of the Assembly members in accordance with the Articles of Association or statute.

(3) Issuance of shares in terms of this Law shall also include the transferee or other financial institutions for resale in accordance with the Law regulating the securities market.

(4) For the purpose of issuance of shares referred to in Paragraph 1 of this Article the company shall inform all shareholders in writing, in accordance with this Law and regulations determining the securities market.

(5) The notice referred to in Paragraph 5 of this Article shall particularly include: the number of shares to be issued; the proposed price; the time and procedure of exercising the right of preferential acquisition. The time for exercising the right of preferential acquisition of shares shall not be shorter than 15 days from the day of subscription and payment of related issue.

(6) A shareholder of ordinary shares, warrants and convertible bonds shall have the right of preferential acquisition of newly issued shares in accordance with the decision of the Assembly.

(7) A person referred to in Paragraph 6 of this Article shall not have the right of preferential acquisition of:

a) preferred shares, except preferred shares which are convertible into ordinary shares or carry the right for subscription or acquisition of ordinary shares, and

b) approved shares determined in the Articles of Association of a joint stock company which are issued within 6 months of registration of the company.

(8) A shareholder of preferred shares shall have the right of preferential subscription of newly issued shares of the same class in accordance with the decision of the Assembly of shareholders.

(9) The right of preferential acquisition may be limited or dismissed only by the decision of the Assembly of shareholders upon recommendation of the Board of

directors. The Board of directors shall submit a report in writing to the Assembly of shareholders stating the reasons for limitation or dismissal of this right and an explanation of the proposed price of issue.

(10) The decision of the Assembly on limitation and dismissal of the right of preferential acquisition shall be a part of decision on increase of capital. This decision shall be entered into the registry together with the increase of capital.

(11) The Board of directors of a joint stock company may make a limitation or a dismissal of the right of preferential acquisition in issuance of newly issued approved shares in accordance with the authorities referred to in Article 200 Paragraphs 4, 5 and 6 of this Law.

(12) The right of preferential acquisition may be transferred from a shareholder to a third party in accordance to regulations determining the securities market.

Co-ownership of shares
Article 209

(1) A shares may have one or more owners (hereafter: co-owners). Co-owners of shares shall be considered as one owner.

(2) Co-owners of shares shall exercise their right to vote and other rights in the company only trough a joint representative, unless the Articles of Association or statute of a joint stock company determines otherwise. Co-owners of shares shall inform the company by a written note about determination of a joint representative for inclusion in the book of shareholders and the Central registry.

(3) A notice given by the company to a joint representative of shareholders shall be deemed given to all co-owners of shares. If the co-owners of shares fail to appoint a joint representative and fail to inform the company on that, a notice by the company to any representative shall be deemed given to all co-owners.

(4) Co-owners of shares shall be jointly liable to the company for the obligations relating to the shares.

(5) Legal action by a joint stock company against single co-owner shall have binding effect against all the co-owners.

8. Dividends and other payments to shareholders

8.1. The principles

General principles
Article 210

(1) A joint stock company may authorise payment of dividends on its shares annually in accordance with the decisions of regular annual Assembly meeting or at any time between the annual Assembly meetings, unless the Articles of Association determines otherwise.

(2) The decision of a joint stock company on the payment of dividends may be made by the Board of directors if so determines the Articles of Association or the Assembly of shareholders, in accordance with the Articles of Association.

(3) After adoption of the financial report for the previous year, the profit shall be distributed in the following order:

a) to cover losses carried forward from the previous years,

b) to legal reserves,

c) to dividends in accordance with this Law,

d) to statutory reserves, if the company determines them in the Articles of Association.

(4) After the decision on payment of dividends has been made, a shareholder to whom it shall be paid becomes a creditor of the company for the amount of the related dividend.

(5) The dividend referred to in Paragraph 2 Item c) of this Article on shares of any type or class shall be paid to all shareholders in proportion to the nominal value of shares, except in case of partly paid shares in accordance to Article 206 of this Law.

(6) Any agreement or contract by a company to shareholders on specific privileges in payment of dividends shall be null and void.

Method of payment
Article 211

(1) The dividends may be paid in money and in shares of a joint stock company.

(2) The dividends paid in shares of a joint stock company of any type or class shall be subject to the following rules:

a) the dividends shall be paid by issuance of respective shares in proportion to its participation in the capital (pro-rata), and

b) if the shares of a certain type and class are to be issued as shares for dividends of other type and class, and the shares for paying dividends are already issued, the dividend may not be paid until authorisation of the qualified majority of shares of the type and class of the dividend to be paid.

(3) The amount of dividends paid in shares shall be equal to the nominal value of shares issued for payment of dividends.

Restrictions on payment of interim dividends of an open company
Article 212

(1) An open joint stock company during the financial year may pay the dividends, provided that:

a) interim and in this purpose composed accounts show the available funds sufficient for payment,

b) the amount to be paid does not exceed the total profit from the end of the last financial year for which annual accounts are made, increased by the retained earnings and amounts withdrawn from reserves that may be used for such purposes, and reduced by determined losses and the amount that must be entered in the reserves, in accordance with the Law, the Articles of Association and the statute of the company.

c) the decision on payment of interim dividends is issued on the basis of a semi-annual audited financial reports.

Holders of rights to dividends and other payments
Article 213

(1) The Articles of Association of a joint stock company may fix a day or a method of determination of the day which determines the list of shareholders entitled to dividends or other payments, including the payment of liquidation shares. If the Articles of Association of a joint stock company does not fix a day or method of determining the dividend, the day or method of determining the day of dividend shall be fixed by the decision of the Board of directors. The dividends and other payments shall be made to persons who were shareholders of the company on that day (the day of dividend, or date section).

(2) The day of dividend referred to in Paragraph 1 of this Article may not be determined in less than 20 days from the day of issuance of the decision on dividend payment.

Procedure for authorisation and payment of dividends
Article 214

(1) The decision on authorisation of dividends shall include:

a) the amount of dividends, and

b) the day of dividends for which the list of shareholders entitled to payment of dividends shall be made.

(2) If after the day of dividends and before the payment of dividends the shareholders transfer their shares on the basis of which they are entitled to dividends, the right to payment of dividends shall be retained.

8.2. Acquisition and mode of own shares

Prohibition of subscription of own shares and shares of the controlling company
Article 215

(1) A joint stock company may not subscribe for its own shares directly or indirectly through another person who acquired them on its behalf.

(2) A dependent company may not subscribe for shares of the controlling company, in accordance with this Law, directly or indirectly through another person who acquired them on its behalf.

(3) If another person subscribed for or acquired shares in a manner contrary to Paragraphs 1 and 2 of this Article, it shall be deemed that such a person acquired the shares for its own account and shall be liable to pay the market value of the shares and in case of another agreement with the company on whose behalf the shares were subscribed or acquired.

(4) Any agreement on payment or compensation to the person referred to in Paragraph 3 of this Article shall be null and void.

General provisions relating the acquisition of own shares
Article 216

(1) Own shares in terms of this Law are the shares which a joint stock company may acquire from its shareholders.

(2) A joint stock company may acquire its own shares or other securities issued from its own holders, directly or indirectly, through other persons who acquired them for their own name and on the behalf of the company, in accordance with limitations of the Article of Association and limitations for payment determined in this Law.

(3) A joint stock company may acquire its preferred shares as its own shares or other securities other than ordinary shares, partly or in full.

(4) A joint stock company may acquire only a part of ordinary shares, as its own shares.

(5) An open joint stock company may acquire the shares issued by it in the manner that the total nominal value, or the accounting value of shares without nominal value of acquired shares, including shares previously acquired by the company and indirectly acquired shares, does not exceed 10% of its basic capital, except:

a) if the company has reserves that may be used for this purpose or if used for these acquisitions,

b) acquisition of shares without compensation, which are fully paid,

c) acquisition of shares in compulsory sale under the court order for payments of debts of a joint stock company by the shareholders, if there are not other means of collection, and

d) statutory changes.

(6) An open joint stock company may not acquire its own shares by agreement with shareholders but only through the offer to all the shareholders pro-rata, in accordance with this Law.

(7) A closed joint stock company may acquire its own shares or other securities at their price determined in accordance with this Law, unless determined otherwise in the agreement between the Articles of Association and the joint stock company and holders of the securities, at the time of issuance of the securities

Procedure of authorisation for acquisition of its own shares
Article 217

(1) The decision on acquisition of its own shares or other securities of a joint stock company shall be made by the Assembly of shareholders.

(2) The decision of the Assembly of shareholders referred to in Paragraph 1 of this Article shall include: the maximum number of acquired shares, the time period for which the authorisation for execution of the decision is given and which may not be longer than 18 months, the purchase price (or its calculation), as well as the names of shareholders whose shares are to be acquired, except in the case of acquisition of shares from all the shareholders pro-rata.

(3) The decision referred to in Paragraph 1 of this Article may authorised the Board of directors to determine the time of acquisition, the number of shares to be acquired, as well as to determine the purchase price, the process of acquisition and other issues, provided that these decisions by the Board are not inconsistent with the orders given in the decision of the Assembly and that the shareholders are informed on such an acquisition at the following Assembly meeting.

(4) Notwithstanding the Paragraph 1 of this Article, the Board of directors, unless the Articles of Association determined this to be in the competence of the Assembly of shareholders, shall make a decision for acquisition of:

a) warrants, convertible bonds or other securities which are not shares,

b) 5% of any class of shares issued only for the purpose of distribution among employees in the company or to a linked company in the terms of this Law,

c) shares or other securities if the acquisition is deemed necessary in prevention of greater and immediate damage to the company.

(5) In the case referred to in Paragraph 4 of this Article the Board of directors shall be obliged to submit a detailed report at the first Assembly on the reasons, the number and nominal value, the percentage of its own acquired shares in relation to basic capital, as well as the price at which these shares are acquired.

Procedure for acquisition of shares pro-rata from all shareholders
Article 218

(1) If a joint stock company acquires its own shares of a particular type and class from all shareholders, it shall be obliged to make an offer to all the shareholders, in accordance with this Law and regulations determining the securities market.

(2) The offer referred to in Paragraph 1 of this Article shall include: the number of shares to be acquired; the purchase price (or the method of its calculation); the procedure and date of payment; as well as the procedure and the deadline for all shareholders to make an offer of their shares for sale to the company. If the company has less than 200 shareholders, the last day must be at least 30 days after the day of submission of the last written offer. If the company has more than 200 shareholders, the offer shall stand 30 days after its publication in at least one daily paper available throughout the Rapublic of Srpska.

(3) If the total number of shares offered for sale to a joint stock company exceeds the number of shares that the company may acquire, the company shall acquire the shares from each shareholder in proportion to the number of shares which a shareholder has offered for sale, except when necessary to avoid the acquisition of partial shares.

(4) If the total number of shares offered for sale to a joint stock company exceeds the number of shares the company offered to acquire, the joint stock company may decide to acquire the higher number of shares from the total number offered for sale from a shareholder or some other number which is higher than initially anticipated and lower than offered.

Status of acquired own shares
Article 219

(1) A joint stock company which acquires its own shares may transfer them to other persons, in accordance with this Law and the Law regulating the securities market.

(2) The own shares of a joint stock company which are acquired up to 10% of the basic capital are obliged to sell (alienate) within one year from the day of its acquisition, and such shares which are acquired in accordance with this Law over the amount of 10% of the basic capital are obliged to sell (alienate) within three years from the day of its acquisition.

(3) If the shares are not alienated within the terms referred to in Paragraph 2 of this Article, the Board of directors shall be obliged to cancel them without a special decision, in accordance with provisions of this Law regulating the decrease of basic capital in a regular procedure.

(4) During the time the shares are owned by the company:

a) the nominal value of such shares may remain included in the basic capital or be excluded from the capital of the company in which case the amount shall increase the reserves that may not be paid to shareholders,

(b) the own shares shall not entitle to vote nor shall be counted in the quorum at the Assembly of shareholders,

c) the own shares shall not entitle to the right on dividends or other distributions, except in the case referred to in Article 248 of this Law.

Pledging of shares
Article 220

(1) A joint stock company may, directly or indirectly, take pledge of its own shares or pledge shares of the paid amount, if the total amount of claims secured by the pledge is lower than the paid amount of shares.

(2) Taking pledge of shares of a joint stock company, or taking pledge of the paid amount from the company or a person acting in his own name but on the behalf of the company, shall be subject to limitations determined by the provisions of this Law on acquisition of its own shares.

Entry into the Central registry and book of shareholders
for acquisition or pledging of own shares
Article 221

The acquisition of its own shares, directly or indirectly, as well as pledging of shares, or pledging of paid shares, a joint stock company shall report to the Central registry for subscription, and if a joint stock company has a book of shareholders, the subscription shall be done in the book.

8.3. Withdrawal and cancellation of preferred shares, warrants and convertible bonds

General provision on withdrawal and cancellation
Article 222

(1) The Articles of Association of a joint stock company may predict:

a) that a joint stock company shall have an obligation and /or the right, in case it has adequate reserves that may be used for that purpose, to withdraw and cancel its preferred shares of one or more classes within a specified period of time or in certain cases, in full or in part;

b) that the shareholders shall be obliged to sell the shares to a joint stock company under the conditions and in a way referred to in Item a) of this Article.

(2) A joint stock company may issue warrants and convertible bonds as well, under the conditions which may provide that the company has an obligation and /or the right, in case it has adequate reserves that may be used for that purpose, to withdraw and cancel such securities within a specified period of time or in certain cases, in full or in part.

(3) A joint stock company shall withdraw and cancel the preferred shares, warrants and convertible bonds in proportion to the number of the class of shares in question belonging to each shareholder, except when necessary to divide the shares.

(4) If a joint stock company does not have sufficient reserves for the execution of the decision on purchase of warrants and convertible bonds, the purchase shall be done as soon as it is determined that the company has such reserves.

(5) The warrants and convertible bonds shall be redeemed at the value determined at the time of their issuance.

Price
Article 223

Preferred shares shall be redeemed at their market value, and if there is none, at the value determined by the Board of directors in accordance with this Law or by an authorised appraiser appointed by the Assembly of shareholders, the Board of directors or dissenting shareholders, in accordance with this Law.

Entry into the Central registry
Article 224

A joint stock company shall report the purchase of preferred shares, warrants and convertible bonds to the Central registry for subscription, in accordance with the Law regulating the securities market, and if a joint stock company has a book of shareholders, the purchase shall be subscribed in the book.

8.4. Restriction on payments

Restrictions on payment of dividends and other payments
Article 225

(1) A closed joint stock company may not make payments to its shareholders if, after the payment, the net assets of the company would be lower than the basic capital, increased for reserves that may be used for payment to shareholders, in accordance with this Law.

(2) An open joint stock company may not make payments to its shareholders in case of decrease of the basic capital in regular procedure, in accordance with this Law, if:

a) the net assets of the company would be lower than the basic capital, increased for reserves that may be used for payment to shareholders, in accordance with this Law, and

b) in the case of dividends, the amounts of dividends exceeds the amount of the company's profit in the previous business year increased for the undistributed profit, and the amount withdrawn from the reserves increased for the amount required to be entered into the reserves in the current year, in accordance with the Articles of Association or the statute and this Law.

(3) In addition to restrictions referred to in Paragraphs 1 and 2 of this Article a closed and open joint stock companies may not make payments to their shareholders if:

a) after payment, the company would be incapable of paying its debts fallen due to the ordinary course of business of the company, or

b) on the day of payment, any dividend on preferred shares would not be paid in full.

(4) Notwithstanding Paragraphs 1 to 3 of this Article a joint stock company may make payment to its shareholders if the financial statements prepared in accordance with this Law regulating the accounting and audit shows that the payment is reasonable under the circumstances.

Liabilities of shareholders and members of the body
for prohibited payments
Article 226

(1) Shareholders of a joint stock company shall be liable to return payments to the company received from the company contrary to this Law, if they knew or under the circumstances had to know that the payment is prohibited.

(2) In addition to shareholders in the case referred to in Paragraph 1 of this Article, the director of the company or the Board shall be liable as well, in accordance with this Law regulating their property liabilities.

8.5. Loans and capital

Loans instead of capital
Article 227

(1) A shareholders of a joint stock company who at the time of business crisis does not increase his own capital in the company as a good businessman, may make a request in bankruptcy for repayment of a loan only as a bankruptcy creditor with unsecured claims, in accordance with the Law regulating the bankruptcy proceedings.

(2) A third party who at the time referred to in Paragraph 1 of this Article shall grant a loan to the company rather than obtain the shareholders equity, and to whom the shareholder shall give a provision for repayment of the loan, may in the bankruptcy proceeding against the company realize a request for repayment of the loan for the amount he failed to settle from the final payment result, as a bankruptcy creditor with unsecured claims.

(3) The provisions referred to in Paragraphs 1 and 2 of this Article shall apply to other legal affairs of shareholders of a joint stock company and a third party equivalent to granting of loans as referred to in Paragraphs 1 and 2 of this Article.

(4) The provisions referred to in Paragraphs 1 to 3 of this Article shall not apply to a shareholder of a joint stock company whose share capital does not exceed 1/10 of the basic capital of the company and who is not a director or a member of the Board of directors.

(5) If a joint stock company shall repay the loan in the year before submitting a petition to open bankruptcy proceeding against the company, or after the petition submission in cases referred to in Paragraphs 1 to 3 of this Article, a shareholder of the company who made provision for repayment of the loan is liable to repay the amount paid by the company.

(6) The obligation referred to in Paragraph 5 of this Article shall exist up to the amount of given provision of shareholders at the time for repayment of the loan.

(7) A shareholder of a company shall be exempt from the obligation referred to in Paragraph 5 of this Article if the object of given provision for a creditor make available to the company.

(8) The provisions referred to in Paragraphs 1 to 7 shall apply to other legal affairs of granting loans in terms of commercial relations.

9. Basic capital and reserves of the company

9.1.1. General provisions

Minimum basic capital
Article 228

(1) Minimum cash investment of the basic capital of a closed joint stock company on the day of registration is 20,000 KM.

(2) Minimum cash investment of the basic capital of an open joint stock company on the day of registration is 50,000 KM

(3) A special Law on establishment of financial and insurance companies and companies performing activities of joint stock companies assigned by Law may determine a higher share of cash of the minimum cash capital.

(4) The registration of increase or decrease of basic capital of a closed joint stock company shall be conducted once a year.

(5) The provisions of this Law on increase, decrease and maintenance of basic capital as well as the provisions on Assembly meetings of an open joint stock company shall apply duly to the increase and decrease of the basic capital as well as on the maintenance of the capital and the Assembly of shareholders when the loss does not exceed 50% of basic capital of a closed joint stock company.

Minimum nominal value of shares
Article 229

(1) A joint stock company may issue ordinary and preferred shares.

(2) The lowest nominal value of shares may not be lower than 1 KM, and if it is greater than must be divisible by ten.

(3) Shares of a joint stock company in total value may not be issued in an amount lower than the lowest amount of the basic capital referred to in Article 228 of this Law.

(4) The participation of shares in the basic capital shall be determined by the ratio of the nominal value of such shares and the total nominal value of all paid shares.

Splits and mergers of shares and maintenance
of the basic capital value
Article 230

(1) A joint stock company may split every share of each class into two or more shares of the same class and at the same time decrease the nominal value of that class of shares without changing the basic capital of the company.

(2) A joint stock company may merge all shares of any class into a lower number of shares of such class and at the same time increase their nominal value without changing the basic capital of the company.

(3) A joint stock company may cancel its own shares acquired or purchased at the expense of reserves whereby the total nominal value of other shares shall increase for the amount of used reserves, without changing the basic capital of the company.

(4) A joint stock company may make mergers and splits of shares referred to in Paragraphs 1 to 3 of this Article if it does not violate the rights of holders of warrants and convertible bonds.

(5) If the mergers of shares leave parts of shares whose nominal value is lower than the value referred to in Article 229 Paragraph 2 of this Law, the company shall be liable to pay them at the market value, and if there is not such market value, at the price determined by an independent appraiser, in accordance with this Law.

(6) The mergers and splits of shares shall imply amendment of the Articles of Association in the part relating to the number and nominal value of shares, which shall be done in accordance with this Law.

(7) The value of net capital of a joint stock company shall constantly maintain at the level equal to or greater than the statutory minimum value of the basic capital referred to in Article 228 of this Law.

(8) If the net capital of a joint stock company for any reason falls below the value referred to in Paragraph 1 of this Article, a joint stock company shall be liable to increase it within six months from the day of its decrease, unless it change the legal form of the company during that time.

(9) If the company does not proceed within the time and in accordance with Paragraph 2 of this Article, the process of liquidation shall open.

9.2. Increase of basic capital

9.2.1. General provisions

Decision- making
Article 232

(1) Basic capital of an open joint stock company shall increase by the decision of the Assembly of shareholders, except in the case of approved capital when such a decision may be made by the Board of directors, in accordance with Article 200 Paragraphs 4 to 6 of this Law.

(2) The decision on increase of basic capital of an open joint stock company shall amend the Articles of Association.

(3) The decision on increase of basic capital of an open joint stock company shall determine the amount of increase, the method of payment, time of payment, as well as other issues in accordance with the Law regulating the securities market.

(4) The decision on new issuance of shares on the basis of new investment may be made only after full payment of subscribed shares from the previous successful issuance, unless the Articles of Association or the decision on issuance provide that the basic capital may be increased on the basis of at least 9/10 of subscribed shares.

(5) Restrictions referred to in Paragraph 4 of this Article shall not apply during the increase of basic capital in status changes, as well as in the case of the increase of basic capital through issuance of shares to employees in the company and linked companies.

Method of increase
Article 233

(1) The basic capital of an open joint stock company may be increased:

a) through new investment,

b) by conversion of bonds into shares and through subscription of shares on the basis of the rights of holders of warrants in such subscription (conditional increase), and

c) from the company's funds.

(2) In the increase of basic capital of an open joint stock company, new shares shall be issued or the nominal value of existing shares shall be increased.

Types of issuance
Article 234

(1) Shares of an open joint stock company in the increase of basic capital may be issued through private (closed) issuance and public (open) issuance.

(2) The private issuance of shares in terms of Paragraph 1 of this Article shall be intended for existing shareholders and holders of warrants and convertible bonds and /or a limited number of institutional investors whose status may be determined by the Securities Commission in accordance with this Law and the Law regulating the securities market.

(3) The public issuance of shares referred to in Paragraph 1 of this Article shall be an issuance for the subscription and payment of shares on the basis of public offering to an identified number of persons.

(4) A closed joint stock company may conduct a private issuance and an open joint stock company, beside a public issuance, may conduct a private issuance as well.

The value of shares from new issues
Article 235

The shares from new issues shall sell at the market price determined in accordance with regulations determining the securities market.

9.2.2. Increase of basic capital with new investment

Increase of basic capital in cash investment
Article 236

(1) Basic capital of an open joint stock company may be increased through new investment that may be only in cash in accordance with the decision on the increase of such a capital.

(2) The decision referred to in Paragraph 1 of this Article shall be null and void if the increase of capital is not entered in registry within six months from the day of making the decision.

