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**REPUBLIC OF ALBANIA
THE PARLIAMENT**

LAW

Nr.9901, date 14.04.2008

ON ENTREPRENEURS AND COMPANIES

Pursuant to Articles 78, 83 Paragraph 1 of the Constitution, upon the Council of Ministers' proposal

THE PARLIAMENT

OF THE REPUBLIC OF ALBANIA

DECIDED:

PART I

COMMON PROVISIONS

TITLE I

Entrepreneurs and Companies

Article 1

Scope of the Law, definitions, different registrations

(1) This Law shall regulate the status of entrepreneurs, the founding and managing of companies, the rights and obligations of founders, partners, members, and shareholders, companies' reorganization and liquidation. Companies are general partnerships, limited partnerships, limited liability companies or joint-stock companies.

(2) Entrepreneurs and companies register with the National Registration Centre in accordance to this law and Law No. 9723, dt. 03.05.2007 on the National Registration Centre amended.

(3) Entrepreneurs and companies shall keep books, compile and disclose annual accounts and performance reports including verification of authorized auditors in conformity with Law on Accounting and Financial Statements.

(4) If not provided otherwise, the court referred to in this law is the competent court in accordance with Articles 334 to 336 of the Civil Procedure Code.

(5) Provisions requiring disclosure of information on a company website may be satisfied by establishing an effective link to the registered information held by the National Registration Centre for that company.

(6) As used in this Law, the singular includes the plural and the plural includes the singular, unless the context otherwise requires. The personal pronoun “he” includes “she” and “it”; and the word “him” includes “her” and “it” unless the context otherwise requires.

Article 2

Entrepreneur

(1) An entrepreneur is a natural person, according to the Civil Code, whose independent economic activities require an ordinary business organisation.

(2) A natural person pursuing an independent profession (as lawyer, notary, accountant, physician, engineer, architect, artist, etc.) shall be regarded entrepreneur if so provided by special laws.

(3) A natural person conducting agricultural or forestry activities shall be regarded as an entrepreneur if he is mainly organizing the processing and sale of agricultural or forestry products (agro-business).

(4) Economic activities, which, due to their volume, do not require an ordinary business organization (small scale business) are not subjected to this law. The Minister of Finance and the minister in charge of economy shall determine by joint regulation the threshold volume of business at which registration as an entrepreneur is required.

(5) An entrepreneur must apply for registration as a physical person under Art. 28 (1) and 30 of Law No. 9723 date 03.05.2007 on the National Registration Centre. In case an entrepreneur has created a website, all data reported to the National Registration Centre shall be placed on this website.

(6) An entrepreneur is obliged to apply the standard of professional diligence that their business environment is entitled to expect. He is personally liable for the obligations deriving from his activities with all his assets, i.e. with any right regarding movables and immovables, intellectual and industrial property, claims, concessions, and any other property the value of which can be expressed in money.

(7) An entrepreneur will lose his status once he ceases or is obliged to cease his activities. In this case he will be deleted from the Registry in accordance with Art. 48 to 53 of Law No. 9723 date 03.05.2007 on National Registration Centre.

Article 3

Companies

(1) Companies are founded by two or more persons, who agree on achieving joint economic objectives through contributions defined by the Statute. Limited liability companies and joint stock companies may also be formed by one person only (single member company).

(2) Companies must apply for registration in accordance with Art. 22 and subsequent articles of Law No. 9723 on National Registration Centre as relevant to the form of company in question.

(3) Companies acquire legal personality on the date of their registration in the National Registration Centre. They are liable with all their assets for the obligations deriving from their activities.

Article 4

Registered and Trade Names

(1) Entrepreneurs and companies conduct their business under their registered name. The name of the entrepreneur is his individual name as registered in accordance with Article 22 of Law No. 9723 on the National Registration Centre and in compliance with Article 5 of the Civil Code. In the case of companies, name registration must comply with Article 23 of Law No. 9723 on the National Registration Centre.

(2) Entrepreneurs and companies may also use a trade name and or other distinctive marks and shall register these in accordance with Paragraph 1 (a) of Article 44 of Law No. 9723 on the National Registration Centre.

(3) The registered and the trade name of an entrepreneur shall contain the supplement 'registered entrepreneur' or the corresponding abbreviation 'T.R.'. The name of a general partnership shall contain the supplement 'general partnership' or the abbreviation 'SH.K.' The name of a limited partnership shall contain the supplement 'limited partnership' or the abbreviation 'SH.K.M'. The names of a limited liability company and of a joint-stock company shall include abbreviations denoting the limited liability company ('SH.P.K') or joint-stock company ('SH.A').

Article 5

Transfer of Name and Liability

(1) He who acquires the business of an entrepreneur or a company may continue using its registered or trade name and or other distinctive marks with or without a supplement indicating the succession, if the previous owner or his heirs agree.

(2) In case the registered or trade name and or other distinctive marks continue to be used, the acquirer shall be liable for all liabilities of the previous owner. Any agreement to the contrary may never be relied on as against third parties, even if it has been disclosed, unless the entrepreneur or the company proves that the third party knew about the agreement or could, in view of evident circumstances, not have been unaware of it.

Title II

Formation of the Company

Article 6 Statute

The company Statute includes the particulars listed by Art. 32 to 36 of Law No. 9723 on the National Registration Centre. Paragraph 4 of Art. 28 of that Law applies.

Article 7 Lawful Objects

A company may engage in any activity that is not prohibited by law.

Article 8 Head Office

(1) Unless the Statute otherwise provides, a company's head office is the place where the major part of its business is carried out.

(2) A company the head office of which is located in the territory of the Republic of Albania, is subject to this Law.

Article 9 Branches and Representatives

(1) Persons authorized to manage a company may establish branches and representatives.

(2) Branches are places of business without legal personality. They have a degree of permanence, their own management, and enter into agreements on behalf of the company.

(3) Representatives are places of business without legal personality and without a management. They promote the business of the company and may also enter into agreements on behalf of the company.

(4) If branches and representatives of Albanian companies create a website, they must post the company's unique identification number on it.

(5) Branches and representatives of foreign companies shall register as required by Art. 26 (4), 28 (5) and 37 of Law No. 9723 on the National Registration Centre.

(6) A branch shall act under the registered or trade name of the company concerned and its own name.

Article 10

Liability of Founders

(1) If, before a company being formed has acquired legal personality, action has been carried out in anticipation of its formation, the persons who acted shall, without limit, be jointly and severally liable therefore. Once a or company has acquired legal personality, all rights and obligations resulting from that action shall become rights and obligations of the company.

(2) Founders must make their contributions in cash or kind in time as required by the Statute and respect the formation formalities required by this Law and Law No. 9723 on the National Registration Centre. In case they fail to comply with these rules or they delay compliance, founders are jointly and severally liable to the company for any damage resulting from their failure.

(3) Claims based on Paragraph 2 may be brought by filing a case with the competent court or by similar action carried out by the legal representative of the company, or, in case of the latter's failure to do so within 90 days after being informed of the infringement, by the other partners, or by a quota of members or shareholders representing at least 5 percent of total votes of a company or by a creditor. The members, shareholders or creditors must comply with the procedure of Articles 91, 92 and 150, 151. Claims must be brought within 3 years after company registration.

Article 11

Information on Letters, Order Forms and Other Documents

(1) All letters, order forms and other documents issued by companies and by their branches and representations either by use of paper or electronic means and addressed to third parties shall provide for the following information:

- a) the Unique Identification Number;
- b) the legal form of the company;
- c) the location of its registered seat and head office;
- d) if a company is in liquidation.

If the company has a website, the website must contain these particulars, too. Paragraph 5 of Article 1 applies.

(2) In case of non-compliance with the obligation to disclose the information of Paragraph 1 of this, the company will be liable to a fine not exceeding 15000 Lek.

Title III

Representation

Article 12

Legal Representatives

(1) Companies shall be represented according to this law and the Statute. This legal representation is valid for any kind of judicial and extra-judicial transaction.

(2) Legal representatives owe to the company compliance with any restrictions of their powers of representation as established by the Statute or decision of other competent company organs. However, such limits may never be relied on as against third parties, even if they have been disclosed, unless the company proves that the third party knew about those limits or could, in view of evident circumstances, not have been unaware of it; disclosure in the Statutes shall not of itself be sufficient proof thereof.

(3) Likewise, acts done by legal representatives shall be binding upon the company even if those acts are not within the objects of the company, unless such acts exceed the powers that the general law confers or allows to be conferred on them. The company shall not be bound, if it proves that the third party knew that the act was outside those objects or could, in view of evident circumstances, not have been unaware of it; disclosure in the Statutes shall not of itself be sufficient proof thereof.

(4) Any irregularity in the appointment of the representative shall not affect the company's liability to third parties unless the company proves that the third party had knowledge of the irregularity or could, in view of evident circumstances, not have been unaware of it.

Article 13

Conflict of Interests and Related Persons

(1) Persons who have been convicted of crimes committed in the course of their duties to the company as of Chapter III of the Special Part of the Criminal Code, may not, for up to five years after conviction, carry out the functions of legal representatives, members of the Board of Directors or the Supervisory Board, and of representatives of shareholders at the General Meeting.

(2) A person authorized to represent or to supervise the company may not enter into contracts or into other relationship with the company unless, after disclosure of the terms of the transaction and the nature and scope of the interests of the person, they are approved:

1. by all the other partners in case of a partnership;
2. by all the members or all other members in case of limited liability companies;
3. by the Board of Directors or Supervisory Board in case of Managing Directors of joint-stock companies;
4. by the Board of Directors or Supervisory Board in case of members of the Board of Directors or Supervisory Board in joint stock companies.

Any generalized approval must be registered with the National Registration Centre.

(3) The approval referred to in Paragraph 2 shall also be required for any legal agreement on behalf of the company with persons who have a personal or financial relationship with the representative or supervisor, or engage in activities that could reasonably be expected to affect the representative's or supervisor's judgment contrary to the interests of the company. The following persons are presumed to have one or more of the interests listed above:

- a) His spouse, or/and parents, brother or sister of his spouse;
- b) His child, parent, brother, sister, grandchild or a spouse of any of the foregoing;
- c) Persons related to the representative or supervisor. Such related persons are:

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 representative or supervisor.

(4) The persons requiring approval for a transaction as of paragraphs 2 and 3 may not vote on the approval of the transaction and are not calculated in the quorum.

(5) At the next General Meeting, shareholders shall be notified of any approval as of paragraphs 2 and 3, including the terms of the transaction and the nature and scope of the interests of the person involved. Within 6 months after the notification, the General Meeting may request the transaction to be voided by court decision if it considers the approval given in serious breach of the law or the statute. Article 151 applies accordingly.

(6) Any transaction requiring approval as of paragraphs 2 and 3 shall be disclosed in the annual accounts, such disclosure to include the terms of the transaction and the nature and scope of the interests of the persons involved.

(7) An individual managing his single member company may not enter into contracts with the company concerning loans and guarantees. Other contracts he concludes with his company shall be recorded by minutes to be kept at the company's head office. In case of non-compliance with the obligation to record the contract, the company will be liable to a fine not exceeding 15000 lek.

Title IV Fiduciary Duties

Article 14 Principles

(1) When exercising their membership rights, partners, members and shareholders are obliged to adequately take into consideration the interests of the company and of the other partners, members or shareholders. The same duty applies to managing members and directors and the members of the Board of Directors and Supervisory Board.

(2) Unless otherwise provided by this law or the Statute, partners, members and shareholders have the same rights and duties under the same circumstances and shall be treated equally.

Article 15 Rights to Information

(1) The person responsible for the management will keep the other partners, members and the shareholders informed about the company performance and make available, at their request, any internal document of the company with the exception of the documents specified in Article 18. This obligation may be fulfilled by placing information on a company website and informing the persons making the request about

this way of publication. Otherwise, the documents must be made available for inspection at the head office of the company.

(2) The Statute may not preclude or restrict the exercise of the rights referred to in Paragraph 1.

(3) If the person responsible for the management fails to provide the information requested with respect to Paragraph 1, interested partners, members or shareholders may, within 30 days after the refusal, request the competent court to decide on the obligation to inform. Failure to respond within 7 days constitutes a refusal

Article 16

Abuse of Legal Form and Position

(1) Company members and shareholders, Managing Directors and members of the Board of Directors who act, or fail to perform required actions shall be jointly and severally liable for company commitments to the extent of their total assets:

1. If they abuse the company form for illegal purposes;
2. If they treat company assets as if they were their own assets;
3. If they fail, with respect to the type of activities, to ensure that the company has sufficient capital at a time when they know or must have known that the company will not be able to meet its commitments as against third parties.

(2) Third parties cannot avail themselves of any claim with respect to Paragraph 1, if the company proves that the third party knew about the abuse or could not in view of evident circumstances have been unaware of it. The claims must be brought within 3 years after the violation.

Article 17

Prohibition of Competition

(1) No partner in a general partnership, general partner in a limited partnership, no member or Managing Director in a limited liability company, and no managing director or member of the Board of Directors of a joint stock company may have that status or be employed in any other company operating in the same business sector, nor may they be entrepreneurs engaging in that kind of business.

(2) The Statute may provide that the prohibition referred to in paragraph 1 may be abrogated by an extraordinary case by case authorization given by partners in accordance with Article 36 or General Meetings of members or shareholders with a three quarters majority in accordance with Articles 87 or 145.

(3) The Statute may also provide that the prohibition referred to in Paragraph 1 is to remain in force after the loss of the status referred to in that paragraph, but for no longer than one year.

(4) Should any person referred to in Paragraph 1 be in breach of the competition clause, the company concerned may:

1. Expel the person concerned from the company;
2. Request cessation of the rival activity;
3. Claim damages.

(5) Instead of claiming damages, the company may request the following of any person referred to in Paragraph 1 of this Article:

1. To accept transactions made on its own account as being transactions made on account of the company;
2. To transfer to the company any benefits resulting from transactions made on somebody else's account;
3. To transfer to the company any claims stemming from the transactions made on somebody else's account.

(6) Claims to enforce the rights of the company must be brought within three years after the date of the realization of the infringement. Paragraph 3 of Article 10 applies accordingly.

Article 18 Business Secrets

(1) Business secrets are data and documents, which would significantly damage the business interests of the company if they were disclosed to unauthorized persons.

(2) Information which is required to be disclosed by law or relates to violation of laws, good business practices and principles of business ethics, will not be regarded as a business secret. Disclosure may be legitimate if it is intended to protect the public interest.

(3) With respect to their present or former position in the company, managing partners, members or directors, members of the employee council and employee representatives are liable for damage caused to the company by unlawful disclosure of business secrets.

(4) Claims must be brought within 3 years after the violation. Paragraph 3 of Article 10 applies accordingly.

Title V Employee Participation

Article 19 Employee Council

Employees of a company having more than 50 employees shall set up an Employee Council for a maximum term of 5 years. In a company having more than 20 but less than 50 employees, the functions of the employee council shall be covered by one employee representative for each 10 elected by the assembly of company employees through secret ballot. Additional council members shall be elected for each additional number of 20 employees up to a maximum of 30 council members. The council may establish by-laws to organize its procedures.

Article 20 Rights and Obligations of the Employee Council

(1) The Employee Council shall monitor the enforcement of laws, collective agreements and provisions of the Statute and represent the interests of company employees. It shall participate in the decision-making for the utilisation of special funds and other assets of the company in conformity with collective agreements and the Statute. Likewise, it shall take part in deciding on the distribution of profits, which by the decision of the General Meeting belong to the employees.

(2) The legal representative of the company shall keep the Employee Council informed about the activities and performance of the company with particular reference to the effects of company policies regarding working conditions, wages, occupational safety, profit sharing, status changes, company pension systems, company restructuring and affiliation. On request of the Employee Council, the legal representative shall submit state of accounts, including consolidated accounts, progress reports, Supervisory Board reports and auditor's reports. These obligations may be fulfilled by placing information on a company website and informing the employee council about this way of publication. Otherwise, answers may be requested to be in writing. Electronic means of communication may be used.