(3) The deadline referred to in Paragraph 2 of this Article shall be suspended for the time of the dispute that may challenge the decision and until the approval of the Securities Commission.

Subscription of new shares
Article 237

(1) Issued shares which may increase the basic capital of an open joint stock company by new subscriptions shall be subscribed and issued in accordance with this Law and the Law regulating the securities market.

(2) The issuance referred to in Paragraph 1 of this Article on the basis of increase shall be deemed successful if the requirements from the decision on issuance and

published prospectus are met, in accordance with the Law regulating the securities market.

(3) The subscribed shares from the issuance referred to in Paragraph 1 of this Article shall be paid with new subscriptions in accordance with the decision on issuance and in accordance with this Law and the Law regulating the securities market.

(4) Shares of an open joint stock company on the basis of new subscriptions may be issued to the persons who are taking over the issuance as well, in accordance with the Law regulating the securities market.

(5) If the new shares in an increase of basic capital of an open joint stock company are issued on a higher price than the nominal value, the surplus shall represent a premium of shares.

(6) If the shares of new issuance in increase of basic capital are issued above the nominal value, the surplus must be paid before the registration of the increase of basic capital.

Informing the Securities Commission and
entry into the Central registry
Article 238

(1) If the issuance of shares on the basis of new subscriptions is deemed successful in accordance with this Law, the Securities Commission shall be informed about that, in accordance with the Law regulating the securities market.

(2) Upon receipt of the decision from the Securities Commission on the success of issuance of shares on the basis of new subscription, a request shall be submitted to the Central registry for the registration of newly issued shares in accordance with the Law regulating the securities market.

(3) The amendments referred to in Paragraph 1 of this Article shall be registered in the book of shareholders.

Acquisition of shares
Article 239

(1) Shares may be acquired by subscription to the accounts of shareholders in the Central registry.

(2) New shares may be acquired after the subscription of the previous issuance of shares in the Central registry. The new shares issued before this subscription shall be null and void, and for the damage of such issuance of shares to holders shall be jointly liable an issuer and the Board of directors.

Registration and publication of the increase of capital
Article 240

(1) The increase of basic capital of an open joint stock company through new investment shall be registered and published in accordance with the Law regulating the registration of business entities.

(2) Basic capital of an open joint stock company shall be increased on the day of registration of the increase of such capital in the Court registry.

9.2.3. Conditional increase of basic capital

Assumptions
Article 241

(1) The Assembly of shareholders in making the decision on issuance of convertible bonds and warrants may also make a decision on conditional increase of basic capital for the amount that would cover the rights of holders of such securities and their conversion into shares (conditional increase of capital).

(2) The amount of basic capital referred to in Paragraph 1 of this Article may not exceed the half of the basic capital of an open joint stock company existing at the time of making the decision.

(3) The decision of the Assembly of shareholders that is contrary to the decision on the conditional increase of basic capital shall be null and void.

Content of the decision
Article 242

(1) The decision on the conditional increase of basic capital of an open joint stock company shall contain:

a) the purpose of the conditional increase of basic capital,

b) the persons who may use the priority of the subscription of shares (holders of warrants and convertible bonds),

c) deadline for achieving the conditional increase of capital and conditions for use of rights,

d) the price at which shares are issued or the methods by which it may be determined for the purpose of exercising the rights of holders of warrants, and

e) the distribution of rights referred to in Item d) of this Article, the period of time within which the rights may be exercised, as well as the period of waiting for use of the first right not less than two years after the day of making the decision.

Statement on exercising the right of subscription and conversion
Article 243

(1) Subscription rights of holders of convertible bonds shall be made with their written statement that the bonds are to be converted into shares. The benefit of this statement shall replace the subscription and payment of shares.

(2) Subscription rights of holders of warrants shall be made with their written statement on the subscription of shares in the new issuance for the purpose of increase of basic capital with the new shares, in accordance with this Law.

(3) The statement referred to in Paragraphs 1 and 2 of this Article shall include the number of subscribed shares and their nominal value, the class of shares if several classes are issued, as well as the date of making the decision.

(4) The statement on subscription that does not include the information referred to in Paragraph 3 of this Article or which includes the limitation of liability of the person making the statement, shall be null and void.

(5) If shares are issued regardless the nullity of statement, the person making the statement may not refer to the nullity of statement, if he on the basis of the statement exercised the rights and fulfilled the obligations of a shareholder.

(6) The limitations that are not included in the statement on subscription rights shall not affect a joint stock company.

Informing the Securities Commission and
entry into the Central registry
Article 244

(1) Following the completion of the procedure referred to in Article 243 of this Law, the Securities Commission shall be informed, in accordance with the Law regulating the securities market.

(2) Upon receipt of the decision of the Securities Commission on the success of issuance of shares based on new investment, a new request shall be submitted to the Central registry for the purpose of subscription of newly issued shares, in accordance with the Law regulating the securities market.

(3) The information referred to in Paragraph 2 of this Article shall be registered in the book of shareholders.

Acquisition of shares
Article 245

(1) The subscription of shareholders in equity accounts in the Central registry shall be deemed the acquisition of shares.

(2) The Board of directors of an open joint stock company shall issue shares in exchange for convertible bonds under the condition that the difference between the higher amount for which the bonds are issued and the amount for which the shares are issued may be covered from other reserves, if the reserves may be used for that purpose, or with additional payment of a person authorised for conversion of bonds.

Registration and publication of the increase of capital
Article 246

(1) Representatives of an open joint stock company shall submit an application for registration of the increase of basic capital based on shares issued by replacement of convertible bonds and realisation of priority right of shares subscription of holders of warrants.

(2) The application for registration referred to in Paragraph 1 of this Article shall be submitted with other evidence and documents determined with the Law regulating the registration of business entities.

9.2.4. Increase of basic capital from the company funds

Assumptions
Article 247

(1) The Assembly of an open joint stock company may make a decision on the increase of basic capital by conversion of reserves and retained earnings into basic capital of the company.

(2) The decision referred to in Paragraph 1 of this Article shall contain the amount of increase of basic capital, the amount of reserves, the reserves to be converted into basic capital, indication of whether the new shares are to be issued for such amount or the nominal value is to be increased.

(3) The decision on increase of basic capital of an open joint stock company shall be null and void if the increase of capital is not registered within three months from the day of making the decision.

(4) The reserves and retained earnings of a joint stock company may not be converted into basic capital if the financial reports on which the decision is based show loss. The reserves with the specific purpose may be converted into basic capital only if it is in accordance with such a purpose.

(5) The decision on increase of basic capital of an open joint stock company from the company funds shall be based on the last financial reports of the previous business year if the reports are confirmed by an independent audit and adopted no more than 90 days prior to submission of the application for registration of the increase of basic capital.

(6) If the Assembly of an open joint stock company fails to appoint special independent audits for financial reports referred to in Paragraph 4 of this Article, the auditor appointed by the Assembly of shareholders for the last financial reports shall be deemed appointed.

(7) The retained earnings and reserves that shall be converted into basic capital of a joint stock company must be given in financial reports. Legal reserves may be converted into basic capital only if together with reserves they exceed the percentage of basic capital of a joint stock company referred to in Article 231 Paragraph 2 of this Law.

Holders of rights on the basis of the increase of basic capital
from the company's funds
Article 248

(1) The right on shares on the basis of the increase of basic capital of an open joint stock company from the company funds available for such purposes shall have the shareholders of the company on the date section determined in accordance with Article 213 of this Law.

(2) The decision of the Assembly of shareholders that is not in accordance with Paragraph 1 of this Article shall be null and void.

(3) The right referred to in Paragraph 1 of this Article shall also have the subscribers of shares, or the shareholders of the partly paid shares in proportion to their participation in the paid part of basic capital of the company.

(4) The right referred to in Paragraph 1 of this Article shall belong to own shares of the company in proportion to their participation in the existing basic capital of the company.

The right to a part of shares
Article 249

(1) If in the increase of basic capital of an open joint stock company from the company's funds may acquire the right on one part of new shares in the current basic capital of the company, the right may be transferred and inherited.

(2) The rights arising from new shares may be used if the rights referred to in Paragraph 1 of this Article, which together give the whole shares, are combined in one shareholder, or if more holders of rights on the part of shares together constitute the whole shares, decide to use the rights together.

The right on dividend and the distribution of liquidation
Article 250

The new shares acquired on the basis of increase of basic capital of an open joint stock company from the company's funds shall participate in the right on dividend and distribution of liquidation.

Informing the Securities Commission and
entry into the Central registry
Article 251

(1) Following the completion of the procedure referred to in Articles 247 and 248 of this Law, the Securities Commission shall be informed, in accordance with the Law regulating the securities market.

(2) Upon receipt of the decision of the Securities Commission referred to in Paragraph 1 of this Article, the Central registry shall be informed promptly for the purpose of subscription of newly issued shares on this basis and their shareholders, or for the purpose of subscription of the increase of nominal value of the shares.

(3) If an open joint stock company keeps a book of shareholders, the information referred to in Paragraph 2 of this Article shall be recorded in the book.

Acquisition of shares
Article 252

(1) New shares on the basis of the increase of basic capital from the company's funds shall be subscribed on the accounts of shareholders in the Central registry after the subscription referred to in Article 251 Paragraph 2 of this Law is done.

(2) New shares issued to shareholders before the subscription to the Central registry referred to in Paragraph 1 of this Article shall be null and void, and an eminent and the Board of directors are to be jointly responsible for the damage of the issuance to shareholders.

9.3. Decrease of basic capital

9.3.1. General principle

Decision
Article 253

(1) The decision on decrease of basic capital of an open joint stock company through cancellation of its own shares as well as through cancellation of shares on other basis determined by the Articles of Association of the company shall be made by the Assembly of shareholders.

(2) The decision on decrease of basic capital of an open joint stock company shall determine the size, purpose, type and method of decrease of basic capital.

(3) The decision on decrease of basic capital of an open joint stock company shall make amends on the Articles of Association.

Types of decrease
Article 254

(1) Basic capital of an open joint stock company may be decreased in a regular procedure, a simplified procedure and a procedure of decrease for the purpose of conversion into reserves.

(2) Decrease of basic capital of an open joint stock company on a single basis may be done simultaneously with increase of the basic capital on another basis.

9.3.2. Decrease through regular procedure

Methods
Article 255

Decrease of basic capital of an open joint stock company in regular procedure shall be made through:

a) cancellation of its own shares or withdrawal and cancellation of shares of shareholders,

b) decrease of the nominal value of shares, and

c) repayment of the amount paid by shareholders for the shares which are not fully paid and non-issuance of such shares.

Cancellation of own shares and withdrawal and cancellation of shares
Article 256.

(1) Upon reduction of the basic capital of an open company, the first shares to be cancelled shall be the own shares which, according to the Article 219, paragraph 3 of this Law must be cancelled.
(2) If a company holds no own shares, the basic capital of an open company can be reduced by withdrawal of the shares from the shareholders and their cancellation, in accordance with the Articles 222. – 224. of this Law.
(3) Withdrawal and cancellation of shares from shareholders and the reduction of the basic capital in regular procedure on that grounds can only be performed in compliance with the provisions of this Law on protection of the rights of the creditors of an open joint stock company.
(4) Paragraph 3 of this Article shall not apply in the following cases when initial capital is not reduced:
(a) when the fully paid shares are withdrawn and cancelled, and are cancelled at the same time the shares are given at free disposal to the society,
(b) when the fully paid shares are withdrawn and cancelled paid from the resources available for such purposes, and in compliance with the restrictions of payment stated in the Article 225. of this Law.
(c) in the case when together with the cancellation of the withdrawn shares is increased the nominal value of the remaining issued shares to the value that sufficient to avoid the reduction of the basic capital, and the withdrawn and cancelled shares have been acquired from the resources available for such purposes, and in compliance with the Article 225. of this Law.
(d) in the case of simultaneous issuing of new shares in the nominal value of withdrawn shares, in compliance with the provisions of this Law on the minimal basic capital of the company.

Implementation
Article 257.

On the reduction of the basic capital by the reduction of the nominal value, as well as the reduction of the registered capital of a stock company on the basis of the payment of the paid amount to the shareholders for the shares that have not been fully paid and not issuing those shares, shall be applied the provisions from Article 256. of this Law.

Principle of equality
Article 258.

(1) Decision authorizing reduction of the basic capital of an open joint stock company in regular procedure shall not violate the principle of equality of shareholders of the same class.
(2) The equality of the shareholders of the same class shall be provided through proportionate withdrawal and cancellation of shares from the shareholders, i.e. proportionate reduction of nominal value of all the shareholder's shares, as well as withdrawal and cancellation of shares and the reduction of the basic capital arising from trading from the shareholders on the stock exchange and other securities public markets or from public offerings to shareholders in compliance with the law that regulates the securities market, Articles of Association and the decision of the assembly on the reduction of the basic capital. The offer for purchasing shares for withdrawal and cancellation shall state the number of shares that are being bought.
(3) If the amount of reduction of the basic capital of the open joint stock company has been set as a fixed amount by the decision of on reduction, and by conducting the procedure of withdrawal and cancellation of shares from the shareholders on stock exchange or other public securities markets or through public offerings the fixed amount is not achieved, the decision of the assembly on amount of reduction must be changed or a new method of reduction in basic capital shall be chosen.
(4) The equality of shareholders of the same class shall be provided by the reduction of basic (registered) capital of an open joint stock company by not allotting the unpaid shares to the shareholders that have failed to pay in due time the amount to the company for those shares, in accordance with this Law.

Publication of decision and protection of the creditors
Article 259.

(1) The decision on reduction of the basic capital of an open joint stock company in regular procedure shall be published at least twice in one daily paper that is available on the whole territory of the Republic of Srpska within 30 days, with the invitation to the creditors to file their claims.
(2) Creditors whose non-matured claims have arisen prior to the last notice on reduction of the basic capital of the open joint stock company may claim the procuring of those requirements (or the payment of requirements even though they did not come if it was stated in the decision), no later than 90 days following the second notice of the decision. The requirements cannot be claimed by the creditors who in the case of bankruptcy have the right of prior settlement from the bankruptcy estate of the debtor, or by the other creditors with secured requirements.
(3) In the case of reduction of the basic capital in regular procedure of an open joint stock company, shareholders' claims may be settled following a period of 90 days after the date of the second notice of the decision in the daily paper and after giving requirements or settlement of the requirements to the creditors who have duly filed their claims.

Notice of the Securities Commission and entry into the Central Registry of Securities

Article 260.

(1) The open joint company shall notify the Securities Commission on the performed reduction of the basic capital for the purpose of registering the change in compliance with the Law that regulates the securities market.
(2) Upon receiving the decision of the Securities Commission from Paragraph 1 of this Article, the Central Registry of Securities shall be notified without delay, for the purpose of registration in the appropriate accounts of shareholders of the reduction of the number of shares based on withdrawal and cancellation of shares or for the purpose of reduction of the nominal value of the shares, or removing from the register of the registered shares that have been party paid and whose shareholders have been paid.
(3) Reduction of the basic or registered capital in compliance with Paragraph 1 of this Article shall be recorded in the shareholders' book.

Registration of the reduction of the basic capital, publication and effectiveness

Article 261.

(1) Reduction of the basic capital of an open joint company in regular procedure shall be registered for registration and shall be published in the "Official Gazette of the Republic of Srpska" in compliance with the Law which regulates the registration of business entities.
(2) Reduction of the basic capital of an open joint company in regular procedure cannot be registered before the fulfilment of demands of the creditors in Article 259. of this Law.
(3) The basic capital of an open joint stock company shall be decreased as of the date of the registration of the reduction for the nominal value of the withdrawn and cancelled shares, i.e. for the amount of the reduction of the nominal value of shares.
(4) Reduction of the basic capital shall be published in the "Official Gazette of the Republic of Srpska" 15 days within the registration in the Court Register.

9.3.3. Reduction through simplified procedure

Principle
Article 262.

(1) The basic capital of an open joint company may be reduced through a simplified procedure for the purpose of equalizing with the lower value of the assets and covering the losses, and it is stated in the decision on reduction of the basic capital that the capital is reduced for that purpose.
(2) The reduction of the basic capital of an open joint stock company through a simplified procedure for the purpose of covering losses may be carried out only to the extent that the company does not utilize any unallocated profits and with the condition that it has legal reserves in compliance with Article 231., Paragraph 2 of this Law.
(3) Such a reduction of the basic capital of an open joint stock company through a simplified procedure shall not be subject to the provisions of this Law relating to the invitation to creditors to file their claims and the protection of creditors rights upon a regular reduction in capital.
(4) The reduction of basic capital referred to in Paragraph 1 of this Article in a simplified procedure shall be subject to Articles 255.-258. and Articles 260. and 261. of this Law.

9.3.4. Reduction by creating reserves

Limit
Article 263.

(1) The provisions of this Law regarding the invitation to the creditors and protection of the creditors' right upon reduction of the basic capital in regular procedure shall not apply to the reduction of the basic capital of an open joint stock company in the case of transferring to reserves that does not exceed 10% of the basic capital for covering company's losses in the future or for the increase of the basic capital from the assets of the company.
(2) In reduction of the basic capital referred to in Paragraph 1 of this Article, the reserves created shall be equal to the nominal value of the withdrawn and cancelled shares on the basis of the reduction of the basic capital.
(3) Articles 255.-258. and Articles 260. and 261. of this Law shall apply to the reduction of basic capital referred to in Paragraph 1 of this Law.

9.3.5. Basic capital after reduction

Rule
Article 264.

(1) The decision on reduction of the basic capital and the decision on the adoption of the financial report shall be made at the same time.
(2) Information on reduction of the basic capital of an open joint stock company shall be published in accordance with the provisions that regulate the securities market.

9.3.6. Simultaneous reduction and increase

The largest amount of reduction
Article 265.

(1) The basic capital of an open joint stock company may be reduced in regular procedure only to the amount of the minimal basic capital of the company as required in Article 228., Paragraph 2 of this Law. In the case of reduction of the basic capital below the required minimal amount of the basic capital, of liquidation or bankruptcy proceedings shall be initiated in accordance with the Law.
(2) As an exception to Paragraph 1 of this Article, reduction of basic capital of an open joint stock company in regular procedure below the above mentioned minimum shall be possible if the decision to increase the capital up to the required minimal amount is made at the same time as the decision on reduction of the basic capital.
(3) Decisions on reduction of the basic capital in regular procedure and on simultaneous increase of the basic capital of an open joint stock company shall be null and void if the increase or the reduction of the basic capital is not entered into the register within 120 days of the date of the decision. This time period shall not run during the dispute seeking to nullify the decision on reduction or reduction of the basic capital.
(4) Provisions of Article 229. of this Law on minimal nominal value of the shares shall apply in the case of simultaneous reduction and increase of the basic capital.

10. Shareholders' Assembly

10.1. General provision

Exercising shareholders' rights
Article 266.

(1) The Assembly of an open joint stock company consists of company's shareholders.
(2) Every shareholder, in compliance with the By-law, personally or through the authorized representative, shall have the right to participate in the work of the Shareholders' Assembly, the right to vote if he his shares carry the right to vote, the right to make proposals and get answers to questions regarding matters included in the agenda, as well as the right to ask questions regarding matters on the agenda in compliance with this Law.
(3) Provisions of Article 131., Paragraphs 2-4 of this Law, relating the single-member limited liability company shall apply mutatis mutandis to a single-shareholder open joint stock company.
(4) Director or the members of the board of directors and an independent reviser shall attend and participate in the work of the Shareholders' Assembly.

10.2. Types of Assembly

Annual Assembly
Article 267.

(1) The shareholder's assembly shall be convened at least once a year (Annual Assembly), not later than 90 days after submission of financial reports to the competent body for every financial year in compliance with accountancy provisions or six months after the end of the financial year.
(2) The annual assembly shall be held on a date and at a time specified in the company's Articles of Association, or by the decision of the board of directors in compliance with this Law and Articles of Association.
(3) The annual assembly shall be held at the registered office of the company unless the Articles of Association specify a different place.
(4) Failure to hold the annual assembly at the time required in Paragraph 2 of this Article shall not affect otherwise valid company actions.

Extraordinary Assembly and convening by minority shareholders
Article 268.

(1) A joint stock company shall hold an extraordinary shareholders' assembly, and in the following cases:
a) upon request of 1/3 of the members of the board of directors or any other person authorized by the Articles of Association to call an extraordinary assembly;
b) upon request of the liquidator, if the company is in liquidation and
c) upon written request of the shareholders with at least 10% of shares with the right to vote on an issue proposed for the extraordinary assembly

(2) Demand from Paragraph 1, Item (c) of this Article must be dated, and signed by all the shareholders submitting it and must contain the proposal of the agenda, as well as the data on: identification of those shareholders; number of shares each of them holds; purpose or purposes for which the Assembly is called.
(3) Demand from Article 1, Item c) of this Article for the calling of the Assembly shall be considered as received in the joint stock company if it is addressed and delivered to the board of the directors in company's registered office, as they are stated in the Articles of Association.
(4) The record date for determining the list of shareholders entitled to demand an extraordinary assembly shall be the date on which the first shareholder has signed the demand.

(5) The board of directors of an open joint stock company must bring the decision on convening or refusal to convene the extraordinary assembly within ten days after the demand has been received. The board of directors shall send a written notice on the address stated in the demand to every person that demanded the convening of the extraordinary assembly, not later than seven days after passing the decision. The decision to refuse to convene an extraordinary assembly must state the reasons for refusal.
(6) The demand to convene the assembly brought by the authorized person, shall be denied:
(a) If the demand was not submitted in compliance with Paragraph 1., Item v) and Paragraphs 2-5. of this Article,
(b) If the shareholders who have submitted the demand do not hold or do nor represent the required percentage of votes or
(c) If none of the proposed issues for the extraordinary assembly is within the competence of the shareholder's assembly.
(7) An extraordinary assembly may only decide on issues stated in the demand submitted in compliance with Paragraph 1, Item c) and Paragraphs 2-4. of this Article.

Court-ordered Assembly
Article 269.

(1) If the annual assembly of an joint stock company is not held within the required period, the competent court may in a non-contentious proceedings order the assembly to be held upon request of any shareholder who is entitled to attend and to vote at the annual assembly, or upon request of director, or any member of the board of directors. The court is authorized to name an interim representative empowered to convene or preside at the assembly and to set the place and date of the assembly, as well as the agenda of the assembly in compliance with this Law.
(2) If an extraordinary assembly of an open joint stock company is not held at least 30 days within the reception of the demand or the day that the board of directors determines in compliance with Article 268, Paragraph 5, the competent court in a non-contentious proceeding shall order its convening upon request of ay shareholder who signed the demand for convening.
(3) In cases from Paragraphs 1 and 2 of this Article, the court must in a non-contentious proceeding bring the decision within 48 hours after the reception of the demand.
(4) The joint stock company shall bear all the expenses of convening any court-ordered shareholders' assembly.

Extraordinary assembly of a closed joint stock company
Article 270.

The extraordinary shareholders' assembly of a closed joint stock company shall be held without a proper convening and without publishing the agenda in compliance with this Law if all the shareholders entitled to vote attend it and if none of the shareholders dissent, unless the company's Articles of association or By-law determines otherwise.

Extraordinary assembly of a joint stock company in case of financial crisis
Article 271.

A shareholders' assembly shall be convened without delay if it has been learned during preparation of annual or other financial statements that the company faces a loss which amounts to 50% of the company's basic capital.

10. 3. The process of convening, notice and work

Rules
Article 272.

(1) A written notice for the shareholders' assembly shall be sent to each shareholder not later than 30 days and not earlier than 60 days before the date of the assembly, and a written notice for an extraordinary shareholders' assembly to each shareholder not later than 15 days and not earlier than 30 days before the date of the assembly. The invitation shall be delivered by post or by e-mail, if the shareholder has given his written consent for noticing by e-mail, to each shareholder who is entitled to vote at the assembly. The notice shall be given by or at the direction of the chairman of the board or another director, or by another person who is authorized to call the meeting.
(2) Together with the written invitation from Paragraph 1 of this Article, the joint stock company shall deliver financial reports together with the auditor's report, the report of the board of directors on the company's operations, the text of any proposed changes of the Articles of Association, description of any contract or other legal work proposed for approval, as well as other acts in compliance with the company's Articles of Association, this Law, the law that regulates the securities market and other laws.
(3) The date of delivery of the notice referred to in Paragraph 1 of this Article shall be considered to be the date of sending by post by recorded delivery to the post office or the date of emailing, as the case may be.
(4) As an exception to Paragraph 1 of this Article, an open joint stock company may, if is stands in the Articles of Association, instead of sending individual notice to each shareholder, publish an announcement continuously on the company's website during the applicable time period referred to in Paragraph 1 of this Article and shall, in addition, publish it in at least one daily newspaper distributed throughout the Republic of Srpska, not less than 30 nor more than 60 days before the date of the assembly in the case of an annual assembly, and not less than 15 nor more than 30 days before the date of the assembly in the case of an extraordinary assembly.
(5) The notice of an annual assembly referred to in Paragraph 4 of this Article shall state the date, time and place of the meeting, the company's proposed agenda and list of issues to be voted on at the meeting and the proposal for decisions for which the solution should be brought at the meeting (including candidates for election to the board of directors and any proposal for dividends), and shall include a statement that the company will provide copies of the financial reports together with the auditor's report, the report of the board of directors on the company's operations, the text of any proposed changes of the Articles of Association, description of any contract or other legal work proposed for approval, as well as other acts in compliance with the

company’s Articles of Association, this Law, the law that regulates the securities market and other laws, to any shareholder who requests them, at the company's registered office during regular business hours.

(6) The notice of an extraordinary assembly referred to in paragraph (4) of this Article shall state the date, time and place of the meeting, a description of the reasons for which the assembly is to be held, and the agenda which is proposed by the persons who called or demanded the meeting.

Waiver of shareholders’ notice
Article 273.

If the Law, Articles of Association or the By-law require written notifications of the shareholders and if the waiver of such notice is signed by the shareholder, the notice from Article 272. Paragraph 2 of this Law shall have the legal effect of the sent written invitation.

Right to objection
Article 274.

(1) Shareholder who attends the assembly shall have no right to objection on defective notice or lack of notice on calling the assembly.
(2) As an exception to Paragraph 1 of this Article, the shareholder attending the assembly may file an objection to the notice that does not contain all the attachments in compliance with Article 272., Paragraphs 5 and 6 of this Law in written form at the beginning of the assembly to the holding of the assembly or taking action at the assembly because proper notice was not given.
(3) The objection referred to in Paragraph 2 of this Article shall be decided in a form specified by the company's By-law and the assembly's operating procedures and rules.

Agenda for the assembly
Article 275.

(1) At a shareholders' assembly, decisions may be made only on matters in the agenda that have been properly published and entered into the agenda in compliance with this Law, but other matters can be discussed, too.
(2) A shareholder or shareholders holding at least 10% of all the votes entitled to be cast for the elections for board of directors of a company shall have the right to propose and require that the maximum of two new issues are included in the agenda.
(3) The proposal referred to in Paragraph 2 of this Article must be submitted in writing within seven days from the date at which the convening of an annual shareholders' assembly has been announced, or within five days in the event of an extraordinary shareholders' assembly.

(4) The proposal referred to in Paragraphs 2 and 3 of this article that is delivered to the board of directors in the registered office of the company shall contain the reasons for giving proposals, including the proposal of decision as well as the names of the shareholders giving the proposals and the number of shares they hold.
(5) No shareholder from Paragraph 2 of this Article shall be counted in more than one group holding a stated percentage of votes.
(6) If the board fails to respond to a shareholders' request 72 hours within the reception of the request in compliance with Paragraph 2 of this Article, or if it rejects the request, the competent court in a non-contentious proceeding shall have the power, on request of any submitting shareholder, to order that the shareholders' request must be granted. The court shall make its decision within 48 hours after receipt of the request.

Chairman of the assembly
Article 276.

(1) A chairman shall preside at each shareholders' assembly.
(2) The chairman shall be elected at the beginning of the assembly if the agenda properly provides for that.
(3) The chairman may also be designated or appointed as provided in the company's Articles of Association or By-law.
(4) The Rules of Procedure of the shareholders' assembly shall be brought upon request of the chairman by the assembly.

List of shareholders and record date for an assembly
Article 277.

(1) The right to attend and to vote at the assembly shall be based on the report of the Central register containing the label of the share, data on the shareholders, number and nominal value of the shares on the date of passing the decision on calling the assembly.
(2) The list of shareholders referred to in Paragraph 1 of this Article must be available in the registered office of the company to all the shareholders who are entitled to vote at the assembly for the purpose of inspection and copying, or for the opportunity to object to any irregularities in the list.

Voting in person or by proxy
Article 278.

(1) A shareholder may vote his shares in person or by an authorized representative (a "proxy") in accordance with this Law or the company's By-law.
(2) A shareholder may appoint a proxy only by power of attorney in writing which names the person who shall be the proxy and states the number, type and class of shares for which the proxy is given. If so provided in the

company's Articles of Association or By-law, the power of attorney may be given in electronic format if its authenticity can be assured.

(3) The signed copies of the power of attorney shall be given to the proxy and delivered in the registered office of the joint stock company.

(4) The given proxy shall be valid only for one or more assemblies, in defined period of time or until repeal. In cases when the proxy is given for one or more assemblies it shall be valid for the reconvened assembly, no matter the reasons for reconvening.

(5) If the power of attorney contains instructions on how to vote on a particular matter, the proxy must vote in accordance with those instructions. If the power of attorney does not contain instructions on how to vote on a matter, the proxy shall exercise the right to vote on that matter only in good faith with the purpose of serving the shareholder's own best interest.

(6) The chairman or the members of the board of directors, the members of the management body and the controlling shareholders may not be proxies for the shareholders who are employees of the company and related person of an employee of the company.

(7) If a shareholder who is entitled to vote at an assembly transfers his shares to another person before the assembly, and after the date of determining the shareholder in compliance with Article 277. of this Law, he shall retain the right to attend the assembly and vote.

(8) A proxy is obligated to inform the shareholders who appointed him about his voting at the assembly.

(9) The responsibility of a proxy for exercising the right to vote on behalf of shareholders as provided in Paragraphs 5 and 8 of this Article may not be released or limited in advance.

(10) A shareholder who has given the power of attorney may revoke it at any time prior to voting at the assembly meeting by a written revocation delivered to the company and the proxy, or by attending the meeting and voting in person.

The voting committee
Article 279.

(1) The chairman of a shareholders' assembly shall appoint a keeper of the minutes, two shareholders to review and approve the minutes, and the members of the voting committee, unless provided otherwise in a company's Articles of Association or By-law.

(2) The voting committee shall be composed of at least three members and it shall:

a) verify the list of shareholders present in person or by proxy and verify the identities of the proxies,

b) verify the total number of shares and number of votes of each shareholder and each proxy,

c) verify the validity of each power of attorney appointing a proxy,

d) count votes,

e) verify and announce the voting results,

f) transfer the ballots to the company's archive for safekeeping and
g) perform other activities in accordance with any rules of procedure of the shareholders' assembly.

(3) The voting committee shall be obligated to act in an impartial and fair manner towards all shareholders and to submit a signed, written report about its work which shall serve as evidence of the voting results at the shareholders' assembly but which shall not be free from challenge by any shareholder acting in good faith.

(4) In the case of a company with more than 50 shareholders, a member of the voting committee may not be a chairman or the members of the board of directors, management body members, candidates for either body, or a related person of any thereof.

10.4. Informing the shareholders and competence

Special informing of the shareholders
Article 280.

(1) At each annual shareholders' assembly the company's board of directors shall make an accurate and complete report to the shareholders on the state and operations of the company including its financial condition.

(2) If the company has acquired its own shares, the board shall state in its report on the state of the company the reasons for the acquisition, the number and nominal or accounting value of the acquired shares, whether they were acquired through compensation or without it stating the amount paid, the number of its own shares the company holds and the number of shares which it has reissued.

(3) If a shareholder is denied information requested referred to in Paragraphs 1 and 2 of this Article, he may request that this denial is recorded in the minutes of the shareholders' assembly together with the reasons for the denial.

(4) A shareholder may ask the competent court to order that such information is provided in compliance with Paragraphs 1 and 2 of this Article. Such request shall be made not later than 15 days after the date of the assembly meeting at which the information in question was denied.

Competence and the book of decisions
Article 281.

(1) The following matters are to be decided by the shareholders' assembly:
a) amendments of the Articles of Association, particularly including amendments that establish, increase or decrease the authorized number of shares of, or change the rights or preferences of, any type or class of stock, or increase or decrease the company's basic capital, but not including amendments which may be made by the board in compliance with this Law,

b) status changes, changes of the legal form into another from of the business company and acquisition and disposal of the major assets, in compliance with this Law,
c) decision on distribution of profit and covering of losses, if the Articles of Association or By-law of the company do not provide otherwise,
d) adoption of the company's annual financial statements including reports of the board of directors and auditors regarding the financial reports,
e) policies on compensation and bonuses to the members of the board of directors,
f) election and removal of the board of directors,
g) termination of the company,
h) appointment and removal of the company's auditors and the auditing committee,
i) matters submitted to the shareholders' assembly by the company's board of directors for decision in accordance with this Law,
j) expenditures relating to bonuses for the company's directors or the mmbers of the board of directors by issuing shares and other financial and non-financial grants and
k) other matters stated in this Law or the company's Articles of Association.

(2) All decisions made by the shareholder assembly shall be entered without delay into a company book of decisions.

Adoption of annual financial reports
and reports on company's business activities
Article 282.

(1) The board of directors shall submit to the annual shareholders' assembly the financial statements and statements on business activities together with the statement by the auditor thereon, and other reports in accordance with this Law for adoption.
(2) Any adoption by the shareholders' assembly of a company's annual or other financial statements or any other statements shall not affect any right or remedy available to the shareholders if such statements are later found to be incorrect or misleading.
(3) The report on business activities of an open joint stock company shall objectively show the development, results of the business activities and financial condition of the company together with the description of the main risks the company is exposed to. This report shall contain the analysis of results of business activities and the financial state of the company, and if necessary, other indicators regarding individual activities including the notice on protection of the environment to the employees. When necessary, the analysis must contain explanation about the amounts stated in the annual financial reports.
(4) The reports shall also show:
a) All relevant business events after the expiration of the financial year that is being reported,
b) The expected development of the joint stock company,
c) The activities of the company on its future development,

d) Data on the acquisition of the company's own shares,
e) Data on the existence of the business units of the company and
f) Data on the use of the financial instruments, as well as the data related to the estimation of the condition of the company's properties, their obligations, financial state, capital gains and losses, the way og managing financial risks and policies, including the policy of taking measures for prevention of losses.

(5) A constituent part of the annual report on business activities of the open joint stock company whose shares have been added to the official stock market shall also be the statement on compliance from Article 309., Paragraph 3 of this Law.

10.5. Working methods and the process of making decisions

Quorum
Article 283.

(1) A simple majority of the total number of votes of the shares entitled to vote on a matter (a simple quorum) shall constitute a quorum for action of an assembly on that matter, unless the company's Articles of Association requires a greater quorum. The votes of those shares which may, in accordance with this Law, vote in writing shall also constitute part of the quorum.
(2) If an assembly is adjourned because of lack of quorum it may be reconvened with the same proposed agenda but not later than 15 days from the date of the adjournment (a reconvened shareholders' assembly). The quorum required at such a reconvened assembly shall be one-third of the votes of the shares entitled to vote, unless the Articles of Association require a greater quorum.
(3) If there is no quorum at the reconvened assembly or it is not held within the required time period, another assembly must be convened and held in accordance with this Law.
(4) The quorum at the shareholders' assembly shall be determined prior to beginning deliberations on the agenda items at the assembly, based on the list of the voring committee, in compliance with Article 279., Paragraph 2, Items a) and b) of this Law.
(5) Any amendment of a company's Articles of Association that changes the required quorum or changes the voting conditions can be adopted by the same votes required for the quorum and the voting conditions that already exist or are proposed by the amendment of the Articles of Association if the proposed quorum is greater than the existing one.
(6) If the shareholders' assembly has a determined quorum for a specific matter, it shall decide only on the issues in the agenda for which there is the required quorum. A properly convened assembly shall decide on the time of the reconvened shareholders' assembly in compliance with Paragraphs 2 and 3 of this Article.
(7) If the company's Articles of Association or this Law requires group voting by a single type or class of shares on a matter, the quorum for such voting shall be as provided in Paragraphs 1-6 of this Article.

Majority for making decisions
Article 284.

(1) If there is the quorum at the assembly, the decisions shall be brought by the simple majority of votes of the shareholders present in present or by proxy who are entitled to vote on a certain matter, unless this Law or the Articles of Association on voting for certain issues determines a greater number of votes or votes of one class of shares.
(2) Whenever this Law states that a qualified majority of votes is required on a matter, the term qualified majority shall mean the affirmative votes of at least two-thirds of the votes of all of the shares entitled to vote on that matter.
(3) The Articles of Association or by-laws of any company may supersede that the provisions from Paragraph 2 of this Article are brought by the majority votes of all the shares entitled to vote on a certain issue, but not less than a simple majority of the votes of all of the shares entitled to vote on the matter and not less than a simple majority of all of the shares of each class of shares entitled to separate group voting on the matter.

Right to vote
Article 285.

(1) Except required otherwise in this Law, every issued ordinary share shall have the right of one vote on all the matters voted on during the shareholders' assembly, and every issued preferred share when having the right to vote, shall practice that right in compliance with the restrictions from Article 204, Paragraph 6 of this Law, in compliance with the Articles of Associations of the company.
(2) Shares held by the company may not be voted. Securities other than shares may not vote.
(3) A company's shares may not be voted at an assembly if the shares are owned, directly or indirectly, if the shareholder is, directly or indirectly, other company in which that joint stock company has, directly or indirectly, shares based on which it controls the voting of that other company (subordinated company).

Voting contracts
Article 286.

(1) The contract by which the shareholder or a proxy is obliged to vote following instructions of the joint stock company or the members of board of directors, director or the members of the management body.
(2) The contract by which the shareholder is obliged to use the right to vote in a certain way or refrain to vote, in exchange for privileges or other services approved by the company or a member of the board of directors, director or the member of the management body of the company shall be null and void.

Phone conferences
Article 287.

An assembly in a joint stock company with not more than ten shareholders may be held through conference telephone or other audio or visual communication equipment if all of the participants can listen and talk to each other. The persons participating in such an assembly shall be considered to be personally present at the assembly.

Form of voting
Article 288.

(1) Voting at an assembly shall be by ballots, which may be in form for computer processing if the company has more than 100 shareholders or when so requested by shareholders with a minimum of 10% attending or represented shares with right to vote on the matter in the following cases:
   a) When voting for the election or the removal of the director or the members of the board of directors, independent auditor or liquidator and
   b) Financial reports, reports on business activities in the adoption of the system of awarding directors or the members of the company's board of directors.
(2) A ballot shall contain the following:
   a) the company's registered name and the date and time of the assembly,
   b) the issues subject to voting as items of the agenda,
   c) provision for voting "in favour," "against" or "abstain" on every issue,
   d) for voting for directors or members of the board of directors, a clear statement of all the candidate's names and statement of the body voted for.
(3) In case of voting through ballots:
   a) a vote on matters other than election of company's body shall be counted only if the shareholder marks one of the three options stated in Paragraph 2, Item c) of this Article,
   b) a vote on election or removal of a director or a member of the board of directors without cumulative voting in accordance with this Law shall be counted only if the shareholder votes for a number of candidates not exceeding the total number of directors to be elected and
   c) a vote on election or removal of a director or a member of the board of directors with cumulative voting shall be counted only if the shareholder's total number of votes for all candidates does not exceed the total number of votes of the shareholder.
(4) If the ballot contains more than one issue for voting, invalid voting on one shall not adversely affect validity of voting on any other issue.
(5) Voting in other cases than described in Paragraph 1 of this Article shall be by public show of hands or another open procedure.

Voting rights of holders of specific types
Article 289.

(1) The right to vote based on shares which are pledged shall be given to the shareholder as the pledgor.
(2) The right to vote based on shares or a part of shares that the joint stock company has in another company shall be given to the proxy or a legal representative.
(3) In the case of shares held in the name of a deceased person, minor or other person not having legal capacity, the voting may be done through a legal representative as provided by law without transfer of the shares to the representative.
(4) In the case of shares held by a bankruptcy administrator or liquidator during the company's liquidity, the voting is done by such person without transferring the shares into such person's name if the power for such voting is contained in an appropriate court decision authorizing such person.

Effective date of the decisions of the assembly
Article 290.

The decision of the shareholders' assembly shall be legally effective on the day of its enactment, except in the following cases:

a) if the decision itself specifies another date and
b) if the law explicitly requires that the decision becomes legally effective when it is registered and published, in which case the date of entering into Register, i.e. its publishing shall be the effective date.

Disqualification to vote
Article 291.

(1) A shareholder may not vote at a shareholders' assembly in the following cases:
   a) when freeing or reducing his obligations and the obligations persons related to him,
   b) when initiating or terminating a lawsuit against that shareholder and the persons related to him,
   c) when approving activities where there is conflict of interest between him and/or persons related to him and the company in compliance with this Law,

d) when deciding on the right of more important purchase in the process of emission of actions in a private offer in which he and/or the person related to him is already determined as the buyer,
e) when deciding on founding or connecting with another legal person in which he and/or person related him has a proprietary share greater than 5% in the basic capital and
f) in the case of payment of dividends or the employees and the members of the board of directors if that person and/or person related to him has that status in that company.

(2) The limitations of the voting right for the company's shareholder and his representative, i.e. proxy form the Paragraph 1 of this Article shall not be applied when deciding on his election or removal as the member of the board of directors, director or company's liquidator.
(3) The votes of the shareholders who were disqualified to vote shall not be counted in determining the quorum for decision making.

Assembly record
Article 292.

(1) Every decision of an assembly shall be recorded in minutes of the assembly by a recording clerk.
(2) The chairman of the assembly shall be responsible for assuring that proper minutes are made.
(3) The minutes shall be prepared not later than 15 days after the date of the assembly.
(4) The minutes shall state: the place and time of the assembly, the agenda, the name of the recording clerk, the chairperson and voting committee members, the quorum, the votes for, against and abstained on each decision, the manner of voting, a summary of the discussions and speeches, and a list of decisions made.
(5) The list of persons present and evidence of proper convening of the assembly shall also be included in the minutes.
(6) The minutes shall be signed by the chairman of the assembly, two appointed shareholders (certifiers of the minutes) and the recording clerk.
(7) The minutes of the assembly of a joint stock company whose shares have been added to the official stock market shall be recorded by the notary.

10.6. Nullity and denial of the decisions of the shareholders' assembly

10.6.1. General grounds for nullity and denial

Grounds
Article 293.

(1) Except in the cases from Article 236., Paragraph 2, Article 241., Paragraph 3, Article 247., Paragraph 3, Article 248, Paragraph 2 and Article 265., Paragraph 3 of this Law, the decision of the assembly shall be null and void:
   a) if the decision was brought at the assembly that was not convened in accordance with Article 272. of this Law, unless all the shareholders participated in its work,
   b) if in its bringing participated a shareholder whose right to vote was disqualified in compliance with Article 291. of this Law or he was prohibited to vote in accordance with the Law,
   c) if the decision was not added into the agenda as required in Article 275. of this Law
   d) if its content violates the regulations which explicitly or partly protect the interests of the company's creditors or were brought for the purpose of protecting public interest,
   e) if it is against morality and
   f) if it was proclaimed as null and void by a legal verdict, brought after the complaint for denial of the decision.

(2) The denial of the decision of the shareholders' assembly shall be performed in a competent court in the following cases:
   a) if it is null and void as required in Paragraph 1 of this Article,
   b) if the decision was not brought as required in this Law, Articles of Association or by-law,
   c) if the decision is contrary to the Law, Articles of Association or by-law and
   d) in other cases required by this Law.

(3) The complaint from Paragraph 2 of this Article may be submitted by: any shareholder who voted against the decision at the assembly, as well as any shareholder who was not properly invited to the assembly or was prevented from attending the assembly in any other way.

(4) The complaint from Paragraphs 1 and 2 of this Article may be submitted by any member of the board of directors.

(5) The complaint for denial of the decision of the shareholders' assembly shall not impede its registration, but the Registry may postpone registration should it find it justified.

(6) if the registration of the decision that has been denied, the court may, at the request of a person referred to in Paragraphs 3 and 4 of this Article, bring the decision to register the note of the dispute.

10.6.2. Special grounds for denial

Denial of election of director or the members of the board of directors
Article 294.

(1) Except for the case referred to in Article 293. of this Law, the decision on election of the director or the members of the board of directors of a joint stock company may be denied if:

a) the board of directors was established contrary to this Law, the company's Articles of Association or by-laws,
b) the shareholders' assembly elects to the board of directors a person who was not proposed according to the Law, Articles of Association or by-law,
c) the shareholders' assembly elects to the board of directors more members than it is required by the Law or by-law,
d) the person elected does not meet qualifications required for his election.

(2) The provisions from Paragraph 1 of this Article shall apply to the denial of election of the members of the auditing committee, internal auditor and the members of the management body.

Denial of the decision on adoption of annual financial reports
Article 295.

(1) Except for the cases referred to in Article 293. of this Law, the decision on adoption of the financial reports may be denied if:

a) the content of financial reports is contrary to the provisions that explicitly or mainly protect the interests of company's creditors and
b) the auditing of the financial reports was not performed in compliance with the law or it was not performed on behalf of authorized persons.

(2) The denial of the assembly decision on the annual financial reports, and the denial of the decisions of the board of directors on determining the proposals for those reports may result in invalidity of an assembly decision on profit distribution based on the invalid decision.

10.6.3. Exclusion of the rules for denial

Exceptions
Article 296.