(3) The Employee Council may also directly inform itself about company performance and inspect books and documents. It will deliver opinions and suggestions to the managing organs with respect to the matters mentioned in Paragraph 2. The legal representative shall notify the Employee Council of the reasons for not accepting its opinions and suggestions.

(4) The Statute may not preclude or restrict the exercise of the rights referred to in paragraphs 2 and 3 unless an equivalent system has been agreed between the legal representative and the Employee Council. If the legal representative refuses to provide the information as of paragraphs 2 and 3, the Employee Council may, within 2 weeks after the refusal, request the competent court to decide on the obligation to inform.

(5) The Employee Council shall report about its activities to the assembly of company employees at least twice yearly or if the majority of employees so requests.

(6) Costs of council election and operation are covered by the company.

Article 21

Employee Participation at Board Level in Joint Stock Companies

The legal representative of the company and the Employee Council may agree that the Employee Council may nominate persons to represent the employees at board level.

Part II

General Partnerships

Title I

General Provisions

Article 22

Definition

A company is a general partnership if it is registered as such, conducts its business under a common name and the liability of partners towards creditors is unlimited.

Article 23 Registration

(1) A general partnership registers in accordance with Art. 26, 28, 32 and 33 of Law No. 9723 on the National Registration Centre.

(2) Where the general partnership has created a website, all data reported to the National Registration Centre shall be placed on this website and be available to every interested person.

Title II Legal Relations between Partners

Article 24 Freedom of Contract

Legal relations between partners shall be governed by the Statute. Articles 25 to 37 only apply if the Statute does not provide otherwise.

Article 25 Contributions

(1) Initial contribution of partners may be in cash or in kind (property, rights, labour and services). Partners' contributions shall be equal.

(2) The partners in a general partnership shall evaluate any contribution in kind by mutual agreement and express its value in money. If no agreement can be reached, any partner may request the competent court to appoint by a binding decision a evaluation expert. The partners' or the expert's report on the evaluation shall be submitted to the National Registration Centre together with the other data required.

Article 26 Internal Liability

During the fulfilment of their obligations, partners shall be liable to the general partnership for any damage caused deliberately or through gross negligence.

Article 27 Reimbursement for Expenses

Any partner shall have the right to claim from the general partnership reimbursement of expenses which he incurred in conducting the partnership's business and which are necessary in view of the operating circumstances.

Article 28
Delay of Payment of Contributions

Any partner who fails to pay his due contribution in cash or in kind within the term set in the Statute, or who fails to transfer to the partnership any amount of cash he received on behalf of the partnership in good time, or who takes for himself money from the partnership without authorization, shall pay interest starting from the day on which his contribution or the transfer were due, or from the day on which he took the money.

Article 29
Increase or Reduction of Contribution

- (1) No partner is bound to increase his contribution above the agreed amount or to supplement it, if it is decreased by losses.
- (2) No partner may reduce his contribution without the approval of the other partners.

Article 30
Disposing of the Interest

- (1) No partner may withdraw, transfer or pledge his interest without the approval of the other partners.
- (2) The transfer of interests among partners shall be unrestricted.

Article 31
Management

- (1) All partners shall have the right to manage the business of the partnership as Managing Directors.
- (2) If the Statute has assigned management to one or several partners, the other partners shall be excluded from management.

Article 32
Management by More than One Partner

- (1) If all or several partners are vested with the management right, each of them shall have the right to act independently, unless the other Managing Directors contest the action, in which case it has to be abandoned.

(2) If the Statute provides that Managing Directors may act only jointly, the approval of all Managing Directors shall be required for each transaction, except if deferment poses a hazard.

(3) If the Statute provides that a Managing Director is bound to abide by instructions of another Managing Director and considers instructions given to be inappropriate, he shall notify the other Managing Directors for the purpose of deciding jointly on the transaction, unless deferment poses a hazard.

Article 33

Scope of Management

(1) The management right shall comprise all transactions carried out during the regular conduct of company business.

(2) Transactions which are beyond the scope of authority referred by Paragraph 1 require approval of all partners.

Article 34

Transfer of Management Rights

No partner may transfer his management rights to a third party, unless all the other partners so approve.

Article 35

Notice and Revocation of Management Rights

(1) A Managing Director may terminate his duties on reasonable grounds sending his notice in time to allow for continuation of transactions by other Managing Directors, unless an important reason legitimates untimely notice.

(2) Management authority may be revoked by decision of the competent court requested by the other partners, if legitimated on reasonable grounds including gross violation of duties or incapacity to perform managerial duties regularly.

Article 36

Decision Making by Partners

(1) Where a decision can only be made with the consent of named partners the consent of all named partners is required unless they have a conflict of interest

(2) In case the Statute allows for decision-making by majority vote, the majority shall be a simple majority.

Article 37

Profit and Loss

- (1) At the end of each business year the annual statement of accounts is prepared, ascertaining profits or losses and each partner's share herein.
- (2) Each partner is entitled to an equal share of any profits and shall contribute equally to any losses resulting from the partnership

Title III
Legal Relationship of Partners with Third Parties

Article 38
Representation of the General Partnership

- (1) Each partner shall be entitled to represent the partnership, unless the Statute otherwise provides.
- (2) If partners represent the partnership jointly, declarations which are supposed to be received by the company may be addressed to one of the partners entitled to representation. Managing Directors entitled to represent the company jointly may authorize some of them to carry out certain transactions or certain kinds of transactions.
- (3) Any exclusion of a partner from representation or decision on joint representation as well as any change in a partner's entitlement to representation shall be reported for entry in the National Registration Centre.

Article 39
Notice and Revocation of the Right of Representation

- (1) A representative may terminate his duties by reasonable notice taking into account the other representatives ability to continue transactions.
- (2) Authority for representation may be revoked by decision of the competent court requested by the other partners, in particular in the cases of gross violation of duties or incapacity to perform duties of representation regularly.

Article 40
Personal Liability of Partners

- (1) Partners shall be personally, jointly and severally liable for the commitments of the partnership to the total extent of their assets. Agreements to the contrary are ineffective as against third parties.
- (2) The claim of a personal creditor of the partner may be settled from the partner's claims against the general partnership and from the partner's interest in the partnership. Claims can be executed according to Articles 581 to 588 of Law No. 8116 on the Civil Procedure Code.

Article 41

Objections

Should a creditor file a claim against a partner with respect to an obligation of the general partnership, the partner concerned may use defences available to him personally as well as those available to the partnership.

Article 42 Liability of a New Partner

Any person who becomes a partner in an existing general partnership assumes the liabilities of the partnership, including pre-existing liabilities. Agreements to the contrary are ineffective as against third parties.

Title IV Dissolution of General Partnership and Exit of Partners

Article 43 Reasons for Dissolution

The general partnership shall dissolve:

- By expiry of the period for which it was established;
- By decision of the partners;
- By opening of a bankruptcy procedure;
- By court decision;
- If it has not carried out any business activities for two years and has not notified its inactive status in accordance with paragraph 3 of Art. 43 of Law No. 9723 'On the National Registration Centre';
- In other cases provided by the statute.

Art. 44 Exit of a Partner

The following events do not lead to the dissolution of the partnership but to the exit of a partner unless the Statute provides otherwise:

- Death of a partner;
- Opening of a bankruptcy procedure against a partner;
- Notice given by a partner;
- Notice given by a personal creditor of a partner in circumstances described by Article 46;
- Decision of partners;
- Other cases provided by the Statute.

Article 45

Partner's Notice

If a partnership has been established for an indefinite period of time, a partner may give 6 months written notice unless the Statute otherwise provides. A shorter period of notice may not be unreasonably excluded.

Article 46 Notice by a Personal Creditor

If a personal creditor has failed to achieve satisfaction of a court order made against the partner he may give 6 months written notice of the exit of the relevant partner. Paragraph 2 of Article 40 applies accordingly.

Article 47 Dissolution by Court Decision

Pursuant to a complaint filed by a partner, the partnership may be dissolved by court decision on reasonable grounds, and in particular if another partner has failed deliberately or by gross negligence to perform any duty established by the Statute or if the performance of such a duty has become impossible.

Article 48 Exclusion of a Partner

Under the circumstances set out in Article 47, the court may, pursuant to the complaint of the other partners, decide to exclude the partner concerned instead of dissolving the general partnership.

Article 49 Arrangement for Accounts on Exit of a Partner

(1) The interest of each partner who leaves the general partnership will be distributed among remaining partners except when exit is due to bankruptcy, creditors notice or to other cases provided by the statute. The remaining partners are obliged to pay him or his heirs or personal creditors the amount he would have received if the general partnership were dissolved at the time of his exit taking account of outstanding transactions.

(2) If the value of the assets of the general partnership is not sufficient to cover the partnership's commitments, the exiting partner or his heirs shall be liable for the missing amount in proportion to his share in bearing losses.

(3) In case of exclusion as of Article 48, any damage occurred to the company from the breach of duty of the excluded partner may be deducted from the amount due as of paragraph 1.

Article 50
Procedure in Case of One Remaining Partner

- (1) If for any reason only one partner remains, he shall either take all the necessary measures to adapt the general partnership within 6 months to the requirements of this law, or continue the business as an entrepreneur.
- (2) If within the time limit referred to in the previous paragraph a partner fails to register the change with the National Registration Centre, the general partnership shall be deemed dissolved.

Article 51
Continuation of Partnership with Heirs

- (1) A general partnership shall continue with the heirs to a deceased partner, if so provided by the Statute and accepted by the heirs.
- (2) The heirs may exercise the right referred to in Paragraph 1 within 30 days from the date the court competent to issue the certificate of succession in accordance with the Civil Procedure Code issued the same certificate.
- (3) If an heir opts for continuation as a limited partner, the company will be transformed into a limited partnership with consent of the other partners.

Article 52
Entry in the National Registration Centre

All partners shall report the dissolution and the exit of a partner to the National Registration Centre in accordance with Art. 43 of Law No. 9723 on the National Registration Centre. In case of dissolution by court decision, the court shall transmit the decision to the National Registration Centre for registration in accordance with Art. 45 of Law No. 9723 on the National Registration Centre.

Article 53
Solvent Liquidation of the General Partnership

After dissolution, solvent liquidation of the General Partnership shall be carried out in accordance with Articles 190 to 205.

Article 54
Prescription of Claims against a Partner

- (1) Claims against a partner for commitments of the general partnership must be brought within 3 years after the dissolution unless the claim towards the general partnership is subject to shorter prescription.

(2) Prescription starts from the day on which the dissolution of the company was registered.

(3) If the claim against the general partnership will be mature after registration, prescription will start on the date of maturity.

(4) Any interruption of prescription towards the dissolved general partnership will also apply towards those who were partners at the moment of dissolution.

Article 55 **Prescription in Case of Exit of a Partner**

A partner whose membership has terminated shall be liable for obligations of the general partnership where incurred before termination if they will mature earlier than 3 years after that date. The term starts on the day on which termination was registered.

Part III **Limited Partnerships**

Article 56 **Definition**

(1) A partnership is a limited partnership, if at least one partner's liability is limited to the amount of his interest (limited partner), while the liability of other partners is not limited (general partners). General partners have the status of partners in a general partnership.

(2) Unless this part of the law provides otherwise, provisions on general partnerships also apply to limited partnerships.

Article 57 **Registration**

(1) A limited partnership registers in accordance with Art. 26, 28, 32 and 34 of Law No. 9723 on the National Registration Centre.

(2) Where the limited partnership has created a website, all data reported to the National Registration Centre shall be placed on this website and be available to every interested person.

Article 58 **Legal Relationship between the Partners**

The relations between partners are governed by Articles 59 to 61, unless provided otherwise by the Statute. The Statute may also submit the limited partners to a competition clause in deviation from Article 17.

Article 59
Management

- (1) One or more general partners shall manage the business of the limited partnership as Managing Directors. Limited partners are excluded from management.
- (2) A limited partner may not object to the management of the general partner, unless he is acting outside the normal conduct of the company's business.

Article 60
Losses

The limited partner shall bear losses only up to the amount of his part of the capital and to the amount of any outstanding contribution.

Article 61
Representation

A limited partner may not represent the limited partnership.

Article 62
Liability of Limited Partners

- (1) Up to the outstanding amount of his contribution, the limited partner shall be personally liable to the creditors of the limited partnership. As far as the contribution has been paid, liability is excluded.
- (2) An unregistered increase of the registered contribution only has effect as against creditors if the company informed them about the increase or if it has been published in an ordinary way.
- (3) Any agreement of the partners releasing a limited partner from paying his contribution or postponing the payment is ineffective as against creditors.
- (4) A reduction of contribution is also ineffective as against creditors as long as it has not been registered, unless the creditor knew about it. Even if registered, the reduction is without effect as against creditors' claims which already existed at the moment of registration.
- (5) If a limited partner's contribution is returned to him, it is considered unpaid in relation to creditors. The same applies if a limited partner is drawing a share of the profit and his part of the capital becomes lower than the stipulated contribution.
- (6) A limited partner shall not be bound to return profits which he received in good faith based on a statement of accounts prepared in good faith.

Article 63

Entry of Changes of Contribution in the National Registration Centre

The partners must report any increase or reduction of the contribution of a limited partner to the National Registration Centre in accordance with Art. 43 (1) of Law No. 9723 on the National Registration Centre.

Article 64

Liability based on Legal Appearance

- (1) A limited partner shall be liable like a general partner, if his name has been included in the registered name of the limited partnership with his consent.
- (2) A limited partner who has concluded an agreement with a third party in the capacity of an authorised agent without indicating that he is acting in this authority, shall be liable for this transaction like a general partner, unless he proves that the third party knew about the limits to his authority or could, in view of evident circumstances, not have been unaware of it.
- (3) A limited partner shall be liable like a general partner if he acts contrary to the second sentence of the first paragraph of Article 59.

Article 65

Liability Prior to Registration

Should the founders of a limited partnership assume commitments in connection with the business of the partnership prior to its entry in the National Registration Centre, a limited partner who agreed to assume such commitments shall be liable like a general partner, unless he proves that the creditor knew about any limits to his commitment or could, in view of evident circumstances, not have been unaware of it.

Article 66

Liability of a New Limited Partner

A limited partner who joins a limited partnership after its formation shall be liable according to Article 62 for the partnership commitments entered into before his entry.

Article 67

Termination of Partner Status and Transformation of Legal Form

- (1) A limited partnership shall not dissolve in the event of death of a limited partner or dissolution of one or more limited partners.
- (2) If all general partners withdraw from a limited partnership, the partnership must be dissolved.

- (3) If all limited partners withdraw from a limited partnership, the company may continue as a general partnership or as the business of an entrepreneur.
- (4) The changes referred to in Paragraphs 1 through 3 must be reported to the National Registration Centre.
- (5) After dissolution, solvent liquidation of the Limited Partnership shall be carried out in accordance with Articles 190 to 205.

Part IV Limited Liability Companies

Title I General Provisions and Formation

Article 68 Definition

- (1) A limited liability company is a company founded by natural or juridical persons who are not liable for the company's commitments and which personally bear losses only to the extent of any unpaid parts of stipulated contributions. Members' contributions constitute the company's basic capital.
- (2) Each member shall acquire his share in the company in proportion to his contribution. The basic capital is divided between members accordingly.
- (3) Limited liability companies may not offer their shares to the public.
- (4) Legal relations between members may be freely designed in the Statute unless this law provides otherwise.
- (5) Kontributi i ortakëve mund të jetë në para ose në natyrë (pasuri të luajtshme/të paluajtshme apo të drejta). Statuti përcakton mënyrat e shlyerjes së kontributeve.
- (6) Ortakët e një shoqërie me përgjegjësi të kufizuar i vlerësojnë kontributet në natyrë në marrëveshje të ndërsjella me njëri-tjetrin dhe i shprehin vlerat e tyre në para. Nëse nuk mund të arrihet një marrëveshje, secili prej ortakëve mund t'i drejtohet gjykatës përkatëse, për të ngarkuar një ekspert vlerësues, me një vendim me efekt detyrues. Raporti i ortakëve ose i ekspertit për vlerësimin e kontributeve i dorëzohet Qendrës Kombëtare të Regjistrimit, së bashku me të dhënat e tjera të kërkuara për regjistrim.