The decision of the shareholders' assembly cannot be denied in the following cases:

a) if not acting according to the provisions of the Articles of Association or by-law has as a result minor violation of rights of the claimant or any other person, or if such actions have no significant legal consequences,

b) if denial significantly limits the rights of the third persons acquired in good faith and
c) if the grounds for denial of the assembly's decision is convening that is contrary to the law, Articles of Association or by-law, that has been drifted from in accordance with Articles 273. and 274. of this Law.

10.6.4. The process of denial

The complaint and the process
Article 297.

(1) The complaint for the denial of the decision of the shareholders' assembly shall be submitted against the company.
(2) The complaint from Paragraph 1 of this Article shall be submitted within 30 days after the date of learning the decision, and not later than six months, and in the case of an open joint stock company whose shares have been added to the stock market within 90 days after the date of bringing the decision.
(3) If the claimant was present at the meeting when the decision was brought, the deadline from Paragraph 2 of this Law shall start on the first day after the date of the shareholders' assembly on which that decision was brought, and if the claimant was not present at the meeting when the decision was brought, the deadline shall start after the day when he might have learned about decision.
(4) In the case of complaint from Paragraph 1 of this Article, the joint stock company shall be represented by the executive director, or the person authorized in compliance with the Articles of Association when the claimant is the a shareholder, and when the complaint was submitted by a member of the board of directors, the company may be represented by a special proxy determined on behalf of the shareholders' assembly, in compliance with the Articles of Association or by-law or according to circumstances by the court in a non-contentious proceeding.
(5) The court may at the company's request order the claimant to deposit a collateral in case the dispute causes damage to the company.
(6) The court may order a temporary measure aimed at preventing the implementation of the decision, which is subject to establishing its denial, if it deems it likely that its execution may cause irreparable damage to the company.
(7) If more than one proceeding is conducted for establishing the denial of the assembly decision, they shall be combined into one. The proceeding for establishing the denial of the assembly decision is urgent.
(8) The court may set a reasonable deadline for harmonizing the decision which initiated proceedings under this Law, Articles of Association or by law, should it find this to be necessary and possible. In case of expiration of such a time period, the court may extend the time period.
(9) In case the company brings an objection for a minor violation of rights, or the objection for not having a significant legal consequence from Article 296. of this Law, the court shall leave a deadline to its board of directors to provide

adequate evidence. If the board of directors does not act according the command of the court in that deadline, the court shall reject the objection and continue with the procedure as if the objection on exclusion of rights to the denial of the decision of the shareholders' assembly was never given.

(10) Every shareholder may be involved in a dispute.

(11) A court decision which establishes denial of the assembly's decision shall be effective in favour of and against all shareholders and binding with respect to the relationships among the shareholders and the company, the company and the members of the company bodies.

(12) If the complaint for the denial of the decision of the shareholders' assembly is rejected because there were no basis for the denial of the decision, the claimants who submitted the complaint in bad faith or due to gross negligence will be responsible for the damage they caused.

(13) If a denied assembly decision was registered in the Registry, the court shall, ex officio, send the decision on invalidity to the Registry for its registration and publication. The entering of the decision shall be published in the same manner that the denied decision was publicized.

(14) If a denied assembly decision relates to amendments of the Articles of Association, the full text of the Articles of Association together with the decision shall be sent to the Registry with a duly verified signature of an authorized person, taking into consideration the court decision and all the relevant amendments of the Articles of Association up to that moment.

11. Board of directors and management body

11.1. General provisions concerning director or the board of directors

Requirements
Article 298.

(1) A closed joint stock company has a director or the board of directors.
(2) An open joint stock company has the board of directors.
(3) The provisions of this Law on the board of directors of an open joint stock company shall also apply to the director of a closed joint stock company when there is no board of directors.

11.2. Status issues of the board of directors

Number of members
Article 299.

(1) The number of members of the board of directors of an open joint stock company shall be determined by the Articles of Association.
(2) The board of directors of an open joint stock company shall have not less than three members and not more than 15 members.

Election and cumulative voting
Article 300.

(1) The members of the board of directors:
   a) shall be elected by the shareholders at the annual assembly and
   b) may be elected by the shareholders at any extraordinary assembly that was convened for the purpose.
(2) Candidates for election to the board may be nominated by the existing board, by shareholders or by a nominating committee of the board if such exists (the authorized nominators).
(3) In all elections of directors, every shareholder shall have the right to vote the number of shares held by such shareholder for as many persons as there are directors to be elected.
(4) In an open joint stock company the members of the board of directors shall be elected with cumulative voting, unless the Articles of Association or the by-laws require otherwise.
(5) The cumulative voting referred to in Paragraph 4 of this Article is the voting in which every shareholder or a proxy with the right to vote multiplies the number of shares he holds with the number of the members of the board of directors voted for and may give all those votes to one candidate or distribute them without limitations to all the candidates.
(6) The Articles of Association of any closed joint stock company may provide for cumulative voting for election of the members of board of directors.

Independent and non-executive members of the board of directors
Article 301.

(1) In open joint stock companies whose shares have been listed on the stock market a majority of the members of the board of directors shall be non-executive directors and, of them, at least two members shall be independent directors.
(2) Authorized nominators referred to from Article 300., Paragraph 2 shall propose at least three candidates for the non-executive members of the board of directors.
(3) The independent member of the board of directors shall be the person who, or whose family members either separately or together with him or each other, during the two preceding years:
   a) was not employee of the company,
   b) did not pay to the company or receive from the company payments bigger than 20 000 BAM,
   c) does not own more than 10% of shares or a part, directly or indirectly, in the person who paid or received from the company the amount bigger than the amount referred to in Item b) of this Article,
   d) does not own directly or indirectly (including other related persons within this Law) shares of the company that represent more than 10% of the basic capital,

e) was not the director of the company or a member of the board of directors, unless he was an independent member and
f) was not the independent auditor of the company.

(4) For purposes of this Law, a non-executive member of the board of directors is a person who is not a member of the management body.

Term of Offices of Director
Article 302

(1) The term of offices of all directors, including the members elected to fill a vacancy, lasts for no longer than five years with the possibility of re-election, the mentioned can be adopted on the next annual shareholders assembly if the annual business report is not adopted.
(2) A vacancy in a board shall be filled by election at the next shareholder's assembly at which directors are to be elected, only if company's Article of Association or by-laws and board doesn't decide differently.
(3) If the number of directors falls below half of the number fixed in the company's Article of Association or by-laws and board doesn't fill the vacancies pursuant to authorization refers to in paragraph(2) of this Article, the remaining directors shall call a shareholder's meeting for the purpose of filling the vacancies.

Article 303
Chairman of the Board

(1) Chairman of the Board shall be elected by the board from among themselves, by simple majority of the total number of directors, except that a company's Article of Association or by-laws may fill the vacancy with another majority of the total number of directors.
(2) The board may remove and choose the new chairman at any time.
(3) The chairman of the board may also have the title of president of the company, unless provided otherwise in the Articles of Association or by-laws.
(4) The chairman of the board may also be the chief executive officer of the company, unless provided otherwise in the Articles of Association and by-laws.
(5) The chairman of the board shall assemble and preside at meetings on the board and shall be responsible for taking and maintaining notes of all board meetings.
(6) Until a chairman and if he is absent from a meeting, another director chosen by a majority of the directors present preside at any meeting.

11.3 Method of Work and Competence

Article 304

Competence of the Board

(1)The competence of a company's board of directors shall include the making of decision relating to:

a) guiding the company's development and strategies and overseeing its management and administration
b)determining or approving business plan for the company
c)convening shareholder's assemblies and monitoring their implementation
d)appointing and removing procura;
e)preparing draft decisions for an assembly and monitoring their implementation;
f)issuing shares within the limits prescribed by the Articles of Association and this Law
g)issuing bonds, options to acquire shares and other securities within limits prescribed by the Articles of Association and this Law;
h)appointing the members of the company's management body, approving contracts between them and the company, establishing their remuneration, and deciding on termination of their term of office or their employment on any ground;
i)determining the amounts, record dates, payment dates and procedures for dividends when the Articles of Association give the board such authority; and
j)deciding other matters which are referred to the competence of the board in the company's Articles of Association.
(2)Activities which are included within the competence of the board of directors may be transferred to the shareholders by decision of the board of directors, unless the Articles of Association or by –laws provided otherwise or decided by other person or bodies of the company, except the shareholders at a shareholders' assembly.

Liability for Business Book
Article 305

Directors of a joint company shall be responsible for keeping the business books and internal supervision of the business in accordance with law.

Meetings of the Board
Article 306

(1)The board shall hold at least four regular meetings a year, one of which shall be at least sixty days prior to the annual shareholder's assembly.
(2)Apart from its regular meetings the board may convene extraordinary meetings at the call of the chairman, and the chairman shall do so or at the request of at least one-third of the members of the director, the meeting may be convened by those directors.
(3)Written notice shall be sent to all the members not later than ten days prior to the date of an extraordinary meeting except in urgent cases where that is not practicable
Attendance of a director at any meeting shall constitute waiver of any required notice of the meeting except where a director attends for the purpose of objecting to the meeting as not lawfully convened and states that purpose at the meeting.
(4)The board may adopt procedural rules for regulating of meetings to the extent that is not done in the company's Articles of Association or by-laws.

Meeting by Conference Telephone and Actions Without Meeting
Article 307

(1) Unless specifically prohibited by a company's Articles of Association or by-laws, a meeting of a company's board may be held by conference telephone or other studio or visual communications equipment in all participants can hear and talk to each other. The persons attending a meeting in this way shall be considered to be present at the meeting.
(2) Unless a company's Articles of Association or by-laws require that action by the board must be taken at a meeting, any action which may be taken at a meeting may be taken without a meeting if a consent in writing, stating the action so taken, is signed by all of directors entitled to vote on such matter. It is believed that any person who is in this manner part of the action, participates the meeting**.**

Committees of the Board
Article 308

(1)A board of an open company shall create at least two committees, each consisting of at least three directors, to review, study, make recommendations on, or take other section on matters which are within the competence of the board.
(2) All decisions referred to in a paragraph 1 of a committee of a board of directors shall be subject to approval by the entire board.
(3)The committees referred to in paragraph (1) of this Article shall include:
a)a nominating committee, which shall identify persons qualified to become board of directors or management body members, and make recommendations to the whole board of directors including recommendations of candidates for board membership to be included by the board of directors on the agenda for the next annual shareholder's assembly; and
b)a remuneration committee, which shall review the company's remuneration policies for board of director, management body members and auditor, make recommendations regarding remuneration policies and amounts for specific persons to the whole board , taking account of total remuneration including salaries , fees, expenses and employee benefits, and taking into consideration standards for remuneration in accordance with Law.
(4)Provisions for election, number of members, removal term, meeting procedures and other matters shall be determined by the board of the company's by-laws.

Coorporate Governance Guidelines
Article 309

(1)The board of a listed company may establish or adopt written coorporate governance guidelines covering matters such as standards for qualification and independence of a director, ethical standards director's responsibilities including

meeting attendance, diligence in reviewing materials, and rules for disclosure and review of potential conflicts of interest with the company, director compensation policy, succession planning for both directors and management body members, and other corporate governance matters deemed appropriate.
(2)The company shall publish such guidelines on its website and make them available in print to any shareholder who requests it.
(3)At each annual shareholder's assembly the company's board of directors may report to the assembly on the company's compliance with its guidelines and explain the extent if any to which it has varied them or believes that any noncompliance was justified.

11.4 Making Decision

Quorum and Vote Required for Decision
Article 310.

(1) The quorum for decision-making and transaction of business by a company's board shall be a majority of the total number of directors fixed in the company's Articles of Association, unless the Articles of Association or by-laws requires a greater number.
(2) The affirmative vote of a majority of this directors present at a meeting at which a quorum is present shall be the act and decision of the board, unless the Articles of Association or by-laws requires a greater number of directors.
(3) All decision of the board shall be entered into the company's book of decision without delay.
(4) A decision of the board shall be effective at the time it is made.
(5) If the votes of the board members are equally divided, the chairman of the board shall have a tie-breaking vote, unless provided otherwise in the company's Article of Association or by.-laws.

Disqualification to Vote in Certain Cases
Article 311

The provision of this Law on disqualification a shareholder's right to vote at an assembly shall apply mutatis mutandis to voting by directors at a board meeting.

Records of Meetings
Article 312

(1) Minutes of the meeting shall be taken at every meeting of the board and the minutes of each meeting shall be submitted to the board for this review and approval at the next meeting. The minutes shall be signed by the chairman of the board or other person who presided at the meeting and any recording clerk who took them.

(2) The minutes of a meeting shall be prepared no later than 10 days following the meeting.
(3) The minutes shall include the time and place of the meeting, the names of those attending, the agenda, the issues that were subject to voting the voting results including the names of those who voted in favour, against, or who abstained and the decisions adopted at the meeting, and a summary of the discussions on those decisions.
(4) Failure to act in accordance with the provisions or paragraphs (1)-(3) of this Article shall not affect otherwise valid actions and decisions by the board of directors.

11.5 Management Body of a Company

The term
Article 313

(1) An open joint stock company shall have a management body.
(2) A closed joint stock company may have a management body.
(3) A company's board of directors shall elect the members of the management body.
(4) The members of a management body may be called managing directors.
(5) A person may be both a member of the board of directors and the management body, but in an open company no more than half of the board of directors may be management body members.
(6) The competence of the management body shall include implementation of decisions of the board of directors and all matters associated with management and operation of the current activities of the company except matters within the exclusive of the board of directors or the shareholders' assembly.
(7) Members of the management body shall be obligated to observe all limitations on their authority prescribed by this Law, the Articles of Association, or any decision of the shareholders' assembly or the board of directors prescribing such limitations.

(8) Company' Articles of Association or by-laws, or a decision of the board of directors, may prescribe specific functions, authorities, duties and titles for other members of the management body, and may prescribe specific procedures for convening and holding meetings and making decisions of the management body.
(9)Any member of the management body may be removed by the board of directors at any time, with or without specific cause, whenever in the board's judgement the best interests of the company would be served by such removal, but such removal shall not prejudice contract rights, if any, of the person so removed.
President of the Management Body and Representation of the Company
(1) A president of a company's management body shall be elected by the company's board of directors.
(2) The board of directors may designate the president as the general manager or chief executive officer of the company.

(3) The president of the management body shall convene and preside at meetings of the management body, shall organize its work, and cause a record of such meetings to be prepared.
(4) The president shall have authority to represent the company, after registration and publication of the registration, generally without any specific power of attorney.
(5) A company may also grant such authority to other members of the management body if consistent with the Articles of Association of the company.
(6) If more than one person referred to in paragraphs(4) and (5) of this Article represent the company they may act independently unless otherwise in the Articles of Association and filed in the Registry and published in accordance with this Law and the law which regulates registration of business entities.

11.7. Special Duties of the Board of Directors and Management Body

Reporting by the Board to the Shareholders' Assembly and by the Management

Article 315

(1)The board of directors shall report to the shareholders on the following matters:

a) not less than once each year, on the intended business policy and other general matters regarding the future conduct of the company's business, including any deviations from previously-set goals and the reasons for such deviations;

b) at each annual shareholders' assembly, on the profitability, economic condition and solvency of the company;

c) not less than every six months, on the state of the business, in particular revenues, and the condition of the company; and

d) promptly, on business transactions that may have a material impact on the company's profitability and solvency, so that the shareholders may be aware of such matters.

(2)The reports referred to in paragraph (1) of this Article shall include the above items with respect to any controlled companies and dependant companies in the sense of the Law.

(3) The shareholder's assembly may request the board to report on other issues significant for the company's operations and its status.

(4)The reports of the board to the shareholders shall be in writing and shall be accurate and complete,

(5) The board of directors any at any time ask the management body to report on business operations which may significantly influence the company's status, business relations with other companies, and any other matter referred to above in this Article. Any director may request such report which shall be given, however, to the board of directors as a body.

(6)The members of the management body of the company shall have a duty to keep the board of directors regularly and fully informed regarding the matters referred to in paragraph (5) of this Article.

11.7. Remuneration of Directors and Management Body Members

Remuneration Principles
Article 316

(1)Independent members of the board of directors shall not have employment with the company.
(2)Members of the management body are in employment by the company.
(3)A non-executive member of the board of directors may be in employment with the company.
(4) A director who is not in employment with the company may perform his duties pursuant to a separately concluded contract with the company which states his remuneration and other terms of service.
(5)A contract referred to in paragraph (4) of this Article must be approved by the shareholders' assembly.
(6)The shareholders assembly shall approve a contract with the members of the board which contains elements referred to in a paragraph (4) of this Article. In the case of open joint stock, the remuneration paid to members of the board of directors and members of the management body may be included in the financial reports submitted to the annual shareholders' assembly may be published in accordance with the Law on Securities.

11. 8. 1 Status and liability

Resignation
Article 317

(1) A member of the board of directors may resign at any time by giving written notice to the board of directors or the chairman.
(2) The resignation becomes effective when the notice is given unless the notice specifies a future date.
(3) A resignation may be revoked only with the consent of the board of directors.
(4) A resignation may be revoked only with consent of the board of directors.
(5) The provisions of paragraphs (1)-(4) of this Article shall also apply to resignation by a member of the management body.

Removal of a Director
(1) A member of the management body may be removed by decision of the board of directors at any time, with or without a stated reason, if the board believes that that is in the best interest of the company.
(2) Any such removal shall be effective if approved by the vote of at least a majority of the votes of shares entitled to vote on the election of directors at the assembly, except that:

a)no director may be removed at an assembly unless the notice of the assembly given in accordance with Article paragraph(5) of Article 272 of this Law states that a

purpose of the assembly was to vote on the removal of such director at the assembly; and
b)if the company has cumulative voting for directors and less than the entire board is to be removed, no director may be removed if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire board of directors.
c) The removal of a director shall not, in itself, prejudice any right to compensation upon removal which the director may have under a contract with the company. However, the election or status of a person as a director shall not, in itself, create any such rights.
(3)The removal of a director shall into, in itself, prejudice any right to compensation upon removal which the director may have under a contract with the company. However, the election or status of a person as a director shall not, in itself, create any such rights.
(4)A member of the management body may be removed by decision of the board of directors at any time, with or without a stated reason, of the board believes that that is in the best interest of the company. Paragraph (3) of this Article shall apply mutandis in the case of any such removal.

11.8.2 Personal Liability of Directors in Certain Cases

Cases of special property liability
Article 319

(1) A member of the board of directors who is present at a meeting of the board at which action is taken shall be deemed to have agreed to such action unless he has stated his disagreement and his disagreement has been entered into the minutes of the meeting or sent by him in writing immediately after the meeting to the person who presided or kept minutes of the meeting.
A person who is absent from the meeting shall be deemed to have agreed to such action unless he files his disagreement in the same manner immediately after he has notice of the action.
(2)Members of the board and management body shall be, in particular, be liable to the company for damages resulting from breach of their obligations to the company if they have in violation of this Law:
a)returned capital to a shareholder;
b)paid interest or dividends to a shareholder;
c)caused the company to subscribe to, pledge, acquire or cancel its own shares;
d)approved a loan a credit;
e)made payments during liquidation;
f)caused the company after its termination to conduct business other than business which is necessary for liquidation and winding up of the company's business and assets; or
g)violated their duties to the company stated in Articles 42-34 and Articles 36-38 of this Law.

(3) Violation of duties as stated in paragraph(2) of this Article shall be a basis for removal of members of the board and management body.

12. Supervision

12.1 Basic principles

Supervisory Board, Internal Auditor or Audit Committee
Article 320.

(1) The Articles of Association or by-laws of an open company may, and of a listed company must provide that the company shall have a supervisory board, an internal auditor or audit committee.
(2) The Articles of Association or by-laws of a closed may provide that the company shall have an internal auditor or an audit committee.

Number of members of Supervisory Board for audit and internal auditor
Article 321

(1)A supervisory board or an audit committee shall have at least three members and its total number of members shall be odd.
(2)An internal auditor shall be a natural person.
Membership, Election and Removal of Internal Auditor and Audit Committee
Article 322
(1)An internal auditor and the members or an audit committee shall be elected by the company's board of directors form among its members who are independent directors according to this Law.
(2)The initial internal auditor or audit committee members may be appointed in the initial Articles of Association or by a decision of the founders of the company.
(3)Such persons may be removed at any time by the same persons who can elect them at that time, with or without a stated reason.
(4)Internal reviser and Members of the Board shall be removed in the same manner as they were elected.
(5)Any such removal shall not, itself, prejudice any right to compensation which the person may have under a contract with the company, but his status as an internal auditor or member of the audit committee shall not itself create any such rights, as referred in paragraph 3 of this Article.

Competence and Method of Work
Article 323

1)The supervisory board of Articles of Association:
a)revises reports on internal audit shall give recommendations about audit reports.
b)shall give the reports Board of Directors about realisation of recommendation about audit reports
c) the accounting, reporting and financial practices of the company and its related companies;

d) the company's compliance with legal and regulatory requirements;
e) the qualifications, independence and performance of the company's independent auditor; and
f) contracts between the company and members of the board of directors and related persons to members of the board of directors as defined in this Law.
g)shall recommend the election of independent auditor, unless the company does not have the obligation to revise financial report.

(2) In performing its functions the supervisory board, internal auditor or audit committee shall review and discuss with the board of directors, and also with the company's outside auditor when thought appropriate, the matters referred to in paragraph (1) of this Article and specifically the following:

a) the selection, compensation and oversight of the work of the outside auditor;
b) the adequacy and completeness of the annual and other financial statements of the company and the basis for proposals for distribution of profit and other distributions to shareholders;
d) the adequacy and completeness of the company's disclosure of financial and other information to the shareholders;
e) conformity of the organization and activities of the company with the corporate governance guidelines;
f) the adequacy of the company's policies and procedures for compliance with this Law; and

(3) The supervisory board, internal auditor or audit committee shall present a report to the shareholders on the foregoing at each annual shareholders' assembly and at any extraordinary shareholders' assembly when it considers a report to be appropriate or necessary.

(4) In carrying out their duties the supervisory board, internal auditor or audit committee may inspect all documents of the company, request statements and explanations of members of the board of directors or employees and inspect the state of the company's assets.

(5)The revisory board presents the special report to the assembly about contracts between company and individuals in this Law.

(6) They shall also have the authority to hire legal or other experts to assist in carrying out their duties and to pay reasonable compensation to such experts as determined by the supervisory board, internal auditor or audit committee.

(7)Private revisor, that is Revisory Board of Articles of Association business mentioned in paragraph 1-6 of this Article, as well as other business shall be conducted according to this Law, founders and by-Law.

(8)If the closed Articles of Association has its intern revising, but not Revisory board, business form paragraph 1 of this Articles conducts its intern revisory.

(9)If the closed Articles of Association has its intern revisory, but not Revisory Board, intern revisory presents the reports form referred in paragraph 2 of this Article delivers to Articles of Association assembly.

Independent auditor
Article 324

(1) A joint stock company shall have an independent auditor in accordance with the law which regulates accounting and audit with supervisory authorizations as determined by that law.
(2) The auditor of a joint stock company shall be notified and invited at the same time as the company's shareholders for a shareholders assembly or a decision in writing without a meeting so that he can participate in the decision-making procedure in accordance with the law or the company's by-laws.

Fiduciary Agent-Expert

Article 325

(1) If requested by shareholders holding shares representing at least 20% of a company's basic capital, the shareholders' assembly may appoint a fiduciary agent-expert to review the company's financial reports and business books for the previous three years.
If such review is related to assessment of work of members of the board of directors or the supervisory board, or if it is related to instigation of a dispute in court between the company and members of the board of directors or the supervisory board, such members may not participate in voting on the decision on appointment of such expert.
(2) If the shareholders' assembly, after the request of shareholders referred to in paragraph (1) of this Article, does not decide to appoint a fiduciary expert, the competent court upon request filed by such shareholders may, in a non-contentious proceeding, appoint one or more fiduciary agent-experts if the court finds it likely that violations of the law or the company's Articles of Association have occurred.
(3) The request referred to in paragraph (2) of this Article must be submitted to the court within 15 days after the shareholders' assembly meeting at which the proposal to appoint a fiduciary expert was rejected.
(4) Prior to appointment of the fiduciary agent-expert the court shall gather statements on the matter from the members of the board of directors and the supervisory board.
(5) The court may order the shareholders who made the request to pledge collateral which the court finds reasonably adequate.
(6) Only a person who meets the requirements prescribed by law to qualify as an external auditor and accountant for the company may be appointed as the fiduciary agent-expert.
(7) The term, rights, obligations and responsibilities as well as other issues related to status of the fiduciary agent-expert shall be stated in the by-laws of the company or n the decision on appointment of the expert.
(8) If shareholders have initiated a non-contentious procedure in court for appointment of a fiduciary agent-expert, the court may issue an order to the Central Registry of Securities that such shareholders may not transfer their shares until completion of the fiduciary agent-expert's review.

Authorization of Fiduciary Agent-Expert

Article 326

(1) A fiduciary agent-expert shall have the right to inspect the business books and documents of the company and to demand information and statements from members of the board of directors and the supervisory board as well as from employees of the

company in order to determine the state of business of the company. All persons the fiduciary agent-expert asks to give information and/or statements must give them truthfully and without delay.
(2) The compensation to be paid to a fiduciary agent-expert appointed by the shareholders' assembly shall be determined by the assembly, while the compensation of a fiduciary agent-expert appointed by the court shall be determined by the court.

Report of Fiduciary Agent-Expert

Article 327

(1) A fiduciary agent-expert shall submit his report without delay to the board of directors and the supervisory board in compliance with the law which regulates accounting and audit.
(2) Shareholders who made a request for appointment of the fiduciary agent-expert by a court shall have the right to inspect the audit report and the attached documentation.
(3) The report and documentation referred to in paragraph (2) of this Article shall be made available to all interested persons who have the right to inspect it, at the company's business office.
(4) The board of directors and a supervisory board of the company shall, at the next shareholders' assembly, submit the report prepared by the expert and ask the assembly to make any appropriate decisions after considering the report.
(5) If the report shows that serious violations of the law, the Articles of Association or the by-laws occurred, an extraordinary shareholders' assembly shall be convened without delay.
Based upon the expert's findings a court may also, on request of minority shareholders referred to in paragraphs (1), subparagraph (3) of Article 277 of this Law, order the company to convene a shareholders' assembly within a period of time determined by the court.
(6) At an assembly convened to consider findings of the fiduciary agent-expert, the board of directors and a supervisory board shall make statements on any irregularities and shall state any measures that the fiduciary agent-expert proposes or that they propose need to be taken.
The supervisory board shall also state its opinion on the issue of the right of the company to recover damages.
(7) An request for a special audit by a fiduciary agent-expert shall be deemed to have been unjustified if the validity and accuracy of the financial reports are confirmed in their entirety, i.e. if the business books are proved to have been kept in orderly manner.
(8) In a case referred to in paragraph (7) of this Article, shareholders of the company who, in bad faith or through gross negligence demanded the special audit may be held liable to the company for damages suffered by the company due to their demand.

13. Corporate Secretary

Appointment and Status

Article 328

(1) An open joint stock company shall have a secretary elected by the board of directors.
(2) The term of office of the secretary shall be stated in the by-laws.
(3) Compensation and other rights of the secretary shall be determined by an agreement between the secretary and the board of directors, upon the proposal of the chairman.
(4) The secretary shall be responsible for keeping the book of shares, preparing for and keeping minutes of a shareholders' assembly and meetings of the board of directors, any supervisory board and the management body, keeping the registry of the minutes of a shareholders' assembly, meetings of the board of directors and any supervisory board, and keeping documents as required by this Law and the by-laws of the company, other than financial reports.
(5) The secretary of an open company shall be responsible for organizing work and implementing decisions of the shareholders' assembly, the board of directors and any supervisory board.

14. Amendments to the Articles of Association

14.1 Amendment by the Board of Directors

Article 329

A company's Articles of Association may be amended by the company's board of directors without shareholders' assembly decision:
1) if the amendment is to change the persons authorized to represent the company or to make other changes which do not affect the rights of any shareholder; or
2) if the amendment is to state an increase in the number of issued shares and capital to reflect the issuance of shares by the board of directors pursuant to authority granted to it referred to in paragraphs (4)-(6) of Article 205 of this Law.

Amendment by the Shareholders' Assembly

Article 330

(1) A company's Articles of Association may be amended by a qualified 2/3 majority of votes of shareholders with voting rights upon proposal of the board of directors.
(2) With the proposal of the board of directors referred to in paragraph (1) of this Article, the board shall submit written notice and explanation of the proposed amendment, a statement that it will be included on the assembly agenda, and if appropriate notice of dissenting shareholders' right to payment for their shares in accordance with this Law.
(3) If any type or class of shares is entitled to group voting on the amendment, the

proposed amendment shall be adopted upon receiving the affirmative votes of a qualified majority of the votes of the shares of each group entitled to group voting on the amendment and of the total number of votes of the shares entitled to vote on the amendment.

Registration of an Amendment to the Articles of Association

Article 331

(1) An amendment shall be deemed adopted on the date of its adoption.
(2) An amendment shall be registered and published in accordance with the law which regulates registration of business entities.

15. Matters for Voting by Holders of Preferred Stock

Group Voting

Article 332

The holders of any type or class of shares shall be entitled to vote as a group on matters which:
1) increase or decrease the total number of authorized shares of such group;
2) change any of the rights or preferences of the shares of such group;
3) create a right of the holders of any other shares to exchange or convert their shares into shares of the type or class held by such group;
4) change the shares held by such group into a different number of shares or into shares of another type or class;
5) result in issuance of a new type or class of shares having rights or preferences superior or substantially equal to those of such group, or increase the rights and preferences of any type or class of stock having rights and preferences substantially equal to or superior to those of such group, or increase the rights and preferences of any type or class of stock having rights and preferences subordinate to those of such group if such increase would then make them substantially equal or superior to those of such group;
6) limit or deny the existing preemptive rights of the shares of such group;
7) cancel or otherwise affect accumulated dividends on the shares of such group;
8) limit or deny the voting rights of such group; or
9) otherwise change the rights or preferences of the shares held by such group so as to affect them adversely.

16. Company Documents

Types
Article 333

(1) A joint stock company shall keep the following:

1) its Articles of Association including all amendments thereto;
2) its by-laws, if it has by-laws, including all amendments thereto;
3) the decision on its registration;
4) internal documents approved by its shareholders' assembly and other bodies of the company;
5) foundation documents of every branch and representative office;
6) documents proving the ownership and other rights of the company over its assets;
7) minutes and decisions of all shareholders' assemblies, board of directors' meetings and supervisory board meetings;
8) written orders and decisions of its management body;
9) minutes of any auditors' committee and their written orders and conclusions;
10) financial reports, reports on business operations and auditors' reports;
11) any prospectus for shares and other securities;
12) accounting files and accounts;
13) a list of related companies under this Law;
14) the book of shares;
15) a list of full names and addresses of all members of the board of directors and all persons authorized to represent the company, with information as to whether they represent the company individually or jointly;
16) a list of full names and addresses of all members of the supervisory board, audit committee, internal auditor and auditor, if the company has such;
17) a list of all transfers of shares including pledges and any other transfers to a person by which he does not become a shareholder; and
18) a list of contracts between the company and members of the board of directors, management body and any supervisory board.

(2) A company must keep the documents referred to in paragraph (1) of this Article at its registered office or another place known to and accessible to all of the company's shareholders.
(3) A joint stock company shall keep its Articles of Association and all amendments permanently, and shall keep the remaining documents referred to in paragraph (1) of this Article at least five years, after which such documents shall be kept in accordance with regulations regulating archiving.

Access to Documents

Article 334

(1) A company must make the documents referred to in Article 342 available to any shareholder, and any previous shareholder with respect to the period when he was a shareholder, for inspection and copying at the company's office during regular business hours of the company, except in cases regulated by a separate law.
(2) A company may take any necessary steps to require a person requesting information to identify himself and his status as a shareholder or former shareholder before the information is provided.

Access by Court Order

Article 335

(1) If a company refuses to provide information required by Article 343 of this Law to be provided for a period exceeding five days after receiving a proper request in writing therefore, the person making the request may request the competent court in a non-contentious proceeding to order the company to provide the information.
(2) The court shall make its decision on such request within three days after its receipt of the request.
(3) A person receiving non-public information from a company shall be obligated to maintain its confidentiality and not publish it in a way which would cause damage to the company.
(4) As an exception to paragraph (3) of this Article, the publication shall be allowed if so prescribed by law.

17. Dissolution and Related Court Matters

Events Causing Dissolution

Article 336

A joint stock company shall dissolve upon the occurrence of any of the following events:
1) expiration of the company's term;
2) a final decision to dissolve of its shareholders' assembly by qualified majority vote;
3) a final decision of the competent court that the company's registration was null and void and ordering deletion of the company from the Registry ex officio;
4) a decision of the bankruptcy panel in bankruptcy proceedings based on inability to cover the costs of the bankruptcy proceedings from the company's bankruptcy estate;
5) liquidation in bankruptcy;

6) in other cases defined by law or specified in the Articles of Association as causing dissolution of the company.

Dissolution and Other Court Remedies on Shareholder Request

Article 337

(1) On request by shareholders who represent 20% or more of the capital of a company, the competent court may order the dissolution of the company or may order other remedies in this Article if:
a) the directors are deadlocked in the management of the company, whether because of even division in the number of directors or for other reasons; the shareholders are unable to break the deadlock; and the company's business can no longer be conducted to the shareholders' general advantage;
b) the shareholders are deadlocked in voting power and have failed for a period that includes at least two annual assembly dates to elect successors to directors; and the company's business can no longer be conducted to the shareholders' general advantage;
c) the directors or other persons in control of the company have acted illegally, oppressively or fraudulently toward the requesting shareholders; or
d) the company's assets are being wasted or misapplied.

(2) In a case referred to in paragraph (1) of this Article the court may order that the company be dissolved immediately or, if it finds that the grounds stated above are curable, it may set a time period not longer than one year for cure.
(3) If the grounds are not cured within that time a procedure for liquidation shall be initiated in accordance with this Law, and the court shall have the power appoint the liquidators.
(4) As an alternative to dissolution the court shall also have the power to order one or more of the following remedies:

1) the removal from office of any director or management body member;
2) the appointment of a person as a director or management body member;
3) the appointment of a temporary representative of the company;
4) an audit or accounting of the company's funds or other property;
5) the payment of dividends;
6) the purchase by the company of the minority shareholders' shares for their value determined by the court with the assistance of independent appraisers; or
7) the award of damages to any party suffering damages.
(5) The request of shareholders referred to in paragraph (1) of this Article shall be brought against the company.

PART THREE

VOLUNTARY LIQUIDATION, CONNECTION AND REORGANIZATION OF BUSINESS COMPANIES

I – VOLUNTARY LIQUIDATION

1. The Term and Initiating Proceedings

Article 338

General Provisions

Liquidation of a company shall be conducted in accordance with this Law when the company has sufficient assets to cover all of its liabilities, including in the following situations:

1) natural or other conditions necessary for the conduct of its business do not exist;
2) the period for which the company was founded has expired;
3) if the decision was made by partners, members or shareholders

Decision to Liquidate

Article 339

(1) A liquidation shall be authorized by the company's partners, members or shareholders as follows:
a) in the case of a general partnership, by unanimous decision of the partners, unless the Articles of Association specifies a lower vote not less than a majority;
b) in the case of a limited partnership, by unanimous decision of the general and limited partners, unless the Articles of Association specifies a lower vote not less than majority;
c) in the case of a limited liability company, by members' decision as provided in paragraph (2) of Article 141 of this Law; and
d) in the case of a joint stock company, by decision of a qualified majority of shareholders as defined in paragraph (2) of Article 293 of this Law.
(2) In all cases, the provisions of this Law and the company's Articles of Association, partnership agreement, company agreement or by-laws regarding notice and voting procedures shall apply with respect to the decision to liquidate.

Entry into the Registry and Publication

Article 340

A company's decision to liquidate shall be entered into the Registry and published in accordance with the law regulating registration of business entities.

2. Liquidation and Creditors

Individual Notice to Known Creditors

Article 341

(1) The company shall deliver written notice to its known creditors enclosing a copy of the entry into the Registry of its decision to liquidate.
(2) The notice referred to in paragraph (1) of this Article shall particularly state:

a) a mailing address where a claim by the claimant must be sent;
b) the deadline, which must not be earlier than 120 days from the date of delivery of the written notice, by which the company in liquidation must receive the claim; and
c) a warning that the claim will be barred if the claim is not received by the company at that address by that deadline.

(3) A claim against the company shall be barred if the claimant did not deliver the claim to the company in liquidation by the deadline referred to in subparagraph 2) of paragraph (2) of this Article, or if a claimant whose claim was rejected by the company in liquidation does not begin court proceedings to enforce the claim within 30 days after the rejection was received by the claimant.
(4) A claim referred to in paragraph (3) of this Article does not include a claim based on an event occurring after the effective date of the company's decision to liquidate.

Published Notice to All Creditors

Article 342

(1) The company shall publish notice of its liquidation referred to in Article 349 of this Law.
(2) The notice referred to in paragraph (1) of this Article:

a) must be published at least three times at intervals not less than 15 nor more than 30 days apart;
b) must refer to this Article of this Law;
c) must provide a mailing address where a claim by any creditor must be sent; and
d) must contain a warning that a claim against the company will be barred if the claimant does not begin court proceedings in accordance with this Law.
(3) A claim against the company shall be barred if:
a) the creditor does not submit the claim within 30 days after the last date of publication of the notice referred to in subparagraph 1) paragraph (2) of this Article; or
b) a claimant whose claim was rejected by the company in liquidation does not begin court proceedings to enforce the claim within 30 days after the rejection was received by the claimant.

3. Status of Company and Liquidators

Status of a Company During Liquidation

Article 343

(1) During liquidation a company may not conduct any business except business which is necessary for the process of liquidation, such as selling its assets, paying creditors, assembling claims and other activities necessary for liquidation.
(2) During liquidation a company shall not pay dividends or make other distributions to partners, members or shareholders prior to the payment of all creditors.

The Liquidators

Article 344

(1) During liquidation a company's activities and business shall be conducted by the same company persons exercising the same authority as they had before, unless the company appoints another person or persons to conduct such activities and business.
(2) The person or persons who have such authority during liquidation are called the "liquidators."
(3) On request of any person referred to in paragraph (1) of this Article, the competent court may for justified reasons appoint a liquidator to replace a liquidator appointed by the company or to act together with such liquidator.

Removal of Liquidators

Article 345

Any liquidator may be removed in the same manner in which he was appointed.

Entry of the Appointment and Removal of the Liquidators into the Registry

Article 346

The appointment or removal of a liquidator shall be entered into the Registry and published in accordance with the law which regulates registration of business entities.

Activities of the Liquidators

Article 347

(1) The liquidators of a company shall close the operations of a company, collect claims, pay liabilities and liquidate the company's assets.

(2) Within their competences the liquidators of a company shall be responsible for conducting the operations of the company.
(3) The liquidators shall represent a company in liquidation.

4. Liquidation Balance Sheet

Liquidation Balance Sheet and Financial Statements

Article 348

(1) The liquidators of a company shall prepare a balance sheet not later than three months after the date of initietion of liquieatkon proceedings (the "initial liquidation balance sheet"). Such balance sheet shall be delivered by the liqõidators to the partners, members or(shareholders' assembly of the company for approval. The assets and liajilities of txe company, measures necessary to carry out(liquidation, and the period of˙time needed0for the liquidation procedure to be completed, shalì be stcted in the balance sheet.
(2) All the asset{ of the company refgrred t□ in paragraph (1) of this Article shall be shown in the balance sheet with their sale or estimated sale value.
(3) Not later than three months after expiration of any business year, if the liquidation lasts for more than one year, the liquidators shall submit a temporary report on their activities, with the explanation as to why liquidation has continued without being completed, and a financial report.

Termination of Liquidation and Commencement of Bankruptcy

Article 349

(1) If the liquidators establish that the assets of a company are not sufficient to cover all the claims of creditors they shall terminate the liquidation procedure under this Law and initiate bankruptcy liquidation proceedings under the law which regulates benkruptcy procedure.
(2) If liquidation is terminated as referred to in paragraph (1) of this Article the liquidators shall submit the termination to the Registry for registration and publication in accordance with the law which regulates registration of business entities.

Liquidation Report and Proposal for Distribution of Assets

Article 350

(1) After settlement of a company's debts, the liquidators shall prepare a report on the completed liquidation with a final liquidation balance sheet and proposal for distribution of the company's assets.
(2) The final liquidation balance sheet shall include a report on the sources of income and disposition of income, a list of assets disposed of and income generated a statement of whether there are other open issues and proposed solutions for any such open issues, the

amount of liquidation costs, and the liquidator's compensation.
(3) The report and the final liquidation balance sheet shall be adopted by the partners, members or shareholders of the company, unless provided otherwise in a company decision or in a decision of the competent court.

5. Payments to Company Owners and Completion of Liquidation

Distribution to Partners, Members or Shareholders

Article 351

(1) The assets of a company which remain after settlement of its liabilities to creditors and other claims shall be distributed by the liquidators among the partners, members or shareholders of the company.
(2) Unless provided otherwise in a company's Articles of Association, partnership agreement, company agreement or by-laws, or in a decision of the competent court, the distribution referred to in paragraph (1) of this Article shall be in the following order of priority:
a) to payment of any partners, members or holders of preferred stocks which have preferential rights to distributions on liquidation as stated in the company's Articles of Association or agreement of partners, members or shareholders; and
b) to partners (in case of a general or limited partnership) or members (in the case of a limited liability company) in proportion to their paid-in contributions to the company, and shareholders (in the case of a joint stock company) in proportion to the number of shares held by them.
(3) Limited partners of a limited partnership, members of a limited liability company, and shareholders of a joint stock company who received distributions in good faith after the company has complied fully with the procedures stated in Articles 350 and/or 351 as applicable are obligated to return what they received if it is necessary to pay creditors.
(4) If there is a dispute regarding distribution of company's assets among partners, members of shareholders of a company, the liquidators may postpone distribution until final settlement of the dispute, unless otherwise ordered by the competent court.

Compensation of Liquidators

Article 352

(1) Liquidators shall be entitled to be reimbursed for the costs they incur and to be paid for their work. The amount of the costs and fees shall be determined by the partners, members or shareholders of the company and may be determined by a competent court in the case of dispute.
(2) The liquidators shall be creditors of the company with respect to such reimbursement and compensation.
(3) Such costs and compensation may be paid during the liquidation if it is evident that such payment will not affect the meeting of the company's obligations to other creditors.

Finalization of the Liquidation

Article 353

(1) When the liquidation of a company is completed, and upon the approval by the partners, members' meeting or shareholders' assembly of the financial report prepared as of the date of the completion of the liquidation and the report on the conduct of liquidation, the liquidators shall without delay submit such reports and appropriate decisions to the company and the Registry, together with a request for deleting the company from the Registry in accordance with the law which regulates registration of business entities.
(2) If after completion of the liquidation a meeting of the company's partners, members or shareholders is not held for the approval referred to in paragraph (1) of this Article due to lack of quorum, the liquidators shall bring the proceedings to an end for purposes of paragraph (1) of this Article without the approval of the financial report and of the report on the conduct of the liquidation by the partners, members' meeting or shareholders' assembly.
(3) Business books and documents of the company that was liquidated shall be kept in accordance with regulations concerning archives material.
(4) Information as to where the business books and documentation of the company are held shall be entered in the Registry in accordance with the law which regulates registration of business entities.
(5) All persons having a legal interest may inspect such books and documents of the liquidated company, in accordance with the law relating to publicly available documents.
(6) If it later becomes necessary to carry out further measures after the company's liquidation, the competent court may at the proposal of a person having a legal interest therein reappoint the liquidators or appoint new liquidators.

Accountability of Liquidators for Damage

Article 354

(1) Liquidators shall be accountable to the company's partners, members, shareholders and creditors for damages caused to them by the liquidators in accordance with Articles 32-34, 36 and 37 of this Law.

(2) Liquidators shall not be accountable to creditors, partners, members or shareholders of the company for any losses, obligations or reduction in the value of property which resulted from the making of conscientious and reasonable business decisions in connection with the conduct of the company's liquidation.
(3) A claim against liquidators under paragraph (1) of this Article shall be barred if not made within one year from the date of deletion of the company from the Registry.
(4) If more than one liquidator is liable for the same damage, they shall be liable jointly and severally.

Accountability of Partners, Members and Shareholders After Liquidation

Article 355

(1) General partners of a general partnership or a limited partnership shall be liable jointly and severally for any obligations in the liquidation procedure after completion of that process and the company's deletion from the Registry.
(2) A limited partner of a limited partnership, a member of a limited liability company, and a shareholder of a joint stock company shall be jointly liable for any obligations of the company in the liquidation process after completion of that process and a company's deletion from the Registry up to the amount of the assets received from the liquidation.

Notifying the Tax Administration

Article 356

The liquidators of a company shall notify the proper tax authorities of the liquidation by submitting to them the report on liquidation and any other reports or documents required by law.

II – LINKING OF BUSINESS COMPANIES

1. Linked Companies

Definition and Types of Linked Companies

Article 357

(1) "Linked companies" in this Law means two or more companies which are linked either:

a) by ownership of shares or partnership interests (companies linked by share in capital);
b) by contract (companies linked by contract); or
c) by both capital and contract (mixed linked companies).
(2) Linked companies as defined in paragraph (1) of this Article include one controlling (dominant) company and one or more dependent companies.
(3) Linked companies (by capital, contract or mixed) are organized as concerns, holdings, business groups or other organizational forms in accordance with provisions of this Law.
(4) Linked companies are organized as concerns when the dominant business activity of the controlling company is other than management or control of the dependent companies.
(5) Linked companies are organized as holdings when the dominant company's exclusive business activity is management and financing of the dependent companies.
(6) Linked companies organized as business groups when the controlling company's business activity includes activities referred to in both paragraphs (4) and (5) of this

Article.
(7) Linking of companies in violation of laws governing protection of competition is prohibited.