Article 69 Registration

- (1) A limited liability company registers in accordance with Articles 26, 28, 32 and 35 of Law No. 9723 on the National Registration Centre.
- (2) Where the company has created a website, all data reported to the National Registration Centre shall be placed on this website and be available to every interested person.

Article 70
Basic Capital

The basic capital shall not be less than 100 Lek.

Article 71
Transformation into a Single-Member Company

(1) When the number of members decreases to one, the single member shall register the decrease and his name in accordance with Art. 43 of the Law on the National Registration Centre. If the single member fails to do so, he shall be personally liable for the commitments the company assumes in the meantime.

(2) From the time the change as of paragraph 1 is registered, the company continues as a single member limited liability company.

Title II
Shares and Transfer of Shares

Article 72
Ownership of Shares

(1) Shares may be owned by one or several persons.

(2) If a share belongs to several persons, these persons shall be regarded as one member in relation to the company and they shall exercise their rights through a common representative. They are, however, jointly and severally liable for the commitments of membership.

(3) Several members owning one share may agree that they own this share in equal or different parts.

(4) Company's actions in relation to the share will have effect as against all owners even if it was addressed to only one of them.

(5) The company may issue a certificate in order to prove the ownership of the share. Such certificate shall not have the character of a security. The certificate shall be issued in the name of the members concerned.

(6) Co-ownership provisions of the Civil Code apply if co-owners do not reach an agreement as per paragraph 3.

Article 73
Transfer of Shares

(1) Shares and the rights they confer shall be acquired through:

- Participation in the authorized share capital at the incorporation of the company;
- Purchase;
- Inheritance;

- Donation;
 - Other ways provided by law.
- (2) In case shares are transferred by contract, the contract shall be in writing.
- (3) The Statute may set conditions for the transfer of shares, in particular require the company's approval or create pre-emptive rights for the company or the other members.

Article 74

Consequences of Transfer

- (1) If a share is being transferred, the transferor and transferee shall be jointly and severally liable to the company for obligations associated with the membership until the transfer has been registered as of paragraph 2.
- (2) The company shall register the change of owner in accordance with Art. 43 of Law No. 9723 on the National Registration Centre. The ownership of the share passes on conclusion of the contract.

Article 75

Parts of Shares and Transfer of Parts

- (1) A share may be divided into parts in case of transfer unless this is excluded by the Statute.
- (2) The provisions of Article 73 relating to the transfer of shares apply accordingly to the transfer of parts of shares.

Title III

Legal Relationships between Company and Members

Article 76

Profit Distribution

- (1) Members are entitled to a share in the profit declared in the annual profit and loss account, unless otherwise provided by the Statute.
- (2) The profit shall be distributed among the members in proportion to their shares, unless otherwise provided by the Statute.

Article 77

Restrictions on Distributions, Solvency Certificate

- (1) A company may only make a distribution to its members if, after payment of the distribution,
- 1) the company's assets will fully cover its liabilities, and

2) the company will have sufficient liquid assets to make payments of its liabilities as they fall due in the next twelve months.

(2) The Managing Directors shall issue a 'solvency certificate', which explicitly confirms that the proposed distribution meets the valuation as of paragraph 1. Where the accounts of the company indicate that the proposed distribution cannot meet the valuation of paragraph 1, the Managing Directors may not issue the solvency certificate.

(3) The Managing Directors are responsible to the company for the correctness of the solvency certificate.

Article 78

Personal Liability for Prohibited Distributions

(1) Managing Directors who negligently issue an incorrect solvency certificate as of the second paragraph of Art. 77 shall be personally liable to the company for the return of the amount of the distributions.

(2) Where no solvency certificate has been issued or members knew that the company did not satisfy the solvency conditions as of Art. 77, paragraph 1 or could, in view of evident circumstances, not have been unaware of it, members who receive from the company a distribution shall be personally liable to the company for the return of the amount of the distribution.

Article 79

Refunding Prohibited Payments

(1) The company's claims referred to in Art. 78 may be brought according to Paragraph 3 of Article 10.

(2) The prescription term for claims deriving from Paragraph 1 shall start on the date of illegal payment.

Article 80

Withdrawal of Shares by the Company

(1) A share may be withdrawn if the Statute so allows. In this case, the Statute shall determine the grounds and procedures for the withdrawal and any compensation payable.

(2) A share may always be withdrawn, if the members concerned agree, unless otherwise provided by the Statute.

(3) The member whose share has been withdrawn ceases to have any rights based on the share from the moment of withdrawal.

Title IV

Company Organs

Chapter I General Meeting

Article 81 Rights and Duties

(1) The General Meeting shall decide on the following company matters:

1. Setting the business policies;
2. Amendments to the Statute;
3. Election and dismissal of the Managing Directors;
4. Election and dismissal of independent auditors and liquidators;
5. Establishment of remunerations to persons mentioned under Numbers 4 and 5;
6. Monitoring and supervising the implementation of business policies by Managing Directors, including preparation of the annual statement of accounts and the performance report;
7. Adoption of the annual statement of accounts and performance reports;
8. Distribution of annual profits;
9. Increase and reduction of basic capital;
10. Dividing shares into parts and withdrawal of shares;
11. Representation of the company in court and in other proceedings against Managing Directors;
12. Company restructuring and dissolution;
13. Adoption of its own rules of procedure;
14. Other matters set by law or the Statute.

(2) The General Meeting shall decide on Items 7 and 8 after having obtained the relevant documents.

(3) The rights and duties of the General Meeting in a single-member company shall be performed by the single member. All decisions taken in this capacity shall be entered into a decision register the data of which may not be altered nor deleted. In particular, the following decisions must be registered:

1. Adoption of annual statements of accounts and performance reports;
2. Distribution of profits and coverage of losses;
3. Investment decisions;
4. Company restructuring and dissolution.

Any decision not registered in the decision register is deemed null and void. It shall not affect the company's liability to third parties unless the company proves that the third party had knowledge of the irregularity or could, in view of evident circumstances, not have been unaware of it.

Article 82 Convening the General Meeting

(1) The General Meeting shall be convened in cases established by this Law, other laws or by the Statute and if it is necessary to safeguard the company's interests. The ordinary General Meeting shall be convened at least once a year.

(2) The General Meeting shall be convened by the Managing Directors or by members as set by Article 84.

(3) The General Meeting has to be convened, if annual or interim accounts show or if it is a danger that the company's assets will not cover its liabilities within the next 3 months.

(4) The General Meeting shall be convened where there is a proposal to sell or otherwise dispose of assets amounting to more than 5% of the company's annual turnover in the last accounting year. Where such a proposal involves a person named in paragraphs 2 and 3 of Article 13, paragraph 4 of Article 13 applies.

(5) The General Meeting will be convened when the company, within the first 2 years after registration, proposes to purchase assets which belong to a member and which amount to 5% of the company's turnover in the last accounting year.

(6) Where the situations described in Paragraphs 3 to 5 arise, an independent auditor's report shall be presented to the General Meeting.

(7) The rule of Paragraph 6 does not apply if the purchase as of paragraphs 4 and 5 is made on the stock market or as part of the everyday activities of the company, carried out under normal conditions.

(8) In circumstances set out in paragraphs 3 to 5 above, the General Meeting may pass an advisory resolution approving or condemning the conduct of the management.

Article 83

Method of Convening

(1) The General Meeting shall be convened by letter or, if so provided by the Statute, by electronic mail. The letter or mail shall contain the place, date and hour of the meeting and be delivered together with the agenda to all members not later than seven days before the scheduled date of the meeting.

(2) Where the General Meeting has not been convened in conformity with Paragraph 1, the General Meeting may adopt decisions only if all company members agree.

Article 84

Requests by a Minority of Members

(1) Members representing at least 5% of the total votes of the company or a smaller portion set by the Statute, may request the Managing Director in writing including electronic mail to convene a General Meeting and or request certain issues to be put on the agenda. The request must contain the reasons and objectives and the matters the General Meeting should decide on. If the request is refused, these members are entitled to convene a General Meeting in and set the issues in question on the agenda in conformity with Paragraph 1 of Article 83.

(2) Should, contrary to Paragraph 1, the General Meeting not be held or the issue in question not be put on the agenda, any member who has been party to the request as of paragraph 1

1. may ask the Court to make an order declaring that the management will be in breach of their fiduciary duties if they fail to accede to the shareholders' request within 15 days, or
2. require the company to purchase his shares.
- (3) In case the agenda is amended in accordance with paragraphs 1 and 2 and the Managing Director had already sent the agenda to the members, the new agenda is sent in accordance with Paragraph 1 of Article 83.

Article 85 **Proxy Representation**

- (1) A member may be represented at the General Meeting by another member authorized by him or another authorized person.
- (2) Managing Directors may not represent other members at the General Meeting.
- (3) The letter of authorization shall be issued for one General Meeting including the reconvened meeting.
- (4) The authorized agent must disclose any facts which may be relevant for the member in assessing the risk that the authorized agent might pursue any interest other than the interest of the member.

Article 86 **Quorum**

- (1) In case of matters requiring ordinary majorities, the General Meeting may only make valid decisions if attended by members holding more than 30% of the subscribed voting shares. In case of matters requiring qualified majorities as of Article 87, the General Meeting may only make valid decisions if the members having more than half of the total number of votes are participating in the voting in person, by letter, or by electronic means in accordance with paragraph 3 of Article 88.
- (2) If the General Meeting could not be held due to lack of the quorum referred to in Paragraph 1, the meeting shall be reconvened with the same proposed agenda within 30 days.

Article 87 **Decision-making**

- (1) The General Meeting shall decide by three-quarter majority of votes of members participating in the voting as set out in Art. 86, paragraph 1 on the amendment of the Statute, the increase or reduction of basic capital, profit distribution, company restructuring and dissolution, unless the Statute requires a higher majority for these decisions.
- (2) On other matters listed in Article 81, the General Meeting shall decide by majority of votes of participating members, unless otherwise provided by this Law or the Statute.

(3) The validity of any decision imposing additional commitments onto members or reducing their rights as provided by this Law or the Statute, requires the consent of all members concerned, unless otherwise provided by this Law.

Article 88 **Participation and Right to Vote**

(1) Unless otherwise provided by the Statute, each share carries one vote.

(2) The Statute may provide that absentee members are allowed to participate in the General Meeting via correspondence including electronic means, if identification of the members is guaranteed.

(3) Electronic means includes:

1. real-time transmission of the General Meeting;
2. real-time two-way communication enabling members to address the General Meeting from a remote location;
3. a mechanism for casting votes, whether before or during the General Meeting, without the need to appoint a proxy holder who is physically present at the meeting.

(4) The use of electronic means for the purpose of enabling members to participate in the General Meeting may be made subject only to such requirements and constraints as are necessary to ensure the identification of members and the security of the electronic communication, and only to the extent that they are proportionate to achieving those objectives.

(5) Members may make any decision they are entitled to make under this law or the Statute by unanimous agreement provided that agreement is evidenced in writing.

Article 89 **Exclusion of Voting Right**

(1) A member may not vote if the General Meeting is deciding:

1. If his performance is acceptable;
2. If he will be released from obligations;
3. If the company will pursue any claim against him;
4. If he will be granted any new benefit.

(2) Where a member is represented by a proxy, the proxy shall be deemed to be in the same position regarding conflicts of interest as the member he represents.

Article 90 **Minutes of Meeting**

(1) Each decision of the General Meeting must be recorded in the minutes. The Managing Director is responsible for keeping a copy of the minutes.

(2) The minutes must contain the following: date of the meeting, agenda, name of the chairman and the record keeping person, voting results.

(3) The list of participants shall be attached to the minutes as well as the method of convening of the General Meeting.

(4) The minutes must be signed by the chairman and the record keeping person.

(5) If the company has a website, the Managing Director shall post a copy of the minutes on the company's website within 15 days after the General Meeting.

Article 91 Special Investigation

(1) The General Meeting may decide to initiate a special investigation to be carried out by an independent auditor with respect to irregularities during formation or in the conduct of ongoing business.

(2) Members representing at least 5 percent of the total votes of the company or a smaller amount envisaged by the Statute and/or any company creditor may request the General Meeting to nominate a special independent auditor on the grounds that there is a serious suspicion of breach of law or Statute. If the General Meeting refuses to nominate the special independent auditor, the mentioned members or creditors may ask the court within 30 days after the refusal to provide for the nomination. If the General Meeting fails to render a decision within 60 days from the date of the request, this is considered a refusal.

(3) If the General Meeting has nominated a special auditor, members or creditors referred to in Paragraph 2 may request the court to replace that auditor on the grounds that there are sufficient reasons to believe that the auditor nominated by the General Meeting may interfere with a proper execution of the special investigation.

(4) If the court confirms the requests of Paragraphs 2 and 3, the company will bear the costs of the nomination and the remuneration of the special auditor.

(5) The right to request the special investigation as of Paragraphs 1 and 2 must be exercised within three years from the date of registration of the company as regards irregularities of the formation process, and within three years from the date of the alleged irregularity in the conduct of ongoing business.

(6) A request as of Paragraph 2 made by a creditor in bad faith shall make him liable in accordance with Article 143 of the Criminal Code, Law No. 7895.

Article 92 Annulment of Illegal Decisions and Compensation

(1) The General Meeting may request the competent court to annul a decision of a Managing Director which it considers to be seriously in breach of the law or the Statute.

(2) Members representing at least 5 percent of the total votes of the company or a smaller amount envisaged by the Statute or company creditors may file the request to the court within 30 days after the General Meeting's refusal to initiate court proceedings. If the General Meeting fails to render a decision within 60 days from the date of the members' or creditors' request this is also considered a refusal.

(3) The General Meeting shall be represented by a special representative agreed by the General Meeting.

(4) The minority or creditors referred to in Paragraph 1 may ask the court to replace that representative if they present sufficient reasons for this to be necessary for a proper assertion of the claim. If the court confirms the request, the company will bear the costs of the nomination and the remuneration of the representative.

(5) If the Managing Director does not reach a compromise with the special representative within 30 days from his appointment, the court will nullify the decision. Third parties are not affected in accordance with Paragraph 3 of Article 12.

(6) Paragraphs 2 and 4 apply correspondingly to the minority or creditors concerned, if the General Meeting does not decide or refuses to decide on their request to pursue claims on compensation of damages and other claims which this Law or the Statute envisage against Managing Directors or members.

(7) Paragraph 6 of Article 91 applies correspondingly.

Article 93

Rights Attached to Share

In the event of a member being prevented from exercising the rights attached to his shares he may request the court to enforce these rights or grant compensation. A claim must be brought within 3 years of the denial of the right.

Article 94

Exclusion of Restrictions

(1) Any provision of the Statute which limits or excludes the rights of members or creditors referred to in Articles 91 to 93 or which provides a general waiver with respect to the action envisaged by these Articles is null.

(2) No decision of the General Meeting may interfere with the members' or creditors' right to take action as envisaged by Articles 91 to 93.

Chapter II

Managing Directors

Article 95

Appointment and Dismissal, Rights and Duties

(1) The General Meeting shall nominate one or more natural persons as Managing Directors for a term established by the Statute not exceeding 5 years, with the possibility of re-election. The nomination has legal effect once it is registered in the National Registration Centre. The Statute may establish rules regarding the nomination.

(2) The Managing Director of a parent company as of Article 207 may not be elected Managing Director of a subsidiary and vice-versa. Any election made contrary to these provisions are null and void.

(3) The Managing Directors shall:

1. Manage the company's business by implementing the policies defined by the General Meeting;
2. Represent the company;
3. Ensure that the necessary accountancy books and documents are kept;
4. Provide for and sign the annual statement of accounts and consolidated accounts and the performance report and present it to the General Meeting for approval together with the proposals for the distribution of profits;
5. Create an early warning system with respect to developments threatening the existence of the company;
6. Submit company data to be registered to the National Registration Centre where applicable;
7. Report to the General Meeting with respect to the implementation of business policies and to the realization of transactions of particular importance for company performance;
8. Perform other duties set by law or the Statute.

(4) In cases envisaged by Article 82, paragraphs 3-5, the Managing Directors must convene the General Meeting.

(5) In case more than one Managing Directors are nominated, they manage the company jointly. The Statute or by-laws established by the General Meeting may provide otherwise.

(6) The General Meeting may dismiss the Managing Director at any time by ordinary majority. This right may not be removed by Statute or contract. Any claims to compensation arising from any contractual relationship are to be governed by the general civil law.

Article 96 Representation

(1) Managing Directors' authority to represent the company cannot be limited as against third parties. Article 12 applies.

(2) Managing Directors entitled to represent the company jointly may authorize some of them to carry out certain transactions or certain kinds of transactions. The company is bound by notice given to any Managing Director.

(3) A Managing Director's entitlement to represent the company and any change thereof shall be reported for entry to the National Registration Centre.

Article 97 Remuneration

(1) The salary of Managing Directors may be supplemented by incentives (profit shares or similar). The benefits shall be established by ordinary decision of the General Meeting

(2) The remuneration as of Paragraph 1 must adequately reflect the duties of the Managing Director and the financial situation of the company.

(3) In case the company's financial standing is seriously deteriorating, the remuneration may be adequately reduced if so determined by the General Meeting.

(4) Criteria for remuneration, the individual remuneration and the annual impact of the remuneration on the company's cost structure shall be disclosed together with the annual financial statement.

Article 98

Fiduciary Duties and Liability

(1) In addition to the general and fiduciary duties expressed by Articles 14 to 18, Managing Directors must

1. Perform their duties established by law or Statute in good faith in the best interests of the company as a whole which includes the environmental sustainability of its operations;

2. Exercise powers granted to them by law or Statute only for the purposes established therein;

3. Give adequate consideration to matters to be decided;

4. Avoid actual and potential conflicts between personal interests and those of the company;

5. Ensure that approval is given where contracts described in paragraph 3 of Art. 13 are concluded.

6. Exercise reasonable care and skill in the performance of his functions.

(2) A Managing Director may be held liable for any action or failure to act unless the action or omission was made in good faith, based upon reasonable inquiry and information, and rationally related to the purposes of the company.

(3) In case of violation of duties and the standard of diligence referred to in Paragraphs 1 and 2, a Managing Director has to compensate the company for any damage which occurred due to the violation. He shall also disgorge any personal profits made in violation of his duties to the company. He has the burden of proving compliance with the duties and standards. In case the violation has been committed by more than one Managing Director, all directors in question are jointly and severally liable.

(4) In particular, Managing Directors are obliged to compensate the company in damages, if they are carrying out the following transactions contrary to this Law:

1. Returning contributions to members;

2. Paying interests or dividends to members;

3. Distributing the company's assets;

4. Letting the company continue to do business when it should be foreseen that it will not be able to pay its debts;

5. Granting loans.

(5) Paragraph 6 of Article 92 applies to pursuing claims deriving from previous paragraphs. These claims must be brought within 3 years starting from the day when the breach of duty is discovered.

Title V
Dissolution, Withdrawal and Expulsion of Members

Chapter I
Dissolution

Article 99
Dissolution

The limited liability company is dissolved

- By expiry of the period for which it was established;
- By decision of the General Meeting;
- By opening of an insolvency procedure;
- If it has not carried out any business activities for two years and has not notified its inactive status in accordance with paragraph 3 of Art. 43 of Law No. 9723 ‘On the National Registration Centre’;
- By court decision;
- For other reasons provided by the Statute.

Article 100
Registration of Dissolution

The Managing Directors shall report the dissolution to the National Registration Centre in accordance with Art. 43 of Law No. 9723 on the National Registration Centre. In case of dissolution by court decision, the court shall transmit the decision to the National Registration Centre for registration in accordance with Art. 45 of Law No. 9723 on the National Registration Centre.

Chapter II
Withdrawal and Expulsion of Members

Article 101
Withdrawal of a Member on Reasonable Grounds

(1) A member may withdraw from the company if other members or the company have caused damage to him by their actions, if the member has been prevented from exercising his rights in the company, if the company has imposed unreasonable obligations on him, or for other reasons which make the continuation of membership unacceptable for the member.

(2) The member shall submit his withdrawal to the company in writing stating the reasons for his withdrawal.

(3) The Managing Director shall immediately upon receipt of the notice referred to in paragraph 2 convene a General Meeting in order to decide if the member will receive repayment of his share due to his valid withdrawal.

(4) If the company fails to convene a General Meeting and/or does not recognize the member's reasons for withdrawal and right to repayment, the withdrawing member may initiate proceedings before the competent court requesting from the company the repayment of his share because of his valid withdrawal.

(5) If a member of a company causes any damage to the company through his withdrawal due to lack of reasonable grounds, he shall compensate the company for that damage.

(6) The withdrawing member may claim joint and several compensation for any damage caused to him by the company or by the other members that caused his withdrawal.

Article 102 Expulsion of a Member

(1) Based on an ordinary decision, the General Meeting may request the competent court to expel a member if this member fails to make a contribution as required by the Statute or if other reasonable grounds for the expulsion exist.

(2) Such other reasonable grounds as of paragraph 1 are in particular if the member:

1. deliberately or with gross negligence inflicts damage to the company or members of the company;
2. deliberately or with gross negligence violates the Statute or obligations prescribed by law;
3. is involved in an undertaking which makes the execution of business operations between the company and the member impossible; or
4. by his actions obstructs or significantly hinders the company's business.

(3) Upon initiation of a procedure for expulsion of the member, the court may pass an interim measure suspending his right to vote on any matter and other rights, if it finds that necessary and justified.

(4) A company is entitled to compensation for damage inflicted on it by the member who is expelled.

(5) A member of the company is entitled to compensation of damages from the company inflicted on him, if the decision of the General Meeting as of paragraph 1 was unjustified.

(6) A member is not entitled to repayment of his share in the case of a justified expulsion but may set off any amount that would otherwise be due to him as repayment for his share against any claim for compensation brought by the company

Article 103 Legal Effects of Withdrawal and Expulsion

- (1) All rights deriving from the membership of the company shall terminate on the date of the withdrawal or on the final court decision regarding the withdrawal or expulsion.
- (2) Members' right to withdraw from the company and the company's right to expel a member may not be restricted by the Statute.

Article 104
Solvent Liquidation

- (1) After dissolution, solvent liquidation of the limited liability company will be carried out in accordance with Art. 190 to 205 unless an insolvency procedure has been opened.

Part V
Joint-Stock Companies

Title I
General Provisions and Formation

Article 105
Definition and Types

- (1) A Joint Stock Company is a company the basic capital of which is divided into shares and subscribed by founders. Founders are natural or juridical persons, which are not liable for the company's commitments and which personally bear losses only to the extent of any unpaid parts of the shares in the basic capital they subscribed.
- (2) Joint Stock Companies may be companies with public or with private offer according to provisions of the Law 'On Securities'.

Article 106
Registration

- (1) Joint Stock Companies register in accordance with Art. 26, 28, 32 and 36 of Law No. 9723 on the National Registration Centre.
- (2) All data reported to the National Registration Centre shall be placed on the company's website and be available to every interested person.

Article 107
Basic Capital

- (1) The basic capital of a Joint Stock Company with private offer shall not be less than 2.000.000 Lek. ~~X~~
- (2) The basic capital of a Joint Stock Company with public offer shall not be less than 10.000.000 Lek.

Article 108
Types of Contribution

Shareholders' contributions may consist of cash or property and rights expressed in money. They may not consist of labour or services.

Article 109
Par Value and Issuance of Shares

- (1) Each share shall have the same par value.
- (2) Shares may not be issued before the registration of the company with the National Registration Centre. Shares issued earlier are invalid. The founders are jointly and severally liable as against the holders for any damage caused by such issuing.
- (3) The rights connected with the shares cannot be transferred before registration of the company with the National Registration Centre.

Article 110
Value of Issued Shares

- (1) The overall value of issued shares may not be less than the basic capital. Therefore, shares may not be issued at below their par value.
- (2) Issuing for a higher amount is allowed.

Article 111
Formation Costs

- (1) The founders may request the company to reimburse formation costs up to the highest amount set for formation costs by the Statute.
- (2) Formation costs are paid from profits generated by the company. Shareholders may decide to give them priority when profits are distributed, unless otherwise provided by the Statute.

Article 112
Contributions in Kind

- (1) In case of contributions in kind, one or more licensed independent experts appointed by the competent court shall draw up a report before the company is registered. Such experts may be natural persons as well as companies authorized for auditing by special regulations.
- (2) The experts' report shall contain a description of each of the assets comprising the contribution as well as of the methods of valuation used and shall state whether the

values arrived at by the application of these methods correspond at least to the number and nominal value par and, where appropriate, to the premium on the shares to be issued for them.

(3) A company's assets or shares may only be brought in as a contribution, if the company has been registered for at least 2 years. In such a case, the balance sheets for the preceding two business years of the company concerned, as well as documents relating to the appraisal of its value, shall be submitted together with the report referred to in Paragraph 2.

(4) The report mentioned in the previous paragraphs shall be submitted to the National Registration Centre together with the application for registration.

(5) The provisions of the previous Paragraphs also apply if the company is buying property or rights from a founder within two years from its formation.

Article 113

Payment and Transfer of Contributions before Registration

(1) At least one-fourth of the nominal amount of the shares for contributions in cash must be paid up before registration. The remaining amount is paid in one or more instalments, according to the decision of the Board of Directors. Higher amounts as of the second paragraph of Article 108 must be paid fully.

(2) Contributions in kind must be transferred wholly before registration.

(3) Founders who fail to pay or transfer their contributions in time, shall be liable to the company with respect to Paragraphs 2 and 3 of Article 10 and Article 124.

Article 114

Special Provisions for Single Member Companies

(1) If, prior to the registration of the company with the National Registration Centre, the single founder has not fully paid up his cash-contribution or has not brought in his contribution in kind, he must provide a specific bank guarantee in this respect and present a corresponding certificate to the National Registration Centre together with the application for registration.

(2) When the number of shareholders decreases to one, the single shareholder shall report the decrease and his name to the National Registration Centre for registration and publication. If the single shareholder fails to do so, he shall be personally liable for the commitments the company assumes in the meantime.

Article 115

Procedure for Formation

(1) Joint Stock Companies are formed by registration as of Article 106 following the adoption of the Statute by the founders. The Statute shall determine the first Managing

Directors and the first members of the Board of Directors or of the Supervisory Board. Their appointments expire on the date of the first General Meeting.

(2) Payments with respect to paragraph 1 of Article 113 shall be made into a designated bank account as defined by the Statute. A statement of the bank confirming the deposit of cash-contributions will be submitted to the National Registration Centre together with the application for registration.

(3) The withdrawal of funds resulting from contributions in cash by the representative of the company can only be carried out after its registration with the National Registration Centre.

Title II Shares

Article 116 Types and Classes of Shares

(1) Shares may be ordinary or preferential. Ordinary shares entitle their holders to exercise their rights in the General Meeting and to receive a proportional share of profits and of liquidated assets. Preferential shares entitle their holders to have a certain amount or percentage of the par value of their shares paid from profits prior to ordinary shareholders if a dividend is declared, priority in the distribution of liquidated assets, and other rights set by the Statute.

(2) There is a presumption that the preferential rights established by the Statute are exhaustive.

(3) Shares carrying the same rights shall make up one class (ordinary shares, preferential shares, voting shares and non-voting shares).

Article 117 Acquisition of Shares

(1) Shares and the rights they confer shall be acquired through:

- Participation in the authorized share capital at the incorporation of the company;
- Purchase;
- Inheritance;
- Donation;

(2) No rights so acquired may be exercised against any person or against the company until registration in the company's share registry in accordance with the first paragraph of Article 119 is complete.

Article 118 Contents of the Share Issuance Act

(1) The share issuance act is drawn up when shares are first issued and contains the information required by Article 36 of Law No. 9723 'On the National Registration Centre'.

(2) In the case of a private or public offer, the share issuance must also comply with the procedures required by **Articles 27 to 40 of Law No. 'On Securities'**.

(3) The company shall issue share certificates at the expense of any shareholder requesting it. The decision to issue the certificates is taken by the founders or the general meeting

Article 119 Registration of Shares

(1) Joint Stock Companies must keep a share registry in which the ownership of all shares is recorded. The data to be registered for each share are the surnames, first names or legal denomination; the home addresses or head office of the shareholder, the share's par value, and the date of registration.

(2) Shareholders registered as of Paragraph 1 are presumed to be shareholders as against the company and third parties.

(3) The Managing Director named in the Statute as responsible for the company's share register shall provide access to the information held there to the shareholders and the public. The information shall be made available via a website. The company may allow for online registration of the data required by paragraph 1.

(4) Sections IV, VII and VIII of Chapter III of the Special Part of the Criminal Code, and other applicable provisions, apply for irregularities with regard to the issuance of shares and registrations in the share registry.

(5) Paragraphs 1 to 3 do not interfere with the obligation of Joint Stock Companies to register their shares with the Securities Registry in accordance with the Law 'On Securities' and with the National Registration Centre in accordance with paragraphs 4 of Article 43 of Law No. 9723 'On the National Registration Centre'.

Article 120 Conditions on the Transfer of Shares

The Statute may set conditions on the transfer of shares, in particular require the consent of the management and/or provide the shareholders of the company with pre-emption rights.

Article 121 Co-owned Shares

(1) Several persons may own one share. They shall exercise their shareholders' rights through a joint representative.

(2) They are jointly and severally liable for the commitments linked to the share.

- (3) Several members owning one share may agree that they own this share in equal or different parts.
- (4) Company's actions in relation to the share will have effect as against all owners even if it was addressed to only one of them.
- (5) Co-ownership provisions of the Civil Code apply if co-owners do not reach an agreement as per paragraph 3.

Article 122 Voting Rights

- (1) Each ordinary share carries voting rights in proportion to its par value.
- (2) Preferential shares may be issued without voting rights, in which case their par value may not be greater than 49 percent of the company's basic capital.
- (3) Shares which, at the same par value, give multiple voting rights are prohibited.

Title III Legal Relationships between the Company and the Shareholders

Article 123 Obligation of Payment of Contributions

Shareholders shall pay the nominal or higher price of their shares to the company's account, and transfer their contributions in kind to the company in a manner which depends on the character of contributions in kind or as provided by the Statute. Articles 112 and 113 on founders' obligations apply accordingly

Article 124 Consequences of Untimely Payment

- (1) In case of untimely payment of cash-contributions, the shareholder concerned will be obliged to pay 4% annual interest from the moment the payment was due. The company may ask for further compensation in damages. The Statute may provide additional payments for untimely payment.
- (2) A 30-days deadline for payment may be announced to shareholders who have not paid the amount in time. If the shareholders do not respond by the deadline, they lose their right to be present and vote at General Meetings and are not taken into account in the calculation of a quorum. The right to receive dividends and any other right attaching to their shares are discontinued.
- (3) If any outstanding payment is not made within 3 months after the deadline referred to in Paragraph 2, the company may reduce its basic capital by the unpaid amount and withdraw the share in accordance with Article 186.

Article 125

No Release from Obligation to Bring In Contributions

(1) The company may not release shareholders from their obligation to pay sums due to the company in respect of their shareholdings nor from their obligation to bring in a contribution in kind, nor from any liability resulting from non-fulfilment of these obligations.

(2) Shareholders may not offset any claims they have against the company against the payment for shares, nor may they bring in contributions in kind subject to a pledge.