(8)It is forbidden to make connections with company which makes certain protection to its competition

Control by Share in Capital

Article 358

(1) "Controlling member or shareholder" of a limited liability company or a joint stock company means a person who, either alone or together with one or more other persons ("acting in concert"):
1) has more than 50% of the voting power in the company, which in a joint stock company shall mean ownership and power to vote more than 50% of the ordinary shares (majority vote); or
2) otherwise exercises a controlling influence over the management of the company by virtue of his position as a member or shareholder (or on the basis of a contract in accordance with this Law).
(2) A person who, alone or with one or more other persons, has more than 20% of the votes of a company shall be presumed to exercise a controlling influence under this Law.

Acting in Concert

Article 359

(1) "Acting in concert" means:
a) action taken by two or more persons based on a joint agreement with the aim to acquire or relinquish or exercise voting rights of a person; or
b) use of voting rights for the purpose of executing joint effort on the management or business operations of that person or the election of bodies of a company (or a majority of its members) or otherwise having influence on the conduct of business of that person.
(2) Persons acting as stated in paragraph (1) of this Article are:
a) a company and its board of directors or a member of its board of directors, individuals who are directly subordinated to the board of directors or management body of the company, and a representative or liquidator of that company or related entities; and
b) persons who comprise linked companies.
(3) Individuals who act in concert as defined in paragraph (1) of this Article are:
a) a limited liability company and its members or only its members;
b) a partnership and its partners or only its partners;
c) a limited partnership and its general partners, or only its partners;
d) linked entities in accordance with this Law; or
e) other persons or entities in accordance with the law governing their legal status.

2. Special Provisions for Companies Linked by Capital Share

Disclosure to Dependent Company

Article 360

(1) A company or other person that becomes or ceases to be a controlling member or shareholder of a company is obligated to inform that company, the Securities Commission and the body regulating protection of competition in accordance with the law governing protection of competition.
(2) The obligation referred to in paragraph (1) of this Article is also applicable with respect to the law which regulates securities markets.

Business Name

Article 361

A dependent company shall also identify its controlling company in its name, memorandum or other business documents.

Liability of controlling company and directors
Article 362

(1) A controlling company shall be liable to a dependent company as provided in Articles 32-34, 36 and 37 of this Law.
(2) Directors of a controlling company shall be liable to a dependent company as provided in Articles 32-34, 36 and 37 of this Law.

Liability on producing a consolidated annual report and a report to the members and shareholders of a dependent company
Article 363

(1) The management of the controlling company situated in Republic of Srpska which has dependent companies situated in Republic of Srpska or somewhere else shall provide the annual assembly of shareholders and the members with a consolidated annual report of a company, if one or more of its dependent companies are capital companies.
(2) The company's consolidated annual report shall accurately show at least development and business results, and the financial status of the consolidating companies viewed as a whole, describing the main risks they're exposed to. The report shall contain analysis of development, business results, and the financial status of the consolidating companies viewed as a whole in accordance with the scope and complexity of the

business. In order to better understand development, business results, and the financial status of the company the analysis shall contain both financial and other signals referring to certain tasks including a notification on environment protection and workers, and it shall clarify even more certain amounts listed in consolidated annual business reports.

(3) The consolidated annual report contains:

a) all the major business events among the companies after the fiscal year that is being reported on terminates,

b) the expected development of these companies viewed as a whole,

c) the companies' activities on future development,

d) data on the number and the nominal amount of all shares that is in the controlling company's assets, the dependent company's assets, or in the assets of a legal entity that works under their name, but in the interest of the companies,

e) data on the use of financial instruments, and the data important for the assessment of the companies' assets status, of their liabilities, financial status, profit and losses, the way financial risks and policies are guided, including the anti-loss safety measures policy and

f) description of the main features of the linked companies' inner control, and risk-management system in relation to a process of preparing and production of consolidated financial reports when securities belonging to a company are being traded on the stock-exchange or in other controlled public market.

4) Report referred to in paragraph 1 of this Article shall be published in the stock-exchange or at the controlling company's website.

5) The management of the controlling company is liable to provide the annual members' meeting or shareholders' assembly with a report in writing on relations with other companies linked by capital members in the last fiscal year as a part of the company business report.

(6) If an independent revision of financial reports of the dependent company is a liability under the law regulating accountancy and revision, it is also the case in the independent revision of a report of its management of the relations the company has with other companies linked by capital members.

(7) Members or shareholders of the capital linked companies under this law shall have a complete information on the structure of a group, management system, entities leading the group, tasks performed inside the group and the principles of solving the confrontation of interest between a company and other linked companies.

3. Provisions for companies linked by contract

Contract on relations between controlling and dependent company and transfer of profit

Article 364

(1) If a controlling company and a dependent company enter into a contract for management of the dependent company by the controlling company of on transfer of profit of the dependent company to the controlling company, the controlling company

shall be liable for damage caused to the dependent company by wrongful activities of omissions under the contract as provided in this Law.

(2) A contract referred to in paragraph 1 of this Article shall be registered at the dependent company and published in accordance with the law regulating registration of business entities.

(3) A contract referred to in paragraph 1 of this Article shall be effective after registration and publication of the registration in accordance with this Law.

Contents of and liabilities under the contract
Article 365

(1) A contract of the kind referred to in Article 364 of this Law must be in writing and must particularly state rights and liabilities of the controlling company, measures for protection of the dependent company, the scope of any transfer of profit, measures for compensation to the dependent company of covering of the dependent company's losses by the controlling company, measures for protection of any minority members or shareholders of the dependent company, and measures for and protection of the dependent company's creditors after termination of the contract.

(2) Article 362 of this Law shall apply with respect to liability of the controlling company for damage caused to the dependent company, and liability of directors of the controlling and dependent companies, and any persons who act in concert with them for damage caused to the dependent company, but this shall not limit or exclude any other legal remedies for preventing breach of the contract under law which regulates contractual obligations.

Approval of the contract on special relationships between the controlling company and the dependent company and on transfer of profit
Article 366

(1) A contract of the kind referred to in Article 364 of this Law shall be adopted by the members' meeting or shareholders' assembly of the controlling company and all dependent companies by a qualified majority as defined in paragraph 2 of Article 284 of this Law.

(2) If the contracting party is a partnership or a limited partnership, the contract must be approved by all partners with unlimited liability, unless provided otherwise in the Articles of Association or partnership agreement.

(3) The shareholders or members must be given sufficient time before or during the assembly or meeting at which approval is to be given, to review the following:

a) the text of the contract, which shall also be available at the session and

b) other material information concerning the contract and the business operations of all other companies who are parties to the contract.

(4) A copy of the contract referred to in Article 364 of this Law shall be attached to the minutes of the assembly.

Termination and registration of termination
Article 367

(1) A contract of the kind referred to in Article 364 of this Law shall be terminated by agreement, expiration of term, or otherwise in accordance with the contract and law which regulates contractual obligations.

(2) The termination of a contract referred to in Article 364 of this Law shall be registered and published in accordance with the law which regulates registration of business entities.

III – REORGANISATION OF BUSINESS COMPANIES

1. Status change

1.1. Basic principles

Definition of reorganisation
Article 368

A reorganization of a business company under this Law means a status change of the company or a change of legal form of the company.

Definition of status change
Article 369

(1) A status change under this Law means a merger, a division or a separation.

(2) A merger and a division may be combined, and a merger and a separation may be combined.

(3) A status change decision cannot be undone because of a challenge to the share exchange proportions according to this Law.

(4) If companies with different legal forms participate in a status change, the provisions of this Law relating to change of a legal form shall also apply to a status change.

(5) A business company cannot change its status which is in violation of the law which regulates competition.

Financial report
Article 370

(1) Any business company participating in a status change shall make their financial report (final balance) according to the financial condition on the day the merger, division or separation took place in accordance with the law. Based on these financial

reports a starting balance sheet is made in accordance with the law regulating accounting and revision, which is a base for a status change entry.

(2) The entry of the status change into the Registry shall not be later than eight months after the date of the financial statement referred to in paragraph 1 of this Article.

Status change during liquidation
Article 371

A status can change if one or more business companies merging or dividing is in the process of liquidation, under the condition that the company had not begun distributing its assets to its shareholders or members and that the decision to end the process of liquidation had been reached.

1.2. Types of status change

Merger
Article 372

(1) A merger of business companies under this law is:

a) a merger by acquisition and

b) a merger by formation.

(2) A merger by acquisition is a status change in which one company ceases to exist without liquidation (hereinafter: an acquired company) and transfers all its assets and liabilities to an already-existing company (hereinafter: an acquiring company) in exchange for the issuance to its shareholders or members of shares in the acquiring company and possibly also a cash payment which is not higher than ten percent of the nominal value of the shares issued so.

(3) A merger by formation is a status change in which one or more companies cease to exist without liquidation (hereinafter: a merged company) and transfers all its assets and liabilities to a newly-formed company (hereinafter: a new company) in exchange for the issuance to its shareholders or members of shares in the new company and possibly also a cash payment which is not higher than ten percent of the nominal value of the shares issued so.

Division
Article 373

(1) A division of a business company under this law is:

a) division by acquiring,

b) division by forming and

c) division by acquiring and division by forming.

(2) A division by acquiring is a status change in which a business company ceases to exist without liquidation (hereinafter: a divided company) and transfers all its assets and liabilities to two or more already-existing companies it mergers with by acquisition (hereinafter: acquiring companies) in exchange for the issuance to its shareholders or

members of shares in the acquiring company and possibly also a cash payment which is not higher than ten percent of the nominal value of the shares issued so.

(3) A division by forming is a status change in which a business company ceases to exist without liquidation (hereinafter: a divided company) and transfers all its assets and liabilities to two or more thus founded new companies (hereinafter: new companies) or to two or more companies and mergers with the up to that moment existing company in exchange to issuing of shares of new companies to shareholders or members of the divided company and possibly also a cash payment which is not higher than ten percent of the nominal value of the shares issued so.

Separation
Article 374

(1) A separation of a business company under this law is:

a) separation by acquiring,

b) separation by forming and

c) separation by acquiring and separation by forming.

(2) A separation by acquiring is a status change in which the separated company transfers one or more parts of its assets and accompanying liabilities (hereinafter: the separated company) to one or more already-existing companies (hereinafter: acquiring companies) so the company thus ceases to exist as a legal entity, and a part of or all its shareholders and members, in accordance with principle of equality, become shareholders or members of acquiring companies in exchange of shares belonging to the separated company's shareholders or members (for the amount that reduces its initial capital without applying the rule of the regular decrease of this law) for shares of the acquiring company and possibly also a cash payment which is not higher than ten percent of the nominal value of the shares issued so.

(3) A separation by forming is a status change in which the separated company transfers one or more parts of its assets and accompanying liabilities (hereinafter: the separated company) to one or more already-existing companies (hereinafter: acquiring companies) with which it mergers to create a newly founded company (hereinafter: a new company) in exchange for shares of the separated company(for the amount that reduces its initial capital without applying the rule of the regular decrease of this law) for issuance of shares of the newly founded companies to its shareholders or members and possibly also a cash payment which is not higher than ten percent of the nominal value of the shares issued so.

(4) Unless provided otherwise in this law, the provisions of this law on division by acquisition and division by forming shall apply to separation by acquiring and separation by forming.

1.3. Regular merger by acquisition of joint stock companies

1.3.1. *Preparation*

Merger by acquisition contract
Article 375

(1) The board of directors of joint stock companies shall prepare a draft contract for merger by acquisition in written form.

(2) The merger by acquisition contract shall contain data on:

a) the type, business name of a company, the headquarters and address of each of the companies remaining after acquisition and acquiring companies,

b) the share exchange ration and the amount of any cash payment,

c) the exact description of the way shareholders of the company terminated by acquisition were given their shares during the exchange,

d) the date considered to be the moment from which business of the company terminated by acquisition was undertaken by the acquiring company in its interest (the date the acquisition took place),

e) special rights the acquiring company transfers to the holders of shares to which special rights are attached and the holders of securities issued by the company terminated by acquisition, or the measures proposed concerning it,

f) rights transferred to director or a member of the board of directors of any of the companies participating in merger by acquisition and

g) other data contained in the Articles of Association in accordance with this law.

(3) The contract referred to in paragraph 1 of this Article shall also contain drafts of amendments to the Articles of Association and the statute proposal of the acquiring company after the merger by acquisition.

Board of directors report
Article 376

(1) The board of directors of each company participating in the merger by acquisition shall prepare a detailed written report containing an explanation of the merger by acquisition contract, analysis of the profitability and the position both companies hold in the marketplace, it shall refer to the legal and economic bases of the merger by acquisition and explain the ratio of shares exchange.

(2) The report referred to in paragraph 1 of this Article shall, if necessary, contain the description of all the special difficulties occurring while evaluating assets or capital of the companies mergering by acquisition.

(3) The board of directors of each company participating in the merger by acquisition shall inform the shareholders' assembly on any relevant assets or liability change between the date of signing of the merger by acquisition contract and the date of the company participating in the merger by acquisition assemblies of meetings.

Independent auditor's report
Article 377

(1) The merger by acquisition contract and the board of directors report shall both be subject to the independent review of one or more independent auditors of each of the companies participating in the merger by acquisition who is appointed by the competent court in a non-contentious proceeding initiated by joint application of the companies.

(2) The independent auditor of the merger by acquisition shall prepare a written independent auditory report on the merger by acquisition that shall be submitted to the companies participating in the merger by acquisition not later than two months after the date of their appointment, and it shall contain, in particular:

a) the description with explanations of all the important parts of assets and liabilities of the companies participating in the merger by acquisition,

b) the data on the method applied when evaluating all companies participating in the merger by acquisition, in order to establish the ratio of shares exchange proposed in the draft merger by acquisition contract, the reason why that method was applied and an explanation that shall show whether the method was adequate it that particular case and

c) the data on the special difficulties, if any, occurring while evaluating the companies participating in the merger by acquisition.

(3) The independent auditor shall be authorised to demand from all of the companies participating in the merger by acquisition all of the data and documents necessary to successfully complete the independent audit, as well as to take any actions necessary to check the credibility of those data and documents, in accordance with the law.

Supervisory board report
Article 378

If the companies participating in the merger by acquisition have a supervisory board, the board of directors report and the auditory report on the merger by acquisition contract shall both be submitted to the supervisory board that shall issue a written report on those reports.

1.3.2. Decision making

Announcement of the contract
Article 388

The draft the merger by acquisition contract shall be submitted to the Registry and published in accordance with the law regulating business entities registration for every company terminating by merger by acquisition and for every acquiring company at least 30 days prior to the date the assembly of shareholders which the merger is to be voted on shall take place.

Examination of documents
Article 380

(1) A business company participating in the merger by acquisition shall allow the shareholders, at least 30 days prior to the date the assembly of shareholders which the merger is to be voted on takes place, to examine at its registered office the following documents:

a) draft merger by acquisition contract,

b) the amendments to the Articles of Association and the statute of the acquiring company,

c) financial reports of all the companies merging by acquisition for the last three years,

d) a special accounting report reflecting the financial status of a company no more than 90 days before the day the draft merger by acquisition contract was made, if the latest annual financial report of a company dates more than 6 months prior to the making of the draft merger by acquisition contract,

e) board of directors reports of the merger by acquisition of all the companies participating in the merger by acquisition or their joint report and

f) an independent auditory report of the merger by acquisition of all the companies participating in the process or a joint independent auditory report.

(2) A special accounting report referred to in subparagraph d of paragraph 1 of this Article shall be prepared applying the same method and in the same form as the latest annual financial report.

(3) Evaluations of value in the special accounting report may be based only on changes in the accounting of the companies participating in the merger by acquisition in comparison to the state as described in the latest annual financial report without making an inventory of its assets.

(4) The special accounting report shall list the accounting decreases and increases of the company's assets value that happened after the latest annual financial report, as well as important changes in the real assets value of the companies participating in the merger by acquisition which have not been stated in the books.

(5) The companies participating in the merger by acquisition shall provide every shareholder, at their request, with a free transcript or a copy of each document referred to in paragraph 1 of this Article, be it as a whole or as its extracts.

Assembly's approval of the contract
Article 381

(1) The decision on approval of the merger by acquisition contract shall be made at the shareholders' assembly of each company participating in the merger by acquisition by a qualified majority as referred to in paragraph 2 of the Article 284 of this law.

(2) If companies participating in the merger by acquisition hold more than one class of shares, the decision on approval of the merger by acquisition contract shall also be made by shareholders or each class of shares whose rights were violated by the decision when voting of that group of class occurs in accordance with paragraph 1 of this Article.

(3) The draft merger by acquisition contract shall be adopted in the same form by the assemblies of all companies participating in the merger by acquisition.

(4) After the assemblies of all companies participating in the merger by acquisition adopt the contract, it shall be confirmed by a notary. It shall be signed by the authorized representatives of the companies participating in the merger by acquisition.

(5) All required changes in the Articles of Association and the statute of the acquiring company shall be adopted with and in the same way as the decision on approval of merger by acquisition.

(6) The merger by acquisition contract shall be submitted with the minutes of the assembly meeting of each company participating in the merger by acquisition.

The merger by acquisition without the decision of the acquiring company's assembly
Article 382

(1) The merger by acquisition can take place based only on a decision of the board of directors of the acquiring company, without the decision of the acquiring company's assembly under the condition that:

a) the draft merger by acquisition is published in accordance with the law regulating registration of business entities at least 30 days prior to the date the assembly meeting of shareholders of the company terminated by the merger by acquisition should be held,

b) shareholders of the acquiring company are at its registered office allowed to examine draft merger by acquisition contract, financial reports of all the companies merging by acquisition for the last three years, a special accounting report for the current year, board of directors report, an independent auditory report of the merger by acquisition, at least 30 days prior to the date the assembly meeting of shareholders of the company terminated by the merger by acquisition should be held, on which the decision on the merger by acquisition shall be made and

c) one or more shareholders of the acquiring company with at least 5 per cent of participation in the basic capital of the company have not requested shareholders' assembly of the company in order to decide on the merger by acquisition within 30 days

after the assembly meeting of the company terminated by acquisition had been held and the draft merger by acquisition contract had been adopted.

(2) The conditions referred to in paragraph 1 of this Article shall be fulfilled in a cumulative manner.

1.3.3. Execution of merger by acquisition

Capital increase
Article 383

(1) The increase of the initial capital of the acquiring company during the merger by acquisition is realized in accordance with the provisions of this law on increase of a joint stock company capital by new contributions, with the exception that the issuance of shares of the acquiring company to shareholders shall not be restricted by the provisions on:

a) prohibition of the initial capital increase until the subscribed shares are fully entered into basic capital,

b) conditions for subscription of new shares, permission of the securities commission to issue shares, public offer, prospects, proofs that the cash contributions are paid, and contributions that are not cash are entered into basic capital of a company as an attachment to the entry application and other provisions that are incompatible with exchange of shares in the merger by acquisition of a company and

c) rights that the already-existing shareholders of companies participating in the merger by acquisition have to be the first to subscribe new shares as opposed to third parties.

(2) The shareholders who subscribed shares in an acquired company before the switch, but did not fully pay for them before the exchange for the acquiring company shares, shall continue to pay for the subscribed shares in the company under the conditions valid before the switch, in the amount of the nominal value of the shares subscribed.

Prohibition of making phantom capital
Article 384

(1) If a company terminated by acquisition has its shares, directly or indirectly, in the acquiring company or vice versa, the company is prohibited to increase the basic capital of the acquiring company by the amount of shares it owns it the companies, as well as by the amount those companies own in the acquiring company.

(2) Shares of companies terminated by acquisition into the acquiring company, and vice versa, shall be regarded as the acquiring company's own shares after the registration of the merger by acquisition.

(3) While merging by acquisition the acquiring company cannot issue its shares for:

a) shares in an acquired company which are owned by the company, be it directly or indirectly via third party that holds the shares in their interest or

b) acquired company's own shares, whether the acquired company holds them directly or indirectly via third party that holds the shares in its interest.

(4) The acquiring company shall use its own shares referred to in paragraph 2 of this article in accordance with Article 219 of this law.

(5) With the consent of the acquired companies the acquiring company may exchange their shares for the shares they own in it, instead of issuing them new shares to exchange, when merging by the acquisition, in accordance with the ratio of shares exchange stated in the merger by acquisition contract.

Basic capital of the acquiring company
Article 385

The values listed in the financial report of the acquired company shall also be listed in the financial report of the acquiring company after the merger by acquisition, in accordance with the law.

1.3.4. Protection of creditors

Right of security and payment of claims
Article 386

(1) Creditors whose debts increased by the time the draft merger by acquisition contract was publicized shall have a right to demand within 30 days from the date of publication in written form payment or guaranties of payment of both the debts then due and debts to be due from the company participating in the merger by acquisition that owes them.

(2) Creditors who have not demanded payment or guaranties of payment within the time referred to in paragraph 1 of this Article shall have a right to demand within 6 months from the date of publication guarantees in written form debts that are not due, if they can prove that the merger by acquisition puts their payment at risk.

(3) Creditors whose debts are sufficiently secured as well as creditors who would have preferential claims in the case of bankruptcy shall not have the rights referred to in paragraphs 1 and 2 of this Article.

(4) In statements referred to in paragraphs 1 and 2 of this Article creditors shall be informed of rights to payment or guaranties of payment given to them due to the merger by acquisition.

(5) Guaranties of payment for creditors of both the acquired and the acquiring companies can be given to their different assets of guarantee.

(6) The board of directors of the acquiring company is bound to manage separately the assets of each of the acquired companies until the creditors' payments referred to in paragraphs 1 and 2 of this Article are being paid or sufficiently secured.

(7) Creditors of each company participating in the merger by acquisition shall have preferential claims when settling the debt from the assets of the company which was their original debtor as opposed to creditors of other companies merging by acquisition.

(8) Creditors who believe that merging by acquisition have placed the settling of their debts at risk shall may file a complaint with the competent court and request that the decision on the merger by acquisition be cancelled.

(9) If board of directors of the acquiring company does not protect the rights of the creditors in accordance with paragraphs 1 to 7 of this Article the competent court can cancel the merger by acquisition as the creditors requested, if it finds that the merger by acquisition has significantly affected the settling of the creditors' payment.

Protection of bondholders
Article 387

The provisions of Article 386 of this law shall also be applied to debts of holders of bonds and securities issued by the acquired companies, unless provided otherwise by the decision on issuance of their securities or agreed differently with their holders in accordance with paragraph 10 of Article 205 of this law.

Protection of special rights holders
Article 388

(1) The acquiring company shall secure to special rights holders of securities other than shares, like convertible bonds, warrants, options and other securities, at least the same rights after the merger by acquisition, unless provided otherwise in decision on issuance of the securities or agreed differently with their holders in accordance with paragraph 10 of Article 205 of this law.