(3) Shareholders may be released from their obligation to make contributions only by ordinary capital reduction in conformity with Articles 181 to 184 up to the amount the capital reduction is carried out, or by capital reduction through withdrawal of shares in conformity with Article 186.

Article 126

Prohibition of Return of Contributions

Contributions may not be returned to the shareholders, except in cases set out in this law.

Article 127

Mandatory and Other Reserves

(1) The company shall allocate at least 5 percent of the income for the past year less the expenditure for that year as mandatory reserve until 10% of the basic capital or a higher ratio established by the Statute has been reached.

(2) The Statute may envisage other reserves being allocated from annual profits.

(3) Profits shall be calculated and dividends distributed only after the amounts earmarked for reserves referred to in Paragraphs 1 and 2 have been deducted from the profit.

Article 128

Declaration of Dividends

(1) Each shareholder shall have the right to his share in the distribution of annual profits (dividends) as determined by the General Meeting.

(2) Profits shall be calculated in accordance with the principles adopted by Law No. 9228 'On Accounting and Financial Statements'.

(3) Profits shall be distributed proportionately to the par value of shares except the Statute provides otherwise.

(4) Respecting the principles established by Article 14, the General Meeting may decide that profit is not to be distributed or that it is not to be paid to shareholders owning a specified class of shares, and that it is to be used for other purposes instead. The

shareholders rights as set out in the statute may only be overruled by a decision taken by a three quarters majority in accordance with Article 145.

Article 129
Refunding Prohibited Payments

Shareholders shall return to the company any advantage received contrary to the provisions of this Law. This includes dividends received, if shareholders knew or ought to have known that these dividends or other advantages were received contrary to this law. The prescription term of 3 years shall start on the date of unlawful payment.

Article 130
Adequate Remuneration for Transactions between Company and Shareholders

Remuneration for any legal transactions undertaken by the company and a shareholder beyond his contribution may not exceed the market value of such transactions.

Article 131
No Repayment of Inadequate Credit

(1) If a shareholder has extended credit to a company on terms which are less favourable than those usually applied on the market, he may not request the company to repay the credit in the event of insolvency where such repayment would reduce the capital of the company to below its basic capital.

(2) If a third party has extended the credit referred to by Paragraph 1 instead of the shareholder and the shareholder has provided surety for the repayment of the credit, the third party may, in the case of insolvency, only claim the amount which it has not been able to realize from the surety.

(3) The provisions of Paragraphs 1 and 2 also apply to other legal transactions of a shareholder or third party, if these transactions economically correspond to a credit as of Paragraph 1 and 2.

Article 132
Liability for Repaid Credits

(1) If, in cases referred to in Article 131, the company has repaid the credit to the shareholder in the year preceding the opening of insolvency proceedings, the shareholder to whom the credit has been repaid or who has given surety, shall refund the company the amount of repaid credit. The shareholder concerned shall be liable only up to the value of the surety at the time of credit repayment. The liability shall cease if the items which served as surety have been placed at the disposal of the company.

(2) The provisions of Paragraph 1 shall also apply to other legal transactions of a shareholder or third party, if these transactions economically correspond to a credit as of Paragraph 1.

Article 133

Prohibition of the Company Subscribing or Purchasing Its Own Shares

(1) The company may not subscribe its own shares. The purchase of its own shares is only allowed where this law so provides.

(2) A subsidiary company may not subscribe or purchase the shares of its parent company.

(3) If, during formation or increase of basic capital, somebody has acquired the shares on behalf of a company or its subsidiary as of Paragraph 2, he shall be deemed to be subscribing for them on their account.

(4) Shares acquired in conformity with Paragraph 1 shall be sold within one year from the date of acquisition. If the company fails to sell its own shares within this period, it shall withdraw them in conformity with Article 186 and cancel them from its share register.

(5) The company cannot avail itself of any rights attached to its own shares.

Title IV

Company Organs

Article 134

Kinds and Disclosure

(1) Organs of Joint Stock Companies are the General Meeting and, depending on the provisions of the Statute:

1. Either a Board of Directors as single administrative organ combining management and supervision (one-tier system),

2. Or Supervisory Board and Managing Directors distributing administrative functions between these 2 organs (two-tier system). In this case, the Managing Directors may be elected and dismissed by the General Meeting or by the Supervisory Board as provided by the Statute.

(2) Joint Stock Companies shall include in their annual report and accounts a coherent and descriptive statement covering the key elements of the corporate governance rules and of the practices they apply with reference to the present Law. The statement shall also contain a profile of Managing Directors and board members and explain why individual directors or supervisors are qualified to serve in the light of this profile. The statement shall also be posted on the company's website.

Chapter I

General Meeting

Article 135

Rights and Duties

(1) The shareholders exercise their rights regarding company matters in the General Meeting unless the present regulation provides otherwise, in particular in Article 148.

(2) The General Meeting shall decide on the following company matters:

1. Setting the business policies;
2. Amendments to the Statute;
3. Election and dismissal of the members of the Board of Directors (one-tier-system), the Supervisory Board and, where applicable, of the Managing Directors (two-tier-system);
4. Election and dismissal of independent auditors and liquidators;
5. Approval of remuneration schemes regarding the persons mentioned under numbers 3 and 4;
6. Adoption of the annual statement of accounts and performance reports;
7. Distribution of annual profits;
8. Increase or decrease of the basic capital;
9. Dividing shares into parts and withdrawal of shares;
10. Changes in the rights associated with individual classes and kinds of shares;
11. Representation of the company in court and in other proceedings against directors;
12. Company restructuring and dissolution;
13. Adoption of its own rules of procedure;
14. Other matters set by regulation or the Statute.

(3) The General Meeting shall decide on Items 6 and 7 after having obtained the relevant documents together with the report of the Board of Directors or Supervisory Board and the report of the auditor.

(4) The rights and duties of the General Meeting in a single-member company shall be performed by the single member. All decisions taken in this capacity shall be entered into a decision register the data of which may not be altered nor deleted. In particular, the following decisions must be registered:

1. Adoption of annual statements of accounts and performance reports;
2. Distribution of profits and coverage of losses;
3. Increase or reduction of basic capital;
4. Investment decisions;
5. Company restructuring and dissolution.

Any decision not registered in the decision register is deemed null and void. It shall not affect the company's liability to third parties unless the company proves that the third party had knowledge of the irregularity or could, in view of evident circumstances, not have been unaware of it.

Article 136

Convening the General Meeting

- (1) The General Meeting shall be convened in cases established by this law, other Regulations or by the Statute and if it is necessary to safeguard the company's interests. The ordinary General Meeting shall be convened at least once a year.
- (2) The General Meeting shall be convened by the Managing Directors or, in cases set by the present law, by the Board of Directors, the Supervisory Board or by request of shareholders as set by Article 139.
- (3) The General Meeting must be convened, if annual or interim accounts show or if it is clear that losses amount to 50% of the basic capital, or if there is a danger that the company's assets will not cover its liabilities within the next 3 months.
- (4) The General Meeting shall be convened where there is a proposal to sell or otherwise dispose of assets amounting to more than 5% of the company's annual turnover in the last accounting year. Where such a proposal involves a person named in paragraphs 2 and 3 of Article 13, paragraph 4 of Article 13 applies
- (5) The General Meeting will be convened. when the company, within the first 2 years after registration, proposes to purchase assets which belong to a shareholder and which amount to 5% of the company's turnover in the last accounting year.
- (6) Where the situations described in Paragraphs 3 to 5 arise, an independent auditor's report shall be presented to the General Meeting.
- (7) The rule of Paragraph 6 does not apply if the purchase as of paragraphs 4 and 5 is made on the stock market or as part of the everyday activities of the company, carried out under normal conditions.
- (8) In circumstances set out in paragraphs 3 to 5 above, the General Meeting may pass an advisory resolution approving or condemning the conduct of the management.

Article 137

Method of Convening

- (1) The General Meeting shall be convened by letter or, if so provided by the Statute, by electronic mail. The letter or mail and the agenda for the meeting must be delivered to all members not later than 21 days before the scheduled date of the meeting.
- (2) The announcement must contain:
 1. The company name, the registered office, place and time of the General Meeting;
 2. A clear and precise description of the procedures that shareholders must comply with in order to be able to participate and to cast their vote in the General Meeting including:
 - (a) the rights available to shareholders under Article 139;
 - (b) the procedure for voting by proxy and any forms to be used to vote by proxy and the means by which the company is prepared to accept electronic notifications of the appointment of proxy holders; and
 - (c) the procedures for casting votes by correspondence or by electronic means;
 3. An indication where and how the full, unabridged text of the documents and draft resolutions referred to in paragraphs 1 and 2 of Article 138 may be obtained;
 4. The address of the website on which the information referred to in this Article will be made available.

(3) 21 days before the day of the General Meeting and including the day of the meeting, the company shall make available to its shareholders on its website at least the following information:

1. The announcement referred to in paragraphs 1 and 2;
 2. the total number of shares and voting rights at the date of the announcement (including separate totals for each class of shares where the company's capital is divided into two or more classes of shares);
 3. any documents to be submitted to the General Meeting;
- (4) In case of a Joint Stock Company with many shareholders, the General Meeting may be convened by notification in a national daily newspaper in addition to the methods required by paragraph 1 of this Article.

Article 138 **Agenda**

- (1) The agenda published in accordance with Article 137 shall include decision proposals for each item which the General Meeting is to decide on.
- (2) If the General Meeting is to decide on amendments to the Statute, the text of draft amendments shall accompany the publication of the agenda.
- (3) Any question concerning the agenda asked by a shareholder in writing not later than eight days before the General Meeting shall be answered by the Managing Directors in writing.
- (4) A General Meeting may be held without complying with the formalities of this Article and Article 137, if it is attended by all the shareholders and if no shareholder has any objections to its being held.

Article 139 **Convening and Agenda items Requested by Minority Shareholders**

- (1) Shareholders representing at least 5 percent of the basic capital or a smaller amount envisaged by the Statute, may request the management in writing including electronic mail to convene a General Meeting and /or, not later than 8 days before the General Meeting, request certain issues to be put on the agenda. The request must contain the reasons and objectives and the matters the General Meeting should decide on. If the request is refused, these shareholders are entitled to convene a General Meeting and set the issues in question on the agenda in conformity with Paragraph 1 of Article 137.
- (2) Should, contrary to Paragraph 1, the General Meeting not be held or the issue in question not be put on the agenda, any shareholder who has been party to the request as of paragraph 1
 1. may ask the Court to make an order declaring that the management will be in breach of their fiduciary duties if they fail to accede to the shareholders' request within 15 days, or
 2. require the company to purchase his shares in accordance with Article 133.

(3) Where the exercise of the agenda right referred to in paragraph 1 entails a modification of the agenda for the General Meeting already communicated to shareholders, the Managing Directors shall make available a revised agenda in the same manner as the previous one.

Article 140 **Representation by Proxy**

(1) A shareholder may be represented at the General Meeting by another shareholder authorized by him or another authorized person.

(2) The authorized agent may not be a Managing Director or a member of the Board of Directors or Supervisory Board.

(3) The letter of authorization shall be issued for one General Meeting including the reconvened meeting.

(4) The authorized agent must disclose any facts which may be relevant for the shareholder in assessing the risk that the authorized agent might pursue any interest other than the interest of the shareholder.

Article 141 **Participation in the General Meeting**

(1) The Statute or the General Meeting can establish by-laws concerning its procedure. The decision in this regard requires a three-quarter majority of the basic capital represented during the General Meeting in accordance with Article 145.

(2) Unless otherwise established by the Statute or the by-laws, the General Meeting shall elect a chairman.

(3) During the General Meeting, a list of participating and represented shareholders as well as their representatives shall be drawn up, all with their names and residence and with the par value and class of shares and the number of votes carried by them. The list must be put at disposal of the attending shareholders or representatives.

(4) Shareholders may make any decision they are entitled to make under this law or the Statute by unanimous agreement provided that agreement is evidenced in writing.

Article 142 **Participation by Electronic Means**

(1) The Statute may provide that absentee shareholders are allowed to participate in the General Meeting via correspondence including electronic means, if identification of the shareholders is guaranteed.

(2) Electronic means includes:

1. real-time transmission of the General Meeting;
2. real-time two-way communication enabling shareholders to address the General Meeting from a remote location;

3. a mechanism for casting votes, whether before or during the General Meeting, without the need to appoint a proxy holder who is physically present at the meeting.

(3) The use of electronic means for the purpose of enabling shareholders to participate in the General Meeting may be made subject only to such requirements and constraints as are necessary to ensure the identification of shareholders and the security of the electronic communication, and only to the extent that they are proportionate to achieving those objectives.

Article 143

Minutes of Meeting

(1) Each decision of the General Meeting must be recorded in the minutes. The Managing Director is responsible for keeping a copy of the minutes.

(2) The minutes must contain the following: place and date of the meeting, agenda, name of the chairman and the record keeping person, voting results, statement of the chairman regarding the decision making and any dissenting opinions of shareholders.

(3) The list of participants shall be attached to the minutes as well as the documentation concerning the convening of the General Meeting.

(4) The minutes and the list of participants must be signed by the chairman and the record keeping person.

(5) The Managing Director shall post a copy of the minutes on the company's website within 15 days after the General Meeting.

Article 144

Quorum

(1) In case of matters requiring ordinary majorities, the General Meeting may only make valid decisions if attended by shareholders holding more than 30% of the subscribed voting shares. In case of matters requiring qualified majority as of Art. 145, the General Meeting may only make valid decisions if the shareholders having more than half of the total number of votes are participating in the voting in person, by letter, or by electronic means in accordance with Article 142.

(2) If the General Meeting could not be held due to lack of the quorum referred to in Paragraph 1, the meeting shall be reconvened with the same proposed agenda within 30 days.

Article 145

Decision-Making

(1) The General Meeting shall decide by three-quarter majority of votes of shareholders participating in the voting as set out in Art. 144, paragraph 1 on the amendment of the Statute, the increase or reduction of basic capital, profit distribution, company restructuring and dissolution, unless the Statute requires a higher majority for these decisions.

- (2) On other matters listed in Article 135, the General Meeting shall decide by majority of votes of participating members, unless otherwise provided by this Law or the Statute.
- (3) The validity of any decision assigning additional duties to or reducing the rights of the shareholders as provided by this law, the Statute or an issuing decision, is subject to the consent of the shareholders concerned, unless otherwise provided by this law.

Article 146

Method of Voting

- (1) The General Meeting shall take decisions by open ballot if not otherwise provided by this law or the Statute.
- (2) As regards election and dismissal of the members of the Board of Directors or Supervisory Board, or, where applicable, of managing directors, the General Meeting shall take decisions by secret ballot if shareholders representing at least five percent of the company's basic capital so request.

Article 147

Right to Vote

Each share carries voting rights in accordance with paragraph 1 of Article 122.

Article 148

Exclusion from Voting

- (1) A shareholder may not vote if the General Meeting is deciding:
1. If his performance is acceptable;
 2. If he will be released from obligations;
 3. If the company will pursue any claim against him;
 4. If he will be granted any new benefit.
- (2) Where a shareholder is represented by a proxy, the proxy shall be deemed to be in the same position regarding conflicts of interest as the shareholder he represents.

Article 149

Preferential Shares without Voting Rights

- (1) In case of preferential shares without voting rights all the other rights connected to the share are guaranteed.
- (2) A decision of the General Meeting on cancelling, limiting or prejudicing the preference requires the consent of the shareholder concerned.
- (3) Shareholders representing more than a half of the par value of the preferential shares shall decide on the consent referred to in Paragraph 2 during a special meeting. The special decision requires at least a three-quarter majority of the preferential shareholders

attending the special meeting. The Statute may neither change this majority requirement nor request other requirements to be observed.

(4) If the preference is cancelled, the shares concerned shall be granted voting rights.

Article 150 **Special Investigation**

(1) The General Meeting may decide to initiate a special investigation to be carried out by an independent auditor with respect to irregularities during formation or in the conduct of ongoing business.

(2) Shareholders representing at least 5 percent of the basic capital or a smaller amount envisaged by the Statute and/or company creditors whose unsatisfied claims against the company amount to at least 5 percent of the basic capital, may request the General Meeting to nominate a special independent auditor on the grounds that there has been a serious suspicion of breach of law or Statute. If the General Meeting refuses to nominate the special independent auditor, the mentioned shareholders or creditors may ask the court within 30 days after the refusal to provide for the nomination. If the General Meeting fails to render a decision within 60 days from the date of the request, this is considered a refusal.

(3) If the General Meeting has nominated a special auditor, shareholders or creditors referred to in Paragraph 1 may request to the court to replace that auditor on the grounds that there are sufficient reasons to believe that the auditor nominated by the General Meeting may interfere with a proper execution of the special investigation.

(4) If the court confirms the requests of Paragraphs 2 and 3, the company will bear the costs of the nomination and the remuneration of the special auditor.

(5) The right to request the special investigation as of Paragraphs 1 and 2 must be exercised within three years from the date of registration of the company as regards irregularities of the formation process, and within three years from the date of the alleged irregularity in the conduct of ongoing business.

(6) A request as of Paragraph 2 made by creditors in bad faith shall make them liable in accordance with Art. 143 of the Criminal Code, Law No. 7895.

Article 151 **Annulment of Illegal Decisions and Compensation**

(1) The General Meeting may request the competent court to annul a decision of a Managing Director, the Board of Directors or the Supervisory Board which it considers to be seriously in breach of the law or the Statute.

(2) Shareholders representing at least 5 percent of the basic capital or a smaller amount envisaged by the Statute or company creditors whose unsatisfied claims against the company amount to at least 5 percent of the basic capital, may file the request to the court within 30 days after the General Meeting's refusal to initiate court proceedings. If the General Meeting fails to render a decision within 60 days from the date of the shareholders' or creditors' request this is also considered a refusal.

(3) Depending on which organ referred to in Paragraph 1 took the decision considered to be unlawful, the General Meeting shall be represented by the Managing Director or by the Board of Directors or the Supervisory Board. The General Meeting may also authorize a special representative.

(4) The minority or creditor quota referred to in Paragraph 1 may ask the court to nominate a representative who is not among those mentioned in Paragraph 3 if they present sufficient reasons for this to be necessary for a proper assertion of the claim. If the court confirms the request, the company will bear the costs of the nomination and the remuneration of the representative.

(5) If the affected Managing Director, board of directors or supervisory board does not reach a compromise with the party representing the company in accordance with paragraph 3 or 4 within 30 days of his appointment, the court will nullify the decision. Third parties are not affected in accordance with Paragraph 3 of Article 12.

(6) Paragraphs 2 and 4 apply correspondingly to the minority or creditor quota concerned, if the General Meeting does not decide or refuses to decide on their request to pursue claims on compensation of damages and other claims which this Law or the Statute envisage against Managing Directors, members of the Board of Directors or the Supervisory Board.

(7) Paragraph 6 of Article 150 applies correspondingly.

Article 152

Rights Attached to Share

In the event of a shareholder being prevented from exercising the rights attached to his shares he may request the court to enforce these rights or grant compensation. A claim must be brought within 3 years of the denial of the right.

Article 153

Exclusion of Restrictions

(1) Any provision of the Statute which limits or excludes the rights of shareholders or creditors referred to in Articles 150 to 152 or which provides a general waiver with respect to the action envisaged by these Articles is null and void.

(2) No decision of the General Meeting may interfere with the shareholders' or creditors' right to take action as envisaged by Articles 150 to 152.

Chapter II

Board of Directors (One-Tier System)

Article 154

Rights and Duties

(1) The Board of Directors has the following rights and duties:

1. Giving directives to the Managing Directors with respect to the implementation of business policies;
 2. Monitoring and supervising the implementation of business policies by Managing Directors;
 3. On request of the General Meeting, preparation of measures which fall into the competencies of the latter, recommendation of decisions to be adopted by the General Meeting and execution of the latter's decisions;
 4. Convening a General Meeting if it is necessary for the company's interests;
 5. Ensuring that the company observes the applicable law and accounting standards;
 6. Examination of the company's books, documents and assets;
 7. Ensuring that the annual statement of accounts is prepared by the Managing Directors as well as their report regarding the performance status of the company and any other disclosures that may be required by law or Statute; these documents must be approved and signed by all board members to be presented to the General Meeting together with a report of the board regarding the reasons for the approval and a description of the way the management has been monitored throughout the business year;
 8. Ensuring that the audit of the books and records is performed at least annually by the independent auditor, with the auditor's report addressed to the General Meeting of shareholders and made available to each director and Managing Director. The board report mentioned under no. 7 has also to comment on the auditor's report;
 9. Hiring and discharging Managing Directors;
 10. Determining the benefits for Managing Directors;
 11. Causing the company to incur debt amounting to more than 5% of the company's annual turnover of the last business year through loans or the issuance of bonds or convertible debt instruments;
 12. Establishing lasting business co-operations and proposing policies regarding the formation of new companies or groups;
 13. Other duties as set by law or Statute.
- (2) In cases envisaged by Article 136, paragraphs 3-5, the board must immediately convene a General Meeting in order to consider whether the company should be wound up or if any other measure should be taken.

Article 155

Number, Election and Composition of the Board of Directors

- (1) The Board of Directors shall consist of at least three or a higher uneven number of members, but of not more than 21. Directors are natural persons the majority of whom shall be independent and non-managing.
- (2) The members of the Board of Directors are elected by the General Meeting with the majority required by Paragraph 2 of Article 145 for a term established by the Statute not exceeding 3 years, with the possibility of re-election.

(3) The Statute may provide that shareholders holding at least 5 percent or less of basic capital may elect a member of the Board of Directors by special decision. Any director so elected may not increase the size of the Board of Directors beyond 21 members.

(4) An independent director is a person free from conflicts of interests as defined by paragraph 3 of Article 13.

Article 156

Restricted Eligibility

(1) Members may be elected from the ranks of the company's shareholders and employees, as well as from the ranks of other persons outside the company.

(2) A person may not be elected as a member of the Board of Directors

1. If he is already a member of the Board of Directors or Supervisory Board of 2 other companies registered in the country;

2. If he is the Managing Director of a parent or subsidiary of that company;

3. If he is the Managing Director of another company where a Managing Director or member of the Board of Directors of the first company is member of the Board of Directors or Supervisory Board.

(3) Any election made contrary to the provisions of Paragraph 2 is null and void. Third party rights are governed by Article 12.

(4) Membership of the Board of Directors or Supervisory Boards of other companies in a group shall be regarded as membership of only one board.

(5) Any persons standing for election as a member of the Board of Directors shall inform the company in time of any board position he holds in any other company.

Article 157

Dismissal

(1) The General Meeting may dismiss a member of the Board of Directors at any time by ordinary majority. This right may not be removed by Statute or contract. Any claims to compensation arising from any contractual relationship are to be governed by the general civil law.

(2) A member of the Board of Directors who was elected to the board in accordance with Paragraph 3 of Article 155 may be dismissed by decision of the minority. In the case that the conditions of the Statute for the special assignment do not apply anymore, the General Meeting may dismiss the member concerned by simple majority.

(3) The Board of Directors, by simple majority, may request the competent court to dismiss a board member if he has violated his duties as of Paragraph 3 of Article 163.

Article 158

Managing Directors

(1) The Board of Directors shall nominate one or more natural persons as Managing Directors for a term established by the Statute not exceeding 3 years, with the possibility

of re-election. Members of the board may be nominated Managing Directors as long as the majority of the board continues to be composed of independent non-managing directors. The nomination has legal effect once it is registered in the National Registration Centre. Third party rights are governed by Article 12. The Statute may establish rules regarding the nomination.

(2) The Managing Director of a parent company may not be elected Managing Director of a subsidiary and vice-versa. The Managing Director of a parent company may not be the chairman of the Board of Directors of a subsidiary, and the Managing Director of a subsidiary may not be the chairman of the Board of Directors of a parent company. Any elections made contrary to these provisions are null and void.

(3) The Managing Directors shall:

1. Manage the company's business;
2. Represent the company;
3. Ensure that the necessary accountancy books and documents are kept;
4. Provide for and sign the annual statement of accounts and consolidated accounts and the performance report and present it to the board for approval together with the proposals for the distribution of profits which the Managing Director will make in the General Meeting;
5. Create an early warning system with respect to developments threatening the existence of the company;
6. Submit company data to be registered by the present law and any other law;
7. Report to the Board of Directors with respect to the implementation of business policies and to the conclusion of transactions of particular importance for company performance;
8. Perform other duties set by law or the Statute.

(4) Duties which the law has attributed to the Board of Directors may not be delegated to Managing Directors.

(5) In cases envisaged by Article 136, paragraphs 3-5, the Managing Directors must immediately inform the chairman of the Board of Directors.

(6) In case more than one Managing Director has been nominated, they manage the company jointly. The Statute or the by-laws established by the Board of Directors may provide otherwise.

(7) The board may discharge the Managing Directors at any time. Any claims to compensation arising from any contractual relationship are to be governed by the general civil law.

Article 159 Representation

(1) Managing Directors' authority cannot be limited in respect to third parties. Article 12 applies.

(2) Managing Directors entitled to represent the company jointly may authorize some of them to carry out certain transactions or certain kinds of transactions. Declarations which are addressed to the company may be addressed to one of the Managing Directors.

(3) A Managing Director's entitlement to representation and any change thereof shall be reported for entry to the National Registration Centre.

Article 160 Remuneration

(1) Board members may be granted remuneration or incentives including parts of the company profit or share options for their work. The salary of Managing Directors may be supplemented by incentives. The scheme for these benefits shall be prepared by the board and approved by decision of the General Meeting.

(2) Individual benefits shall be established by the board and must adequately reflect the duties of non-managing board members and the Managing Directors with respect to the scheme referred to in Paragraph 1 and to the financial situation of the company.

(3) In case the company's financial standing is seriously deteriorating, the benefits granted as of the Second Paragraph may be adequately reduced if so determined by the General Meeting.

(4) The scheme for benefits referred to in Paragraph 1, the individual benefits attributed to each non-managing board member and the Managing Director as well as the annual impact of the incentive schemes on the company's assets shall be disclosed together with the annual financial statement as of Number 7 of the First Paragraph of Article 154.

Article 161 By-Laws, Chairman and Committees of the Board

(1) The Statute or the board may establish by-laws concerning its procedures. Decisions of the board regarding these by-laws must be taken unanimously.

(2) The board must elect its chairman and vice-chairman in accordance with the Statute. The vice-chairman has the rights of the chairman only in case the latter is unable to conduct his activities. The chairman cannot be Managing Director.

(3) Each board meeting must be recorded by minutes of meeting which the chairman shall sign. The minutes must contain the place and date of the meeting, participants, agenda, outline of the contents of the meeting and decisions taken. Formal defects in respect of the minutes do not invalidate the decision. Each board member may request a copy of the minutes.

(4) The board should create committees composed of its members to prepare its meetings and decisions or to supervise the implementation of its decisions, in particular, the nomination of Managing Directors, the remuneration of directors and the audit of the accounting of the company's performance. The majority of each committee should be comprised of independent non-Managing Directors.

Article 162 Decision Making

(1) The Board of Directors may make decisions if more than half of its members are present. It shall take its decisions by majority vote of the attending members, unless otherwise provided by the Statute. In case of an equal number of votes, the chairman shall have the casting vote, unless otherwise provided by the Statute.

(2) Decisions of the Board of Directors may be made by letter, phone or electronic means as envisaged by the Statute or the board's by-laws unless a board member objects.

(3) The provisions of Article 148 shall apply correspondingly to the exclusion from decision making of a member of the Board of Directors.

Article 163 **Fiduciary Duties and Liability**

(1) In addition to the general fiduciary duties expressed by Articles 14 to 18, managing directors and members of the board of directors must

1. Perform their duties established by law or Statute in good faith in the best interest of the company as a whole which includes environmental sustainability of its operations;

2. Exercise powers granted to them by law or Statute only for the purposes established therein;

3. Give adequate consideration to matters to be decided;

4. Avoid actual and potential conflicts between personal interests and those of the corporation;

5. Ensure that approval is given where contracts described in paragraph 3 of Art. 13 are concluded.

6. Exercise reasonable care and skill in the performance of his functions.

(2) Managing directors and members of the board of directors may be held liable for any action or failure to act unless the action or omission was made in good faith, based upon reasonable inquiry and information, and rationally related to the purposes of the company.

(3) In case of violation of duties and the standard of diligence referred to in Paragraphs 1 and 2, managing directors and members of the board of directors shall compensate the company for any damage which occurred due to the violation. They shall also disgorge any personal profits made in violation of their duties to the company. Directors bear the burden of proving compliance with their duties and standards. In case the violation has been committed by more than one managing director or member of the board of directors, all directors in question are jointly and severally liable.

(4) In particular, managing directors and members of the board of directors are obliged to compensate the company in damages, if they are, contrary to this law, carrying out the following transactions or if they were aware or could have been aware of such transactions carried out by other directors without notifying the General Meeting in this respect:

1. Returning contributions to shareholders;

2. Paying interests or dividends to shareholders;

3. Subscribing, acquiring, accepting as pledge or withdrawing the company's own shares;
 4. Issuing shares prior to full payment of their par value or a higher issue price;
 5. Distributing the company's assets;
 6. Letting the company continue to do business when it should be foreseen that it will not be able to pay its debts;
 7. In case of increase of capital, issuing shares contrary to the set purpose or before they have been paid for in accordance with Article 123;
 8. Making payments to board members or Managing Directors;
 9. Granting loans.
- (5) Paragraph 6 of Article 151 applies to the pursuit of claims deriving from Paragraphs 3 and 4. These claims must be brought within 3 years starting from the day when the breach of duty is discovered.

Article 164

Collective Liability of the Board of Directors and Managing Directors

Members of the Board of Directors and the Managing Directors are jointly and severally liable for the probity of all financial statements and of statements on other key-data, such as information on the company's risk management system, its business prospects, investment plans, technical, organisational and human resources and corporate governance structures and practices. Paragraphs 3 and 5 of Article 163 apply accordingly.

Article 165

Request to the Board of Directors to Perform Supervisory Duties in Special Cases

- (1) Shareholders representing at least 5 percent of the basic capital or a smaller amount envisaged by the Statute or company creditors whose unsatisfied claims against the company amount to at least 5 percent of the basic capital, may request the board to perform its supervisory duties with respect to special cases, in particular, when they consider the lawfulness of the work of the Managing Director as being questioned.
- (2) Should the board fail to comply with the request referred to in paragraph 1 within 30 days, shareholders and creditors concerned may initiate the procedure established by Article 150.

Chapter III

Managing Directors and Supervisory Board (Two-Tier System)

Article 166

General Rule

(1) In the two-tier system of administration, the Managing Directors lead the company and decide on the manner of implementation of the business policy while the Supervisory Board assesses the policy implementation and controls its compliance with the law and the Statute.

(2) Based on the general rule for the distribution of functions expressed by Paragraph 1, Articles 154 to 165 apply to the legal position and relations between Managing Directors and Supervisory Board, with the functions of the Supervisory Board corresponding to the supervisory functions of the Board of Directors as defined by Article 167.

Article 167

Composition, Rights, Duties and Liabilities of the Supervisory Board and the Managing Directors

(1) The Supervisory Board is responsible for all functions listed in Numbers 2 to 10 and 13 of the First Paragraph and for those of the Second Paragraph of Article 154.

(2) Depending on the provisions of the Statute, the Managing Directors may be elected and dismissed by the General Meeting or by the Supervisory Board in accordance with paragraphs 1 and 2 of Article 158. As well as the for functions established by paragraphs 3 to 5 of Article 158, the Managing Director is responsible for the functions listed in Numbers 1, 11 to 13 of the First Paragraph of Article 154. Approval by the Supervisory Board of decisions of the Managing Director in other cases than the one mentioned in Article 13 and in Number 7 of the First Paragraph of Article 154 can only be required if established by the Statute.