(2) If the acquiring company fails to act in accordance with paragraph 1 of this Article it shall be liable do pay the special money amount to the holders of special rights for the loss or modification of the rights in accordance with their public market value, and if they have no public market value in accordance with the value an independent the merger by acquisition auditor approves.

1.3.5. Finalisation

Application for registration
Article 389

(1) The acquired company and the acquiring company shall both apply for registration of the merger by acquisition in accordance with the law regulating registration of business entities.

(2) If a decision on the merger by acquisition is about to be cancelled the court shall not interrupt the process of the merger by acquisition registration if it finds that there is a need for urgent deciding and that other conditions for the merger by acquisition registration are fulfilled.

(3) When deciding whether a registration is urgent the court shall take into consideration the rights to be protected in the cancellation process, the probability of prosecutor's success as well as the damage to be caused to the companies as a result of postponement of the merger by acquisition.

Registration and publication
Article 390

(1) The registration of the merger by acquisition and its publication shall be conducted in accordance with the law regulating registration of business entities.

(2) The acquiring company shall increase its basic capital at the same time it registers the merger by acquisition, and the increase is based on the merger by acquisition of the basic capital of the acquiring company.

(3) The acquiring company shall enter the shares it gives to shareholders of the acquired company into the Central registry of securities in the names of shareholders of those companies.

Effect
Article 391

The following legal processes take place after the merger by acquisition is registered:

a) all of the acquired company's assets, including its claims against third parties, shall be transferred to the acquiring company,

b) the debts and other obligations to the third parties of the acquired company shall be transferred to the acquiring company, which becomes the new debtor,

c) the unpaid mutual debts between the acquired company and the acquiring company shall be annulled since the creditor and the debtor are merged into one entity,

d) shareholders of the acquired company shall become shareholders of the acquiring company,

e) the acquired company shall cease to exist without conducting the process of liquidation,

f) shares issued by the acquired company shall be drawn back and terminated in exchange for the acquiring company's shares or money, if the merger by acquisition so provides,

g) third parties' rights, such as liens and other rights which encumber the acquired company's shares and assets shall be transferred onto the shares issued by the acquiring company to the same shareholders in exchange for encumbered shares, or they shall be transferred onto the cash settlement admitted together with or instead of the share exchange, in accordance with the merger by acquisition contract,

h) permits, concessions, other benefits and exemptions provided for or accrued to the acquired company shall be transferred onto the acquiring company, unless the regulations on their issuance provided otherwise,

i) authorized representatives of shareholders and members of the board of directors and any supervisory board shall cease to perform their duties in the acquired company, and shall only continue to do so in accordance with the merger by acquisition contract and

j) employees of the acquired company shall continue to work in the acquiring company in accordance with employment regulations and the merger by acquisition contract.

1.4. Simplified merger by acquisition of a joint stock company

Definition
Article 392

(1) A simplified merger by acquisition of a joint stock company is the merger by acquisition of one or more dependent companies in which the acquiring company holds at least 90 per cent of the voting shares, based only on the decision of the assembly of the acquired company, without the decision of the assembly of the acquiring company and without an independent merger by acquisition audit.

(2) The decision of the assembly of the acquiring company referred to in paragraph 1 of this Article, as well as the board of directors report and the independent merger by acquisition auditory report shall not be necessary if:

a) the draft merger contract is published at least 30 days before the date of the dependent company's shareholders' assembly, on which the merger by acquisition shall be decided upon, and if the company is an open shareholders company the announcement shall be published in at least one daily paper sold all over Republic of Srpska,

b) shareholders of the acquiring company are at its registered office allowed to examine draft merger by acquisition contract, financial reports of all the companies merging by acquisition for the last three years and a special accounting report for the current year if such report is necessary for the merger by acquisition at least 30 days prior to the date the assembly meeting of shareholders of the company terminated by the merger by acquisition should be held, on which the decision on the merger by acquisition shall be made and

c) one or more shareholders of the acquiring company with at least 5 per cent of the voting shares on the merger by acquisition have not requested shareholders' assembly of the company in order to decide on the merger by acquisition within 30 days after the assembly meeting of the company terminated by acquisition had been held and the draft merger by acquisition contract had been adopted.

(3) The acquiring company shall be considered to hold 90 per cent of shares of the dependent company's basic capital if one or more persons hold it in their names but in its interest.

(4) The regulations of this law on the regular merger by acquisition shall apply on all the matters concerning a simplified merger by acquisition of a joint stock company not regulated in paragraphs 1 to 3 of this Article.

Merger by acquisition of a wholly-owned dependent company
Article 393

(1) Following the decision of its assembly a wholly-owned dependent company can merge by acquisition with its parent company as its sole shareholder and its acquiring company in accordance with Article 392 of this law on simplified merger by acquisition.

(2) When a wholly-owned dependent company mergers by acquisition with its parent company, the provisions of this law on liability of members of board of directors or of an independent auditor shall not apply, nor shall the acquiring company, being the sole acquired company's shareholder, become its own shareholder, nor shall other provisions incompatible with the nature of the process be applied.

1.5. Merger by acquisition of limited liability companies

Application
Article 394

(1) The provisions of this law on the merger by acquisition shall apply to merger by acquisition of limited liability companies, unless provided otherwise by this law.

(2) The member of a limited liability company referred to in paragraph 1 of this Article shall be considered a shareholder, and his part in basic capital of a company participating in the merger by acquisition shall be considered a group of all the shares a shareholder may have in a joint stock company.

Preparation of assembly's meeting
Article 395

(1) When preparing assembly's meeting board of directors or a director of a limited liability company participating in the merger by acquisition shall not be liable to submit to the court registry a draft merger by acquisition contract, nor to publish it in accordance with the law regulating registration of business entities.

(2) Board of directors or a director of a limited liability company participating in the merger by acquisition shall for free send personally to each of the members of a company, at least 15 days before the assembly's meeting at which the decision of the merger is to be made, the following documents:

a) draft merger by acquisition contract,

b) financial reports of all the companies merging by acquisition for the last three years,

c) financial reports that reflect the financial status of companies participating in the merger by acquisition no more than 90 days before the day the draft merger by

acquisition contract was made, if the latest annual financial reports of those companies date more than 6 months prior to the making of the draft merger by acquisition contract,

d) directors' or board of directors reports of the merger by acquisition of all the companies participating in the merger by acquisition or their joint report and

e) an independent auditory report, if the company is liable to independently audit, in accordance with the law.

1.6. Merger by acquisition of a joint stock company and a limited liability company

Application
Article 396

(1) One or more joint stock companies may merge by acquisition into a limited liability company, just like one or more limited liability companies may merge by acquisition into a joint stock company.

(2) Provision of this law on the merger by acquisition of joint stock companies shall also be applied to the merger by acquisition referred to in paragraph 1 of this Article.

Joint stock company as the acquired company
Article 397

(1) If a limited liability company is the acquiring company, and a joint stock company is the acquired company, the merger by acquisition contract shall determine the nominal value of the shares appointed to each shareholder of the company as a new member of the limited liability company.

(2) If an open joint stock company mergers by acquisition into a limited liability company, while doing so it shall have to become a closed company fulfilling the conditions regulated by this law and the law regulating securities market, in order to protect shareholders and holders of other securities the open joint stock company issued.

(3) If a limited liability company as the acquiring company exchanges shares of the shareholders of the joint stock company with its own shares, instead of giving them new shares, it is liable to use the merger by acquisition contract to list all the shareholders as its own new members and appoint to them its own shares, and the nominal value of every share appointed in that manner.

Limited liability company as the acquired company
Article 398

If a joint stock company is the acquiring company, and a limited liability company is the acquired company, the merger by acquisition contract shall determine the nominal value and the number of the shares appointed to each shareholder of the company in accordance to the ratio specified in the merger by acquisition contract.

1.7. Merger by forming

Merger by forming of joint stock companies
Article 399

(1) The provisions of this law on merger by acquisition of joint stock companies shall apply to the merger by forming of joint stock companies, unless provided otherwise by this law.

(2) Merged companies referred to in paragraph 1 of this Article shall be considered to be the acquired companies, the new company shall be considered to be the acquiring company, and the merger by forming contract shall be considered to be the merger by acquisition contract.

(3) Merger by forming shall not be conducted without the decision of the assembly of the acquired companies, nor shall it be conducted by fulfilling the provisions of this law on a simplified procedure.

(4) The merger by forming contract shall be the Articles of association of a new company founded by the merger of already-existing companies.

(5) The merger by forming contract shall contain the merged companies as parties to the contract, and it shall also contain data on the registered names, registered offices, legal form and purpose of each of the acquired companies, and their shareholders shall become the shareholders of the new company.

(6) Other than elements of the merger by acquisition contract regulated by this law, the merger by forming contract shall also contain the elements designed for the Articles of association of a joint stock company.

(7) The merger by forming contract shall, being the Articles of association of a new company, contain provisions on special rights, founding costs, participation stakes in assets and rights and the manner of making them a part of a new company, the provisions belonging to the Articles of association of the acquired companies.

(8) The provisions of this law on founding of a joint stock company and the provisions of this law regulating the securities market shall apply to founding of a new company.

(9) The companies terminated by the merger by forming shall file a complaint to register their termination by the merger and founding of a new company.

(10) On the date the new company is registered the acquired companies shall be deleted from the registry.

Merger by forming of a limited liability company
Article 400

The provisions of this law on merger by acquisition of a limited liability company and the provisions on merger by forming of a joint stock company shall apply to merger by forming of a limited liability company.

Merger by forming with a joint stock company and a limited liability company
Article 401

(1) One or more joint stock companies and one or more limited liability companies may merger by forming.

(2) The provisions of this law on merger by acquisition between joint stock companies and limited liability companies shall apply to the merger by forming referred to in paragraph 1 of this Article.

(3) Merged companies shall be considered to be the acquired companies, the new company shall be considered to be the acquiring company, and the merger by forming contract shall be considered to be the merger by acquisition contract, unless provided otherwise by this law.

(4) If the merger referred to in paragraph 1 of this Article forms a new limited liability company, the provisions of this law on merger by acquisition where a limited liability company acquires a joint stock company shall accordingly apply to the participation of the joint stock company in the merger by forming. If the merger by forming forms a new joint stock company, the provisions of this law on merger by acquisition where a joint stock company acquires a limited liability company shall accordingly apply to the participation of the limited liability company in the merger by forming.

(5) Merger by forming shall not be conducted without the decision of the assembly of the acquired companies, nor shall the provisions of this law on a simplified merger by acquisition procedure be applied.

(6) The merger by forming contract shall be the Articles of association of a new company founded by the merger of already-existing companies.

(7) The merger by forming contract shall contain the merged companies as the founders of a new company, and it shall also contain data on the registered names, registered offices, form and purpose of each of the merged companies, and their shareholders shall become the shareholders of the new company.

(8) Other than elements of the merger by acquisition contract regulated by this law, the merger by forming contract shall also contain the elements designed for the Articles of association of a joint stock company or a limited liability company.

(9) The merger by forming contract shall, being the Articles of association of a new joint stock company, contain provisions on special rights, founding costs, participation stakes in assets and rights and the manner of making them a part of the company, the provisions belonging to the Articles of association of the acquired companies.

(10) The provisions of this law on founding of a joint stock company and the provisions of this law regulating the securities market shall apply to the merger by forming of a new joint stock company.

(11) Other than elements of the merger by acquisition contract regulated by this law, the merger by forming a new limited liability company contract shall also contain

the elements regulated by this law and designed for the Articles of association of a limited liability company.

(12) The provisions of this law on registration and publication of registration of a forming of a joint stock company shall apply to registration and publication of registration of the merger of a joint stock company and a limited liability company.

1.8. Division by acquisition of a joint stock company

1.8.1. Basic principles

Appropriate application
Article 402

Provisions of this law on the merger by acquisition shall apply to the division by acquisition of a joint stock company, unless provided otherwise by this law.

1.8.2. The draft division by acquisition contract

Form and contents
Article 403

(1) Board of directors of a divided company shall make a draft division by acquisition contract in written form.

(2) The contract referred to in paragraph 1 of this Article shall contain data on:

a) the registered name, the registered offices and form of each company participating in division,

b) the share exchange ratio and any cash payment,

c) the manner of appointment of the acquiring company shares,

d) the date the shareholders of the divided company get the right to participate in profit of the acquiring company on the bases of the exchanged shares, as well as all the necessary conditions (if any) to act accordingly to the rights,

e) the date considered to be the moment from which business of the company terminated by division was undertaken by the acquiring company in its interest (the date of the statement),

f) special rights the acquiring company transfers to the holders of shares to which special rights are attached and the holders of other securities to which special rights are attached issued by the company terminated by division, or the measures proposed concerning it,

g) rights that the director or members of board of directors of a company participating in the division have or shall gain by division,

h) assets and liabilities of a divided company which shall be transferred onto each of the acquiring companies and

i) the manner in which the shares of the acquiring company shall be appointed to the shareholders of the divided company and the criteria on which this division shall be based.

(3) The draft contract referred to in paragraph 1 of this Article shall also contain the proposal of amendments to the Articles of Association and the proposal of amendments of a statute of the acquiring companies

Unallocated assets and liabilities
Article 404

(1) Assets of a divided company which is not by the division contract allocated to any of the acquiring companies, nor may be allocated based on the conditions in the division contract, shall be allocated to all of the acquiring companies in proportion to the each company's participating stake at the net assets regulated by the division contract of a divided company.

(2) Liabilities of a divided company which are not by the division contract allocated to any of the acquiring companies, nor may be allocated based on the conditions in the division contract, shall become the joint liabilities of the acquiring companies.

1.8.3. Decision making

Decision
Article 405

(1) The merger by acquisition contract shall be approved at the shareholders' assembly meetings of each company participating in the division by acquisition by a qualified majority as referred to in paragraph 2 of the Article 284 of this law.

(2) If a company divided by division holds more than one class of shares, the division by acquisition contract shall also be adopted by shareholders or each class of shares whose rights were violated by the division by acquisition when that group of shares class voted in accordance with paragraph 1 of this Article.

(3) The division by acquisition contract shall be confirmed by a notary and signed by the authorized representatives of the companies participating in the division by acquisition.

(4) The division by acquisition contract shall be submitted with the minutes of the assembly meeting of each company participating in the division by acquisition.

Division without the decisions of the assemblies of
the acquiring companies
Article 406

(1) The division by acquisition can take place based only on a decision of the board of directors of the acquiring companies, without the decisions of the assemblies of the acquiring companies under the condition that:

a) the division by forming contract has been published according to Article 379 of this law at least 30 days prior to the date of the meeting of the assembly of the divided company's shareholders on which a decision on the division by forming shall be made,

b) the shareholders of each acquiring company are allowed to examine all the documents listed in Article 392 of this law,

c) one or more shareholders of an acquiring company with the capital of least 5 per cent of shares have not requested shareholders' assembly of the company in order to decide on division by acquisition within 30 days after the assembly meeting of the company terminated by division had been held and the draft division by acquisition contract had been adopted.

(2) The provision in paragraph 1 of this Article shall be fulfilled in a cumulative manner.

1.8.4. Implementation

Share exchange
Article 407

The provisions referred to in subparagraph f) of paragraph 1 of Article 392 on the share exchange and on drawing back and termination of shares in case of merger by acquisition shall apply to the share exchange of the shares of the divided company.

1.8.5. Protection of creditors

Joint and several liability
Article 408

Unless otherwise arranged with a certain creditor, each of the acquiring companies shall be jointly and severally liable for all of the obligations of a company terminated by division by acquisition which existed prior to the division registration and its publication.

1.8.6. Completion of division

Registration application
Article 409

(1) The divided company and every acquiring company shall file an application to register division by acquiring in accordance with the law regulating registration of business entities.

(2) If a decision on the division by acquisition is about to be cancelled the court shall not interrupt the process of the division by acquisition registration if it finds that there is a need for urgent deciding and that other conditions for the division by acquisition registration are fulfilled.

(3) When deciding whether the interest referred to in paragraph 2 of this Article is prevalent the court shall take into consideration the rights to be protected in the cancellation process, the probability of prosecutor's success as well as the damage to be caused to the companies as a result of postponement of division by acquisition.

Registration and publication
Article 410

The registration of division by acquisition and its publication shall be conducted in accordance with the law regulating registration of business entities.

Effect
Article 411

The following legal processes take place after the division by acquisition is registered:

a) all of the acquired company's assets, including its claims against third parties as well as other rights and liabilities concerning third parties, shall be transferred to the acquiring companies in accordance with the division contract,

b) shareholders of the divided company shall become shareholders of one or more acquiring companies, in accordance with the division by acquisition contract,

c) employees of the divided company shall continue to work in the acquiring companies in accordance with employment regulations and the division by acquisition contract and

d) the divided company shall cease to exist.

1.9. Division by forming of a joint stock company

Basic principle
Article 412

(1) The provisions of this law on division by acquisition, foundation of an appropriate form of a company and merger by forming a new company shall apply to division by forming a new company.

(2) The division by forming contract shall be adopted by the assembly of the divided company shareholders as the Articles of association of a new company.

(3) The division by forming contract shall contain the divided company as the founder, and it shall also contain data on the registered name, registered offices, legal form and purpose of that company and any other new company based on that principle, and the divided company shareholders shall become the shareholders of the new company.

1.10. Separation by acquisition and separation by forming of a joint stock company

Application
Article 413

(1) The provisions of this law on division by acquisition shall apply to separation by acquisition of a joint stock company, and the provisions of this law on division by forming new companies, that is merger with already-existing companies and foundation of new companies based on that principle shall apply to separation by forming a new joint stock company, unless provided otherwise by this law.

(2) The draft separation contract shall arrange the manner in which basic capital and shares of the separated company shall be decreased based on the decrease due to the separation in paragraph 1 of this Article.

(3) With the draft contract on separation of a joint stock company, there shall also be applied the final balance sheet of the divided company and the initial balance sheet of a new company, that is acquiring companies, as well as the initial balance sheet of the divided company that shows its assets and liabilities after the separation.

(4) There shall not be more than 8 months between the day the final and the initial balance sheets, that is the dividing balance sheet from paragraph 3 of this Article were made and the day of application for registration.

(5) The Articles of association of the divided joint stock company shall be amended in accordance with the regulations of this law on amendments to Articles of association of a given company.

(6) In the case of separation by forming or separation by acquisition of a joint stock company, foundation or merger by acquisition shall be registered only after entering the decrease of basic capital of the divided company.

1.11. Division and separation of a limited liability company

Application
Article 414

The provisions of this law on division and separation of a joint stock company shall also be applied to division and separation of a limited liability company.

1.12. Division of a joint stock company and separation of a business unit (a part) of a company into a limited liability company and vice versa

Combined division
Article 415

(1) Division of a joint stock company and separation of its business unit into two or more limited liability companies, or combination of these two legal forms of a company, as well as division and separation of a part of a limited liability company into two or more joint stock companies, or combination of these two legal forms may all be performed in accordance with this law.

(2) The provisions of this law on division and separation of a joint stock company or a limited liability company shall also apply accordingly to the divisions and separations referred to in paragraph 1 of this Article.

1.13. Status changes and general and limited partnership

Merger, division and separation involving general and limited partnership
Article 416

(1) A general or a limited partnership may merge with a limited liability company or a joint stock company.

(2) The provisions of this law on merger of limited liability companies shall apply to merger of a general or limited partnership with a limited liability company or a joint stock company, unless provided otherwise by this law.

(3) The provisions of this law on merger of a joint stock company shall apply to merger of a joint stock company with a general or limited partnership, whether the joint stock company is an acquiring company, a company terminated by merger by acquisition or a company terminated by merger by forming, unless provided otherwise by this law.

(4) If an open joint stock company mergers with a general or a limited partnership and it is acquired or they all form a new general or limited partnership, it shall have to fulfill the conditions on becoming a private company regulated by this law and by the law regulating the securities market.

(5) The decision on merger involving a general or limited partnership shall be made in each of the companies participating with the consent of those members, that is shareholders, who shall after merger get a joint liability to third parties for the liabilities of a company which is a legal successor in the merger.

(6) The paragraphs 1-6 of this Article and the provisions on division and separation of a limited liability company or a joint stock company shall apply to division and separation of a general partnership or a limited partnership, as well as on division and separation of a limited liability company or a joint stock company on the bases of which one or more general or limited partnerships is founded.

2. Change of a legal form of a business company

2.1. Basic principles

Definition
Article 417

The change of a legal form of a company is a transfer from one legal form into another, in accordance with this law.

Change of legal form in the process of liquidation
Article 418

(1) A business company subject to a process of a voluntary liquidation may change its legal form until the division starts and the remaining part of assets, after the creditors have been satisfied, is distributed to its partners, members or shareholders.

(2) In the case the decision referred to in paragraph 1 of this Article is made, the business company is under the obligation to cancel the liquidation process, and to register and publish its procedure.

Registration and publication
Article 419

(1) Change of legal form of a business company shall be registered and published.

(2) After a business company have changed its legal form it shall continue to work as the same legal entity, but with a different legal form.

Application and exemption from a cancelled decision
Article 420

(1) The provisions of this law on forming of a business company with a legal form shall apply to change of legal form of a business company unless provided otherwise by this law.

(2) The decision to change legal form may not be cancelled due to disproportionate ratio of share or participation stakes exchange in accordance with this law.

2.2. Types of changes of legal form

2.2.1. Conversion of a legal form of a joint stock company into a limited liability company

Article 421

(1) A joint stock company can change its legal form and convert into a limited liability company in the following manner:

a) board of directors of the joint stock company shall adopt a draft decision to change legal form regulated by this law, and the assembly of the shareholders shall adopt the decision and

b) the joint stock company shall notify its shareholders that there shall be the assembly meeting in accordance with Article 272 of this law at least 30 days prior to the date of the convening of the assembly.

(2) The notification referred to in paragraph 1 of this Article shall in particular contain: the reason to convene the assembly and the location in the registered offices where the shareholders can examine the following documents:

a) the draft decision to change legal form and the report of the joint stock company's board of directors which explains the conditions and legal and economic grounds for such change as well as the description of any sort of difficulty that occurred concerning those conditions,

b) any recommendations by the company's board of directors concerning the decision to change and its reasons and

c) information that the shareholders have a right not to consent to the decision to change legal form and the right to require evaluation and redemption of their shares from the company in accordance with the law.

(3) The decision to change legal form shall be adopted at the assembly of the shareholders of the company by a qualified majority as defined in paragraph 2 of Article 284 of this law.

(4) If the company changing its legal form holds more than one class of shares, the decision on changing shall be adopted by the shareholders with a qualified majority as referred to in paragraph 3 of this Article from each of the class of shares whose rights are being decreased by the change when voting of that group of class occurs.

(5) The Committee on securities shall be informed of the change of legal form referred to in paragraph 1 of this Article.