(3) Neither Managing Directors of the company and of companies in the same group nor persons related to the above persons in accordance with paragraph 3 of Article 13 may be elected as members of the Supervisory Board.

(4) Art. 155 and 157 apply to the number, election, composition and dismissal of the Supervisory Board members with the exception

1. that members shall be non-managing and the majority of them independent;
2. that the Statute may provide that some of the members may be elected and/or dismissed by employees.

(5) Art. 160 to 162 on remuneration, internal structure and decision-making apply accordingly to the Supervisory Board.

(6) Supervisory Board members are liable for damage caused by violation of their duties and the standard of diligence expressed by Paragraphs 1 to 3 of Article 163. As regards violations by Managing Directors with respect to Paragraph 4 of Article 163, Supervisory Board members are liable if they were aware or could have been aware of a violation of duties without notifying the General Meeting in this respect.

Title V

Increase of Capital

Chapter I

General provisions

Article 168 Conditions for All Forms of Capital Increase

- (1) Capital increase requires a decision of the General Meeting in accordance with Paragraph 1 of Article 145 except in the case provided in Article 176.
- (2) In case the increase changes the rights of a certain class of shares, the validity of the General Meeting's decision is subject to the consent of the shareholders concerned which has to comply with the formal requirements of Paragraph 3 of Article 149.
- (3) Basic capital may not be increased as long as outstanding payments on previously subscribed shares have not been made.
- (4) Provisions of this Law on subscription and payment for shares, in particular Articles 107 to 114 and 123 to 133 shall apply correspondingly to the increase of basic capital.

Article 169 Registration and Publication of the Capital Increase

- (1) The decision to increase the basic capital shall be submitted to the National Registration Centre by the Managing Director in accordance with Article 43 of Law No. 9723 on the National Registration Centre. It shall also be published on the company's website.
- (2) The report of an authorised expert verifying the value of any contribution in kind in accordance with Article 113 shall be attached to the application for registration of the decision referred to in Paragraph 1.
- (3) Once the capital increase has been achieved, it shall be submitted for registration to the National Registration Centre by the Managing Director. Information supplied must include the list of the subscribers signed by the Managing Director and amounts paid up.
- (4) The capital increase shall be effective from the date of its entry in the National Registration Centre.

Article 170 Prohibition on the Issue of Shares

Before the capital increase has been registered, rights connected to the new shares cannot be transferred, and shares may not be issued. Shares issued earlier are invalid. The issuers are jointly and severally liable as against the holders for any damage caused by such issuing.

Article 171 Start of Profit-Sharing

(1) Where new shares are issued, they participate in the profits of the entire business year in which the decision on capital increase was made, unless otherwise provided by that decision.

(2) The decision on capital increase may provide that the new shares will already participate in the profits of the business year preceding the year in which the decision on capital increase was made.

Article 172

Capital Increase and Change of a Single-Member Company Status

A single-member company may use the capital increase to change its status and become a multi-member company by issuing shares to new shareholders. The change must be reported to the National Registration Centre.

Chapter II

Increase of Capital by Issuing New Shares

Article 173

Conditions

Basic capital may be increased by issuing new shares against new contributions.

Article 174

Pre-emption Right

(1) All shareholders shall have a pre-emption right in respect of the newly issued shares in proportion to the par value of their previous capital portion. The right must be exercised within 20 days after the disclosure required by Article 169.

(2) The right referred to in Paragraph 1 may be restricted or withdrawn by the decision of the General Meeting on the increase of basic capital. The Managing Director shall be required to present to such a meeting a written report indicating the reasons for restriction or withdrawal and justifying the proposed issue price. The decision may only be taken if the restriction or withdrawal was announced on the company's website and reported to the National Registration Centre.

Chapter III

Limited Capital Increase

Article 175

Conditions

(1) The General Meeting may decide to increase the capital by issuing new shares only to current shareholders.

(2) Limited capital increase may only be carried out following unanimous approval of shareholders.

Chapter IV Authorized Capital

Article 176 Conditions

(1) The Statute or a decision of the General Meeting amending the Statute may entitle the Managing Director for a maximum of 5 years after company registration to increase the basic capital up to a specified par value by issuing new shares (authorized capital). The par value of authorized capital may not exceed half of the basic capital as existing on the date of such authorization.

(2) The Statute may establish further conditions. In particular, it may provide that, if the Managing Director will implement his authorization, all or parts of the shares issued may or must be granted to company employees or to those of associated companies.

Chapter V Capital Increase from Company Assets

Article 177 Conditions

(1) After the adoption of the statement of accounts for the previous year, the General Meeting may decide to increase the capital by converting the available reserves and undistributed profits into basic capital.

(2) The portion of the reserves which exceeds one tenth of the basic capital or such a greater amount as is set in the Statute, as well as undistributed profits, may be converted into initial capital.

(3) Reserves and undistributed profits may not be converted into basic capital if the statement of accounts for the previous year has revealed losses.

Article 178 Registration and Publication of the Capital Increase from Company Assets

(1) The registration of the decision to increase capital in accordance with Article 177 must be accompanied by the balance sheet on the basis of which the basic capital was increased, the auditor's confirmation and the last profit-and-loss statement. The application shall also include the Managing Directors' declaration that, to their knowledge, no reduction of total net assets has been carried out in the period between

the adoption of the balance-sheet and the application for registration which would impede the capital increase if it would have been adopted on the date of registration.

(2) The registration must state that the capital increase has been carried out from company reserves or undistributed profits.

Article 179
Proportional Distribution

Shareholders are entitled to own the new shares in proportion to their shares in the capital prior to the increase. Any decision of the General Meeting contrary to this provision shall be null and void.

Chapter VI
Convertible and Profit Sharing Bonds

Article 180
Convertible and Profit Sharing Bonds

(1) Bonds the holders of which are guaranteed the right to conversion into shares or the pre-emption right in relation to shares (convertible bonds) and bonds connecting the rights of their holders to a shareholders' profit share (profit sharing bonds), may only be issued by decision of the General Meeting.

(2) The General Meeting may authorise the Board of Directors, in the one-tier system, or the Managing Directors, in the two-tier system, to issue shares referred to in Paragraph 1 for a period not exceeding five years. The relevant organ shall report the decision referred to in Paragraph 1 to the National Registration Centre for registration and publication.

(3) Profit sharing bonds may award priority in profit sharing in the same way as preferential shares as of paragraph 1 of Article 116.

(4) With respect to the issue of convertible and profit sharing bonds, shareholders have a pre-emption right corresponding to shareholders' pre-emption right during the issue of new shares.

Title VI
Reduction of Capital

Chapter I
Ordinary Capital Reduction

Article 181
Conditions

(1) The basic capital of the company may be reduced by decision of the General Meeting taken in accordance with Paragraph 1 of Article 145.

(2) In case the decrease changes the rights of a certain class of shares, the validity of the General Meeting's decision is subject to the consent of the shareholders concerned which has to comply with the formal requirements of Paragraph 3 of Article 149.

(3) Capital reduction takes place by decreasing the par value of the shares.

(4) The basic capital may only be reduced below the minimum amounts established in Article 107, if these amounts are regained by an increase of capital which was decided simultaneously with the reduction.

Article 182

Registration and Publication of Decision

The decision to reduce the basic capital shall be submitted to the National Registration Centre by the Managing Director in accordance with Article 43 of Law No. 9723 on the National Registration Centre. It shall also be published on the company's website.

Article 183

Protection of Creditors' Rights

(1) Creditors, whose claims antedate the publication of the decision to make the reduction, shall be entitled to obtain security for claims which have not fallen due by the date of publication. This right can only be exercised if it was claimed by creditors within 90 days after publication.

(2) Payments to shareholders or release from their obligation to pay contributions based on the capital reduction may not be carried out prior to the expiration of the time-limit referred to in Paragraph 1 and not before creditors concerned have been paid or received security.

Article 184

Registration and Publication of the Capital Reduction

(1) The Managing Director shall submit the capital reduction to the National Registration Centre in accordance with Article 43 of Law No. 9723 on the National Registration Centre.

(2) The basic capital is reduced from the time the decision has been registered.

Chapter II

Simplified Capital Reduction

Article 185

Conditions

- (1) Capital reduction for the purposes of covering losses or transferring funds to reserves shall be carried out by simplified procedure.
- (2) Provisions of Articles 181, 182 and 184 apply accordingly.

Chapter III

Capital Reduction by Withdrawal of Shares

Article 186

Conditions

- (1) A reduction of capital also takes place if shares are withdrawn.
- (2) Withdrawal of shares is only allowed if
 1. it is authorized by the Statute or an amendment of the Statute made before the shares to be withdrawn were subscribed for; or
 2. in accordance with Article 133; or
 3. where shareholders concerned agree on the withdrawal. In this case, no prior statutory provision is required.
- (3) Withdrawal has to comply with the provisions of an ordinary capital reduction except that the decision of the General Meeting is replaced by the decision of the Managing Director.
- (4) Payment to shareholders pursuant to the withdrawal has to comply with the requirements of Article 183.
- (5) Provisions on ordinary capital reduction do not need to be complied with, if shares which are fully paid up are given to the company gratuitously.
- (6) The Managing Director shall submit the decision to the National Registration Centre. The capital reduction is effective from the date of registration in accordance with Article 43 of Law No. 9723 on the National Registration Centre.

Title VII

Dissolution

Article 187

Causes for Dissolution

- (1) The joint-stock company is dissolved
 - By expiry of the period for which it was established;
 - By decision of the General Meeting;
 - By opening of an insolvency procedure;
 - If it has not carried out any business activities for two years and has not notified its inactive status in accordance with paragraph 3 of Art. 43 of Law No. 9723 'On the National Registration Centre';
 - By court decision;
 - For other reasons provided by the Statute.

(2) Reduction of number of shareholders to one does not lead to company dissolution. The Second Paragraph of Article 114 applies.

Article 188

Registration of Dissolution

The Managing Director shall submit the dissolution of the company for registration in accordance with Article 43 of Law No. 9723 on the National Registration Centre. In case of dissolution by court decision, the court has to register the dissolution *ex officio*.

Article 189

Solvent Liquidation

(1) After dissolution, solvent liquidation of the joint stock company will be carried out in accordance with Articles 190 to 205 unless an insolvency procedure has been opened.

Part VI

Solvent Liquidation

Title I

Ordinary Solvent Liquidation

Article 190

General Rule

(1) After dissolution, solvent liquidation will be carried out unless an insolvency procedure has been opened.

(2) Unless otherwise established in this Title, provisions regarding un-dissolved companies apply to the company under liquidation.

(3) Articles 191 to 203 provide the rules for ordinary solvent liquidation. A summary procedure may be carried out according to Articles 204 and 205.

Article 191

Appointment of a Liquidator

(1) In partnerships, liquidation shall be carried out by all partners or by an unanimously nominated liquidator. Where a partner has more than one heir, a joint representative shall be appointed. Should the partners fail to submit to the National Registration Centre that all of them will be liquidators or fail to appoint a liquidator within 30 days after dissolution, any interested person may request the competent court to appoint a liquidator.

(2) In limited liability and joint stock companies, liquidation shall be carried out by a liquidator appointed by the General Meeting. If the General Meeting fails to appoint a liquidator within 30 days after the dissolution, any interested person may request the court to appoint the liquidator. Paragraph 6 of Article 91 applies correspondingly.

(3) Any interested person as of paragraphs 1 and 2 has the right to request the court to replace the liquidator appointed by the partners or the General Meeting if he shows sufficient reasons that the liquidation objective might be impaired by him. The request to the court must be filed within 30 days of the appointment by the partners or the General Meeting.

Article 192

Appointment of a Liquidator in Dissolution by the Court

If the company is dissolved by a court decision, the court appoints the liquidator.

Article 193

Dismissal of the Liquidator

(1) The liquidator is dismissed and replaced in the manner specified in the same way he has been appointed.

(2) Any claims to compensation arising from any contractual relationship are to be governed by the general civil law.

Article 194

Entry in the National Registration Centre

(1) The Managing Director will submit the name of the liquidator and his authority to represent the company together with corresponding documents to the National Registration Centre in accordance with Art. 43 of Law No. 9723 on the National Registration Centre. The liquidator shall deposit his signature. He shall report each change with respect to their identity or power of attorney. Appointment of a liquidator by the court shall be registered ex officio according to Article 45 of Law No. 9723 on the National Registration Centre.

(2) The words "in liquidation" shall be added to the company's registered name.

Article 195

Invitation to Creditors

The liquidator must invite the company's creditors to file their claims with respect to the dissolution of the company. The company shall publish the announcement twice, with a 30-days interval, on the website of the National Registration Centre and, if applicable,

on the company's website. The announcement must declare that claims must be filed within 30 days from the last announcement.

Article 196 **Company Management by the Liquidator**

- (1) The powers and duties of the managing director are transferred to the liquidator on his appointment.
- (2) If there are several liquidators, they shall exercise their rights and duties jointly, unless their appointment envisages them to act also independently. Several liquidators may always authorize one of them to perform specified kinds of transactions.
- (3) Restrictions of the power of the liquidator shall have no effect as against third parties in accordance with paragraph 2 of Article 12.
- (4) The Liquidator is subjected to the supervision of the (other) partners, the General Meeting, the Board of Directors or the Supervisory Board.
- (5) Article 17 does not apply to the liquidator.

Article 197 **Rights and Duties of the Liquidator**

- (1) The liquidator shall bring the current business transactions to a close, collect claims including outstanding contributions, sell remaining assets and pay creditors in accordance with the priorities set out in Article 605 of the Civil Code.
- (2) The liquidator may conclude new business transactions for the purpose of bringing current transactions to a close.
- (3) If, based on claims filed by creditors as referred to in Article 194, the liquidator finds that company assets are not sufficient to settle these claims including outstanding contributions, he shall suspend the liquidation proceedings and file a request to the competent court to open insolvency proceedings.
- (4) In partnerships, the partners shall cover the company's commitments in proportion to their duty to bear losses. If a partner fails to pay his share, the other partners shall pay on his behalf in the mentioned proportions.

Article 198 **Balance Sheets**

The liquidator shall prepare a balance sheet at the beginning and at the end of the liquidation. If the liquidation procedure is conducted for longer than a year, the liquidator shall also prepare the company's statements of account at the end of the business year after the commencement of the liquidation. The balance sheets are approved by the (other) partners or the General Meeting.

Article 199 **Protection of Creditors**

(1) The liquidator may not distribute the remaining assets among members prior to the expiration of 3 months from the publication of the second call to the creditors to file their claims.

(2) In case a creditor known to the liquidator does not claim his rights, the amount due shall be deposited in a designated bank account and goods shall be deposited in a specified public warehouse. The general rules on deposit apply. The creditor shall bear the costs of deposit.

(3) If, for the time being, an obligation cannot be settled or if it is controversial, the assets may only be distributed if the creditor has been granted adequate security.

Article 200

Liquidator's Report, Discharge and Remuneration

(1) Reimbursement and remuneration shall be paid to the liquidator once commitments to the creditors have been met, and before the distribution of assets among partners, members or shareholders.

(2) Once commitments to the creditors have been met, the liquidator shall present to the (other) partners or the General Meeting a report on the conduct of the liquidation, the distribution of the assets and the remuneration due to him.

(3) If the (other) partners or the General Meeting approve the report, the liquidator is discharged and is entitled to the remuneration set out in the report.

(4) If the report is not approved, the liquidator may apply to the court to discharge him on the determination that the liquidation has been properly conducted.

(5) After the liquidator has been discharged he shall be entitled to reimbursement of expenses and remuneration for his work as established by the report.

Article 201

Distribution of Assets

(1) Once the company's obligations have been settled, remaining assets shall be distributed equally among partners, members or shareholders unless preferences are granted by the Statute.