Content of the Decision on the Change of Legal Form
Article 422

A decision on conversion shall particularly contain the following:

a) the company name and registered office of a joint stock company to be converted and of the limited liability company into which the joint stock company will be converted,

b) the conditions of conversion,

c) the manner and the terms of converting the shares of the joint stock company into shares of the limited liability company or into cash or other property; and the method by which such shares or other forms of payment are paid to the shareholders of the joint stock company; and

d) other information in accordance with law, the Articles of Incorporation, the Articles of Association, or company members agreement.

Registration and Publication
Article 423

(1) Following the completion of the conversion of joint stock company into a limited liability company in accordance with Article 421 of this Law, the joint stock company shall submit an application with attachments in accordance with the law which regulates registration of business entities for the purpose of registration and publication of the conversion.

(2) Once the requirements of paragraph (1) of this Article are met, the decision on conversion of joint stock company and the Articles of Incorporation of the limited liability company will immediately be registered and published.

Legal Effect of Conversion
Article 424

When the registration of conversion of joint stock company into the limited liability company is effective the following legal consequences come into effect:

(a) the company participating in the conversion is the company which is identified as the limited liability company in the conversion decision and the joint stock company shall cease to exist,

(b) the limited liability company shall have all assets and be liable for all obligations of the joint stock company,

(c) all court and other proceedings and all claims against the joint stock company shall continue against the limited liability company, which, in every case, shall be the legal successor of the joint stock company,

(d) the shares of the joint stock company shall be converted into shares of the limited liability company, options, money or other assets in accordance with Article 422 of this Law, and

(e) the holders of convertible bonds, securities with purchase rights, other bonds and securities other than shares, shall be entitled to at least the same rights after the change of legal form, unless provided otherwise in the decision on issuance of such securities or if otherwise agreed with their owners in accordance with paragraph (10) of Article 205 of this Law.

2.2.2. Conversion of Joint Stock Company into General or Limited Partnership

Requirements
Article 425

(1) A joint stock company may change legal form into a partnership or limited partnership by a unanimous decision of all shareholders who will be general partners in the partnership.

(2) The decision of the joint stock company assembly on change of legal form of that company into a limited partnership shall state which shareholders shall be general partners and which shall be limited partners.

(3) The decision referred to in paragraph (1) of this Article will be reported on by the company to the Securities Commission within 7 days from the day when the decision was made.

Effect of Registration and Publication
Article 426

By registration and publication of the conversion of a joint stock company into a general partnership or limited partnership:

a) the joint stock company continues as a partnership or limited partnership and thereby ceases to exist as a joint stock company,
b) a partnership or limited partnership is the legal successor to the joint stock company,
c) all powers of the joint stock company bodies are terminated; and
d) other legal consequences shall be in accordance with the nature of the general partnership or limited partnership formed by change of legal form of the joint stock company.

2.2.3. Conversion of Limited Liability Company into Joint Stock Company

Decision on the Change of Legal Form
Article 427

(1) The provisions of this Law pertaining to the conversion of a joint stock company into a limited liability company shall apply mutatis mutandis to the conversion of a limited liability company into a joint stock company, unless provided otherwise by the provisions of this Law relating to limited liability companies.

(2) The provisions of this Law relating to minimum basic capital of a joint stock company and nominal value of shares of a joint stock company shall apply after the conversion of a limited liability company to a joint stock company.

Appointment of Bodies and Registration
Article 428

(1) The appointment of the members of the board of directors of the joint stock company, or directors shall be reported together with the resolution on conversion of the limited liability company into a joint stock company.

(2) Registration of the conversion of a limited liability company into a joint stock company shall be published in accordance with the law which regulates registration of business entities.

Conversion of Shares
Article 429

(1) Upon registration of the conversion, the limited liability company shall continue operating as a joint stock company. Shares of the limited liability company shall be converted into shares of the joint stock company. Rights of third parties relating to a share of the limited liability company will be converted to rights of third parties relating to shares.

(2) The shares of a limited liability company shall be converted into shares by deletion from the book of shares and recording in the Central Registry of Securities.

(3) Conversion of shares, as well as a merger of shares of open joint stock companies shall require approval by the Securities Commission.

Conversion of Limited Liability Company into General or Limited Partnership

Article 430

Conversion of a limited liability company into a general or limited partnership shall be subject to the provisions of this Law relating to conversion of a joint stock company into a general or limited partnership.

2.2.4. Conversion of General or Limited Partnership into Joint Stock Company or Limited Liability Company

Requirements
Article 431

(1) A general or limited partnership may be converted into a joint stock company or a limited liability company by unanimous decision of all partners in the case of a general partnership and all limited partners in the case of a limited partnership.

(2) Partners of general or limited partnership who are jointly liable for obligations of the company, remain responsible for obligations which the company assumed until registration and publication of the registration of conversion, in accordance with this Law.

(3) Conversion of a general or limited partnership into a joint stock company or a limited liability company shall be subject to the provisions of this Law relating to conversion such types of companies.

Conversion of General Partnership into Limited Partnership and Vice Versa
Article 432

(1) Conversion of a general partnership into a limited partnership or vice versa shall be deemed effective if approved by all partners and provided that general requirements for this conversion pursuant to this Law have been met.

(2) The effect of conversion of a general partnership into a limited partnership and vice versa shall be subject to the provisions of this Law relating to conversion of the legal form of those companies.

IV – ACQUISITION AND DISPOSAL OF MAJOR ASSETS

Definition
Article 433

(1) As used in this Law, "acquistion and disposal of major assets" of a company means any transaction or related series of transactions which results in an acquisition or disposal of assets of the company the market value of which, at the time the company decided to complete the transaction, amounted to at least 30% of the book value of the company's assets as shown in the last annual balance sheet.

(2) As used in this Law, »acquisition and disposal« means the acquistion or disposal by any means, including but not limited to sale, lease, exchange, pledge or mortgage.

(3) As used in paragraphs (1) and (2) of this Article, "assets" includes any property of the company which has monetary value including but not limited to real estate, movables, property or other rights including intellectual property or contract rights, shares or other interests in another company, or money.

Procedure for Approval of Acquisition and Disposal of Major Assets of a Joint Stock Company
Article 434

(1) Any acquisition or disposal of major assets by a joint stock company shall be conducted in the following manner:

a) the board of directors of the joint stock company shall adopt a decision recommending the transaction; and

b) the company shall send notice of such assembly to all shareholders in accordance with Article 272 of this Law. Such notice shall be sent not less than 30 days prior to the day determined for the meeting to be held.

(2) The notice referred to in paragraph (1) point b) of this Article contains the reason for convening the assembly.

(3) The notice referred to in paragraph (1) point b) of this Article also contains the following:

a) a report explaining the terms and conditions of acquisition and disposal of major assets,

b) the recommendations by the board of directors regarding the arrangements for acquisition and disposal of major assets, including the reasons for such recommendations,

c) information of the right of the shareholders to dissent from the contract and their right to appraisal and payment for their shares as provided in this Law.

(4) The Decision on concluding the arrangement for acquisition and disposal of major assets is to be reached at the stakeholders' assembly by stakeholders who have the right to vote on that matter on the basis of a qualified majority and a qualified majority of stakeholders of each class of shares whose right are changed by this arrangement.

(5) A copy of agreements for the acquisition and disposal of major assets shall be filed with the minutes of a stakeholders assembly meeting referred to in paragraph (4) of this Article.

V- SPECIFIC RIGHTS OF SHAREHOLDERS AND MEMBERS TO DISSENT

Rights of Shareholders to Dissent and Purchase Shares from a Joint Stock Company
Article 435

(1) A shareholder may require payment from the company in an amount equal to the market value of his shares if he voted against or otherwise refrained from voting for:

a) an amendment to the Articles of Association of the company that adversely affects his rights in the manner stated in Article 330 of this Law and on which he had a right to vote,

b) a reorganization of the company in a status change on which he had the right to vote,

c) a reorganization of the company in a conversion on which he had the right to vote;

d) an acquisition or disposal of major assets on which he had a right to vote; or

e) any other company action that reduces the shareholder's rights and is taken pursuant to a shareholder vote if the company's Articles of Association provides that

shareholders are entitled to dissent and obtain payment for their shares at market price under this Article.

(2) A shareholder who is entitled to payment pursuant to paragfaph (1) of this Article may not challenge the above-mentioned action which creates his rights under paragraph (1) of this Article, unless the action is fraudulent, illegal or constitutes a violation of Article 32 of this Law.

(3) For purposes of paragraph (1) of this Article, market value shall be calculated as of the date the decision approving the company action in question was adopted by the shareholders assembly, not taking into consideration any expected increase or decrease in value as a result of the action.

(4) If the action on the basis of which the rights arose under paragraph (1) of this Article is subject to voting by the shareholders the written invitation for the voting shall contain information that the shareholders have or may have such rights, and the notification shall also include reference to such rights.

(5) A shareholder who intends to exercise rights to require purchase of shares as referred to in paragraph 1 of this Article is obliged to, prior to the voting at the shareholders assembly, send to a company a written notification of his intention to exercise such rights if the respective decision is approved at the assembly.
The shareholder who fails to satisfy these requirements within 30 days or votes in favour of the proposed actions shall not be entitled to payment pursuant to this Article.

(6) If the decision on the basis of which the rights arose pursuant to paragraph (1) of this Article is approved by the shareholders' assembly, the shareholder who submitted written notification of his intention to request payment pursuant to paragraph (5) of this Article shall, within 30 days following the voting, send the company a written request for payment for the purchase of the shares that belong to him, stating his name, or trade name, residence, seat and the number and type of shares for which payment is requested.

(7) The company shall, within 30 days following the receipt of the request referred to in paragraph (6) of this Article, pay each shareholder satisfying the requirements of this Article an amount that the company believes to be the market value of his shares.

(8) If the shareholder is paid the amounts he is entitled to pursuant to paragraph (1) of this Article but believes that the amount paid is lower than the market value of his shares determined pursuant to this Law or if the company fails to make the payment, he shall be entitled, within 30 days following the date or due date of such payment, to request an appraisal of the share value by the competent court by filing a request to the court within this 30-day period.

(9) A shareholder who exercises the rights referred to in paragraph (1) of this Article must state his estimate of market value of his shares and the company must without delay give notice of the request in accordance with Article 272 of this Law to all other shareholders who have properly dissented under this Article.

(10) In response to the filed complaint referred to in paragraph (9) of this Article the court shall have the power to determine the market value and to hire appraisers or other experts to advise on the relation between the prices offered and requested and the market value.
The court shall also have the power to order the company to pay its determined market value and to pay the fees and expenses of supplementary appraisal.

(11) A court decision under paragraph (10) of this Article shall apply to all properly dissenting shareholders if the value determined by the court is higher than the amount the company offered under paragraph (7) of this Article, and shall be published in accordance with Article 272 of this Law.

Determining Market Value
Article 436

(1) For purposes of this Law, the term "market value" means the average value which is announced or published on the stock exchange or other appropriate market, for the period which closely precedes the date that is relevant and which is not shorter than three nor longer than six months. In a case where shares are not regularly traded or an appropriate market does not exist, the market value shall be determined through valuation of the capital of the company with the application of appropriate methods of valuation.

(2) The market value shall be determined through valuation of the capital of the company with application of appropriate methods of valuation.

(3) The market value of shares and interests shall be determined by decision of the board of directors of the company unless, pursuant to the company's Articles of Association or this Law, the determination is made by the competent court through the use of an independent appraiser or other person or body.

(4) If one or more members of the board of directors of a joint stock company has a personal interest in executing the transaction on the basis of which market value is paid to a shareholder, the determination shall be performed by the members of the board of directors not having such interest in accordance with Article 34 of this Law.

(5) The persons determining the market value referred to in paragraphs (1) and (2) of this Article may engage an authorized appraiser to assist them in the determination and shall engage an independent appraiser in the event that payment is required pursuant to Article 435 of this Law.

Rights of Members of a Limited Liability Company or Partnership to Dissent and Receive Payment from the Company

Article 437

(1) The specific rights of shareholders stated in Articles 435 and 436 of this Law may be provided for in the Articles of Association as rights of members of a limited liability company, partnership and limited partnership or in a contract of members of the company or in a contract of partners of company or in a contract for reorganizations of companies (merger, division, separation and change of legal form).

(2) In a case referred to in paragraph (1) of this Article, the provisions of Articles 435 and 436 shall apply mutatis mutandis to the members or partners and to their shares

and reimbursement for such shares, or partnership interests, except to the extent that those acts provide otherwise.

Mandatory Sale
Article 438

(1) A person who through takeover acquires at least 95% of the shares of a target company through a public offer in accordance with the law which regulates securities markets, shall have the right to purchase the remaining shares which were part of the public offering from the shareholders who did not accept sale through the public offer (non-accepting shareholders) on the terms of the public offer (mandatory purchase).

(2) If the acquirer does not acquire the shares as referred to in paragraph (1) of this Article, then within 6 months from the last date of the public offer, the acquirer shall lose such right (mandatory purchase).

(3) For the purpose of exercising the right referred to in paragraph (1) of this Article, the acquirer shall send a written request for the mandatory sale to the non-accepting shareholders within 120 days after the last date of the public offer, which request shall state the terms and conditions for the purchase in the public offer. A copy of the request shall be sent to the board of directors of the target company.

If the acquirer acts contrary to this paragraph, the acquirer shall lose the right for mandatory purchase of shares.

(4) If in the public offer the acquirer offered selling shareholders a choice between payment in money and payment in other property as consideration for their shares, that choice must also be given to the non-accepting shareholders in writing.

(5) If the acquirer referred to in paragraph (1) of this Article does not receive a notice of acceptance of the request for mandatory sale within 30 days after the request, the acquirer shall have the right to send to a target company a notification concerning purchase of shares of the non-accepting shareholders and to pay compensation to that company or to make payment in other property referred to in that request giving it authority to cede that compensation or other property to a non-accepting shareholder.

(6) Upon receipt of written information as referred to in paragraph (5) of this Article, the target company shall be obligated to enter a tenderer as shareholder of compulsorily purchased shares into the Central Registry of Securities as well as in the Court Registry in accordance with the law which regulates registration of business entities and to hold the received compensation on behalf of it and for account of non-accepting shareholders until it is accepted by that shareholder.

Mandatory Purchase
Article 439

(1) Shareholders who acquire 95% of the shares of a company ("major shareholder") shall be obligated to purchase the shares of the remaining shareholders (minority shareholders) on their demand.

(2) A minority shareholder referred to in paragraph (1) of this Article may submit a written request to the major shareholder at the latest within six months after the date of acquisition of the major parcel of 95% shares, informing him about the type, class and number of shares offered.

(3) A major shareholder as referred to in paragraph (l)of this Article is obligated to at the latest within 30 days from the day of receipt of request for forced purchase, send a written answer to that request.

(4) A major shareholder as referred to in paragraph (1) of this Article is obligated to purchase shares from the minority shareholder at the price as of the last shares that were acquired to get to the 95%.

(5) The forced purchase shall be registered in accordance with the law which regulates registration of business entities and entered into the Central Registry of Securities in accordance with the law which regulates securities markets.

Court Protection
Article 440

Upon request of a refusing shareholder submitted within 30 days after the date of receipt of written request for the forces sale, the competent court in a con-contentious proceeding shall within 30 days for the date of the request to prohibit the offeror from the public offer to proceed with the purchase or sale under terms different from those stated in the public offer.

VI – PENALTY PROVISIONS

Commercial Offences of the Company and Responsible Persons in the Company
Article 441

(1) A company shall be fined for conducting a commercial offense in an amount of 5,000 to 15,000 BAM if the company:

a) does not report on incorporation or deletion of operating unit from court register (Article 3 of this Law),

b) abuses the legal personality of the company in violation of paragraph (1) of Article 15 of this Law,

c) abuses trade name of the company in violation of Article 17, 20 and 21 and if letters and documents addressed to third persons do not include data provided for by the Law (Article 22),

d) uses its abbreviated or modified business name in its business operations in violation of Article 19 of this Law,

e) through a representative concludes an agreement that is not within business activities of the company stated in the Articles of Association of the company as provided in paragraph (4) of Article 25,

f) violates the provisions of this Law governing the duty not to compete with the company (Article 36),

g) violates the provisions of this Law governing the duty to pay at least half of monetary part of the basic capital of the company (paragraph (1) of Article 107 and paragraph (3) of Article 187),

h) violates the provisions of this Law by giving financial support for acquisition of shares as provided for by Article 185 of this Law,

i) issues shares in violation of provisions of Articles 199 and 200 of this Law,

j) violates the rights of shareholders as provided for in Article 203 and 204 of this Law,

k) arranges dividends and makes other payments to shareholders in violation of provisions of Articles 210-214 of this Law,

l) acquires or subscribes its own shares in violation of provisions of Articles 215 and 216 of this Law,

m) violates the Payment limitation rules and Payment prohibition rules as provided for in Article 225 and 226 of this Law,

n) the company does not inform the competent authorities as appointed by this Law about increase or decrease of basic capital (Article 251, 260 and 261),

o) decreases basic capital in violation of Article 228, paragraph 5, Articles 253-265 of this Law,

p) does not maintain the value of basic capital in violation of this Law (Article 228, paragraph (5) of Article 230, paragraphs (7), (8) and (9));

q) does not enter the amounts from Article 231 of this Law into legal reserves or uses legal reserve funds in violation of Article 231 of this Law,

r) during a liquidation procedure undertakes business activities or pays dividends to partners, members or shareholders in violation of this Law (Article 343),

s) does not make reports about liquidation, final liquidation balance sheet and proposal on distribution of liquidation assets as required by this Law (Article 348),

t) does not make consolidated annual report and a report for members and shareholders of subsidiaries (Article 263),

u) violates the provisions of this Law that regulate prohibition of creating phantom capital (Article 384),

v) acquires or disposes of major assets in violation of this Law (Article 434),

w) violates the rights of shareholders to dissent and receive payment for shares in violation of this Law (Article 435 and 437),

x) violates the rights of shareholders for compulsory sale of shares in violation of this Law (Article 438).

(2) For conducting the activities referred to in paragraph (1) of this Article, the responsible person in the company shall be fined up to the amount of 500-3,000 BAM.

(3) The business company will be fined up to the amount of 3,000-10,000 BAM if:

a) conducts the business activities in violation of this Law (Articles 5 and 6),

b) a representative of the company does not respect the restrictions of the authorization to represent stated in this law (paragraph (1) of Article 25),

c) a contract or any other legal actions are made or taken in cases where there is a conflict of interest (Article 34),

d) it does not keep business secrets (Article 38);

e) violates the right to information referred to in Article 43 of this Law,

f) violates the prohibition of choice in violation of this Law (Article 45),

g) the company amends its Articles of Association in violation of this Law (paragraph (3) of Article 50, Articles 88, 168, 329 and 330);

h) the company does not appoint a person authorized to represent (Articles 68, 86, 154 and 314),

i) the company does not keep the Book of shares or it does not keep it properly (Article 114),

j) does not keep business books as required by this Law (Articles 153 and 305),

k) does not keep and maintain documents as required by this Law (Articles 169 and 353),

l) the company does not return to shareholders the amounts they paid in case the foundation was unsuccessful (Article 195),

m) the company does not convene the foundation assembly as required by this Law (Article 193); if it does not keep the book of shares and the book of decisions as required by this Law (Article 114, Article 131, paragraphs (3), (4), Article 146, Article 281, paragraph (2)),

n) the company does not convene the Assembly as required by this Law (Articles 133, 134, 267, 278 and 271),

o) the company does not keep and maintain documents as required by this Law (Articles 169, 333 and 335) and

p) the company does not report on data for entry into court register which are to be entered into that register pursuant to provisions of this Law and does not settle it within te prescribed deadline (Articles 8, 30, 246, 240, 331, 340, 346,367, 389, 390, 409, 419, 423 and 428).

(4) For conducting the activities referred to in paragraph (3) of this Article, the responsible person in the business company shall be fined up to the amount of 200-1,500 BAM.

VII – TRANSITIONAL AND FINAL PROVISIONS

Existing Companies
Article 442

(1) Existing companies and other forms of organization for performing economic activity as well as entrepreneurs shall on the effective date of this Law continue to work in the manner and under the conditions under which they were entered into the Registry.

(2) Business companies and other forms of association and organization for performing economic activity are obliged to harmonize their legal form, the bodies, shareholders and members, capital, shares and other securities or interests, business name, memoranda, parts of enterprises with special authorities in legal transactions, as well as their general acts, with the provisions of this Law within two years after the effective date of this Law, unless provided otherwise in this Law.

(3) Existing joint stock companies keep their Articles of association as mandatory general act, and the obligation of harmonization with provisions of this Law they will fulfill by means of appropriate amendments to the Articles of Association which is of importance in relation to those companies and the content of Articles of Incorporation referred to in this Article, provided that the amendments to the Articles of Association must be notary certified.

(4) Existing limited liability companies achieve compliance with the provisions of this Law by means of appropriate amendments to the Articles of Incorporation which are notary certified, and those companies which were established in the process of ownership transformation and do not have the Articles of Incorporation, are obliged to act as required by paragraph (3) of this Article.

(5) If existing companies organized as limited liability companies or joint stock companies keep that legal form, they shall not in the process of compliance with the provisions of this Law be required to submit evidence of compliance with the requirements respecting monetary part of basic capital established by this Law with the Application for transfer into court register.

(6) Existing business companies and other forms of association and organization for performing economic activity which do not conduct their business activities within the prescribed deadline and as required by paragraphs (2)-(4) of this Law, cease to operate and shall be terminated upon completion of liquidation proceedings which shall be carried out at the expense of the person being liquidated and shall be instituted by the Registry ex officio.

Initial Proceedings
Article 443

If the applications for establishment or changes of founders, partners, shareholders or company members, or for expulsion of partner or company member, as well as for the election of bodies and adoption of general acts of business companies and other organizations for performing economic activity, were filed to the Registry prior to the

time this Law became effective, the proceedings resulting from these applications will be completed pursuant to the regulations in force at the time they were filed to the Registry.

Limitations on Founding of Companies
Article 444

(1) From the day of effectiveness of this Law, founders of the company and partners of the partnership and limited partners of limited partnership cannot be limited liability companies or joint stock companies which do not have at least one member or at least one shareholder with significant share capital pursuant to this Law.

(2) From the day of effectiveness of this law, founders of the company and partners of the partnership and limited partners of limited partnership cannot be business companies whose founders are business companies as referred to in paragraph (1) of this Article.

Termination of Existing Law
Article 445

(1) From the day of effectiveness of this Law on new-established joint stock companies and limited liability companies, the application of the provision of Article 69 of the Notary Law ("The Official Gazette of the Republic of Srpska", no. 86/04, 2/05 and 74/05).

(2) From the day of effectiveness of this Law, the Law on companies falls in abeyance ("The Official Gazette of the Republic of Srpska", no. 24/98, 62/02, 66/02, 38/03, 97/04 and 34/06).

Effectiveness of this Law
Article 446

This Law shall be effective eight days after its publication in "The Official Gazette of the Republic of Srpska", and it is to be applied starting from July 1st, 2009.

No: 01-1882/08 The President of the National

November 25th, 2008 Assembly

Banja Luka Igor Radojičić