(2) Property lent to the company shall be returned to the partners, members or shareholders concerned. They shall not be entitled to indemnification for unintentional destruction, damage or reduction of value of the objects.

Article 202

End of Liquidation

Once the assets have been distributed, the liquidator shall report the end of liquidation to the National Registration Centre and request the cancellation of the company in accordance with Section V of Law No. 9723 on the National Registration Centre.

Article 203

Liquidator's Liability

- (1) Once the company has been cancelled from the National Registration Centre, liquidators' actions shall not be the subject of an appeal.
- (2) Rules on Managing Directors' liability shall apply accordingly to liquidator's liability for any damage caused during the liquidation proceedings. If there are several liquidators, they shall be jointly and severally liable. Besides the liquidators, members and shareholders shall be jointly and severally liable up to the amounts of the compensation recovered. Creditors who did not file their claims in time as referred to in Article 194 or who were not and could not have been known to the liquidator, shall not be entitled to claim damages as referred to in the first and second sentence.
- (3) Claims referred to in Paragraph 2 must be brought within three years after the company's cancellation from the National Registration Centre.

Title II

Summary Liquidation

Article 204

Conditions and Procedure

- (1) The company may be liquidated by summary procedure, if all partners, members or shareholders decide to apply this procedure and make statements that all commitments of the company concerning its creditors and employees have been settled.
- (2) The Managing Director shall report the decision on liquidating the company by summary procedure to the National Registration Centre in accordance with Article 43 of Law No. 9723 on the National Registration Centre.
- (3) The Managing Director shall be liable for any damage caused by the breach of his duties during the summary liquidation proceedings. Besides the managing director, partners, members or shareholders shall be jointly and severally liable up to the amounts of the compensation recovered.
- (4) Claims referred to in Paragraph 3 must be brought within three years after the company's cancellation from the National Registration Centre.

Article 205

Cancellation after Summary Liquidation

Article 202 applies to the end of the summary liquidation.

Part VII Groups of Companies

Article 206 Information Thresholds

If a person acquires or sells shares of a joint stock company, and if, as a consequence, its proportion of votes in the General Meeting exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75%, that person shall notify the National Registration Centre in writing of that acquisition or sale within 15 days.

Article 207 Parents and Subsidiaries

(1) A parent-subsiary relationship shall be deemed to exist where one company is accustomed to act in accordance with the directions or instructions of another company (control group).

(2) If a company, based on its capital share in another company or based on an agreement with that company, has the right to appoint at least 30 percent of members of the Board of Directors or Supervisory Board or of the Managing Directors of that company, or if it has at least 30 percent of votes at the General Meeting, it shall be regarded as parent and the other as its subsidiary (equity group)

(3) The parent's rights over the subsidiary established in paragraph 2 shall be determined taking into account voting rights in the subsidiary held by any other subsidiary of that parent or held by a third party acting on account of the parent or its subsidiaries.

(4) The third party is presumed to act on account of the parent if he is named in paragraph 2 or 3 of Article 13.

Article 208 Legal Consequences of Control Group

(1) In the parent-subsiary relationship defined in paragraph 1 of Article 207 the parent has to compensate the subsidiary for its annual losses.

(2) Partners, members or shareholders of the subsidiary have at any time the right to require the parent to buy their securities.

(3) Creditors of the subsidiary have at any time the right to require the parent to stand security for their claims.

(4) Creditors of the subsidiary include victims of wrongs done by the subsidiary wherever the subsidiary is registered.

Article 209
Fiduciary Duties Arising in an Equity Group

- (1) In a parent-subsiary relationship as defined by paragraph 2 of Article 207, representatives of the parent must take account of
1. Any duty to the parent which may arise in accordance with Articles 14 to 18 and, in case of limited liability companies, Article 98, and in case of joint stock companies, Article 163;
 2. The way the decision might benefit the group of companies as a whole;
 3. The interests of the subsidiary company.
- (2) The representative shall be in breach of duty if no independent directors of the subsidiary company could have reached the decision that was made.
- (3) The representatives of the subsidiary are responsible for abiding by their fiduciary duties to the subsidiary, including acting in the best interest of the subsidiary.

Article 210
Liability for Breach of Duty

- (1) Where damage is caused by a representative in breach of the duties set out in Article 209, the parent on whose behalf the representative acted shall be liable for his actions.
- (2) In the circumstances set out in paragraph 1, members of the parent's administration shall be jointly and severally liable.
- (3) Together with persons mentioned in Paragraph 2, joint and several liability shall be borne by members of the subsidiary's administration for violation of their duties.

Article 211
Enforcement of Duty, Derivative Action

- (1) If, within 90 days after the breach of duty referred to in paragraph 2 of Article 209 became evident, no action has been taken by the subsidiary to claim compensation, the subsidiary's claim may be filed in the competent court
1. where the subsidiary is a partnership, by a partner;
 2. where the subsidiary is a limited liability company, by members representing at least 5 percent of the total votes of the company or a smaller amount envisaged by the statute and/or any company creditor. Paragraph 6 of Article 91 applies.
 3. where the subsidiary is a joint stock company, by shareholders representing at least 5 percent of the basic capital or a smaller portion determined by the statute, or by the subsidiary's creditors whose claims amount to at least 5 percent of the subsidiary company's basic capital.
- (2) Claims provided by this Article must be brought within 3 years from the time the damage becomes evident.
- (3) Creditors of the subsidiary include victims of wrongs done by the subsidiary wherever the subsidiary is registered.

Article 212
Sell-Out Right

If the parent holds 90 percent or more of the subsidiary's shares, the holders of the remaining shares have the right to require the parent within 6 months to buy his securities at the market price.

Part VIII
State-owned Companies

Article 213
Applicable Provisions

- (1) A state-owned company is a company conducting business of general economic interest where either all shares are directly or indirectly held by a central, regional or local authority, or where this authority has the role of a parent as defined in Article 207.
- (2) Formation and operation of state-owned companies are subjected to the provisions of the present Law.

Part IX
Restructuring of Limited Liability and Joint Stock Companies

Article 214
General Provisions

- (1) The provisions of this Part only apply to limited liability and joint stock companies.
- (2) A company may be restructured by merging with another company (merger), dividing into two or more companies (division) and changing its legal form (transformation).
- (3) Companies may only be restructured, if they have been registered for at least one year.
- (4) Companies cannot be merged contrary to competition regulations.

Title I
Mergers

Article 215
Definition

Two or more companies may be merged on the basis of:

1. Transfer of the whole assets of one or more companies (the companies to be acquired) to another company (the acquiring company) in exchange for shares of that company (merger by acquisition);
2. Formation of a new company to which the whole assets of the merging companies are transferred, in exchange for shares of the new company (merger by formation of a new company).

Chapter I Mergers by Acquisition

Article 216 Merger Agreement and Merger Report

(1) The legal representatives of the companies which take part in the merger shall draw up an agreement in writing. The agreement shall specify at least:

1. Company names and registered office of merging companies;
2. Agreement on the transfer of the assets of each of the companies to be acquired in exchange for the interests of the acquiring company;
3. The share exchange ratio and the amount of any cash payment;
4. The terms relating to the allotment of shares in the acquiring company;
5. The rights stemming from the shares of the acquiring company;
6. The rights conferred by the acquiring company on the holders of shares and on holders of special rights, or the measures proposed concerning them;
7. Any special advantage granted to Managing Directors, members of the Board of Directors or Supervisory Board and auditing experts;
8. The Statute of the company resulting from the merger
9. The consequences of the merger for employees and their representatives and the measures proposed concerning them.

(2) The legal representatives of each of the merging companies shall draw up a detailed report explaining the merger agreement and setting out the legal and economic grounds for it, in particular the share exchange ratio. The report shall also describe any special valuation difficulties which have arisen. The report must also set out the impact that the merger will have on the employees of the companies involved.

(3) The merger agreement and the report required by paragraph 2 as well as the annual statements and performance reports of the last three business years shall be submitted to the National Registration Centre for registration and publication and be placed, if applicable, on companies' websites at least one month before the date fixed for the General Meeting which is to decide thereon as referred to in Article 218.

Article 217 Experts' Report

(1) The legal representatives of the companies involved in the merger shall appoint relevant licenced independent experts to examine the merger agreement. The experts

may be appointed for each company involved or jointly for all of them. They shall be appointed by the competent court if requested by the legal representatives.

(2) The experts shall draw up a written report. The report must state whether in their opinion the share exchange ratio is fair and reasonable. The statement must:

1. Indicate the method or methods used to arrive at the share exchange ratio proposed;

2. State whether such method or methods are adequate in the case in question, indicate the values arrived at using each method and give an opinion on the relative importance attributed to such methods in arriving at the value decided on;

3. Describe any special valuation difficulties which have arisen.

(3) Each expert shall be entitled to obtain from the merging companies all relevant information and documents and to carry out all necessary investigations.

(4) The experts' report shall be submitted to the National Registration Centre for registration and publication and be placed, if applicable, on companies' websites at least one month before the date fixed for the General Meeting which is to decide thereon as referred to in Article 218.

(5) Involvement of experts as of paragraphs 1 to 4 may be excluded if all members or shareholders of the merging companies so agree.

Article 218

Approval of the Merger Agreement

(1) In order to have legal effect, the merger agreement requires approval by decision of the members or shareholders of all merging companies. Paragraph 1 of Article 87 and Paragraph 1 of Article 145 apply for the approval of the General Meeting of companies involved in the merger.

(2) Where rights of single shareholders or certain classes of shares are affected by the transaction, the decision concerning the merger shall be subject to a separate vote with a majority of three quarters of each class of shares concerned.

(3) Each member or shareholder of the merging companies has the right to inspect the documents based on which the merger is carried out. Article 15 applies. Members or shareholders may require any information regarding the merger during the General Meeting.

Article 219

Increase of Basic Capital

An increase of the acquiring company's basic capital in connection with the merger shall be exempt from provisions on capital increase regarding:

1. The prohibition of the increase until outstanding payments on previously subscribed shares had been made;

2. The conditions for subscription to new shares;

3. The pre-emption rights of members or shareholders in the purchase of new shares.

Article 220
Registration, Publication and Legal Effect

(1) The legal representatives of the merging companies shall submit the merger to the National Registration Centre together with the merger agreement, the minutes regarding the merger decisions, and the approval of single shareholders in accordance with paragraph 2 of Article 218. Where applicable, the information mentioned shall also be placed on the companies' websites.

(2) If the basic capital of the acquiring company is to be increased in connection with the merger, the amount of the increase shall be submitted together with the merger.

(3) The merger shall have the following consequences:

1. The transfer, both as between the merging companies and as regards third parties, to the acquiring company of all the assets and liabilities of the company being acquired;

2. The members or shareholders of the company to be acquired become members or shareholders of the acquiring company;

3. The company to be acquired ceases to exist and is cancelled in accordance with Section V of Law No. 9723 'On the National Registration Centre'. No liquidation procedure is required.

(4) The rights and obligations of the merging companies arising from contracts of employment or from employment relationships and existing at the date on which the merger takes effect shall, by reason of that merger taking effect, be transferred to the company resulting from the merger.

Article 221
Protection of Creditors

(1) If creditors of a company participating in the merger, within 6 months from the publication of the merger agreement in accordance with Article 220 regarding this company, submit evidence of their claims in writing, they shall obtain adequate safeguards for these claims from the company. A written statement given by the legal representatives of the merging companies that the assets of these companies will be managed separately until the claim of each individual creditor is settled, shall be regarded as a sufficient safeguard for the creditors. In case no safeguard has been obtained, the creditors may request the court to order the safeguard or otherwise to annul the merger decision.

(2) Creditors having priority rights in case of insolvency are not entitled to request the security referred to in Paragraph 1.

(3) The legal representatives of the merging companies are jointly and severally liable for any damage to creditors as consequence of inaccuracy of the statement referred to in the second sentence of paragraph 1.

Article 222
Protection of the Holders of Special Rights

The acquiring company shall ensure holders of convertible bonds and preference shares have the same rights they possessed in the company being acquired.

Article 223

Protection of the Rights of Members or Shareholders

- (1) Members or shareholders of merging companies opposed to the merger may require their shares be bought by the acquiring company at market price or, in case of dispute, at the price set by an independent expert appointed by the court at their request. Alternatively, shareholders may request that the acquiring company exchange their voting shares against preference shares without voting rights.
- (2) The rights referred to in Paragraph 1 must be exercised within 60 days from the date of registration of the merger in accordance with Article 220.

Article 224

Liability of Administration and Supervisory Organs and Experts

- (1) Legal representatives and members of the Board of Directors or Supervisory Board of the acquiring company shall be jointly and severally liable together with the company for any damage caused to members or shareholders and creditors of the companies participating in the merger, unless they prove they complied with their duties when examining the assets of the company and concluding the merger agreement.
- (2) Legal representatives and members of the Board of Directors or Supervisory Board of the company being acquired as well as licensed independent experts involved in the examination of the merger bear the same liability referred to in Paragraph 1. In both cases, claims must be brought within 3 years after the registration of the merger regarding the company concerned.

Article 225

Merger by Acquisition in Special Cases

- (1) If at least 90 percent of the basic capital of a subsidiary joint-stock company is owned by the parent company, the merger by acquisition may be carried out without the approval of the General Meeting of the parent company, unless the shareholders or members of the latter representing at least 5 percent of the company's basic capital or of total voting rights, request a meeting to be convened for the purpose of approving the merger.
- (2) If all shares of a subsidiary belong to the parent company, the acquiring company does not need to comply with the obligations of paragraph 1 of Art. 216, numbers 2 to 4, of paragraph 2 of Art. 216, and of Article 217. Article 224 does not apply.
- (3) Articles 206 to 212 are applicable to mergers under this Article.

Chapter II
Mergers by Formation of a New Company

Article 226
Applicable Provisions

(1) The provisions of Articles 216 to 225 shall apply accordingly to mergers by formation of new companies. The newly formed company shall be regarded as the acquiring company.

(2) Provisions of this law regarding company formation shall apply accordingly to the formation of the new company caused by merger.

Title II
Division

Article 227
Definition, Applicable Provisions

(1) A company may be divided by transferring its assets to two or more existing or new companies by decision of the General Meeting, in which case the company being divided shall cease to exist.

(2) The provisions of Articles 216 to 225 apply accordingly to company divisions.

(3) The recipient companies shall be jointly and severally liable for the liabilities of the company being divided for the latter's commitments.

(4) The registration of the division shall have the following consequences:

1. The transfer to each of the recipient companies of all the assets and liabilities of the company being divided in accordance with the allocation laid down in the division agreement;

2. The members or shareholders of the company being divided become members or shareholders of one or more of the recipient companies in accordance with the allocation laid down in the division agreement;

3. The company being divided ceases to exist and is cancelled in accordance with Section V of Law No. 9723 'On the National Registration Centre'. No liquidation procedure is required.

Title III
Transformation

Article 228
General Provisions

(1) A company may change its legal form by transformation as follows:

1. Limited liability companies may transform into joint stock companies and vice versa.

2. A joint stock company with private offer becomes a joint stock company with public offer and vice versa, if it complies with requirements of the present Law, Law No. 9723 'On the National Registration Centre' and the Law 'On Securities'.

(2) The transformation does not change rights and duties assumed by the company.

Article 229 Procedure

(1) The Managing Directors of the transforming company draw up a detailed report explaining the legal and economic grounds for the proposed transformation. The report shall also describe any special valuation difficulties which have arisen. The report must also set out the impact that the transformation will have on the employees of the company.

(2) The decision to change the company form must be taken by the General Meeting with a three quarters majority. If the transformation will result in a change to special rights and duties of shareholders, the validity of the transformation decision shall depend on the approval of such shareholders. Paragraph 2 of Article 218 applies accordingly.

(3) By public announcement, which shall be published with the National Registration Centre twice at an interval of not less than 15 and not more than 30 days and, if applicable, on the company's website, the Managing Director shall call on all members or shareholders who did not attend or were not represented at the meeting, to state in writing whether they accept the change of company form pursuant to decision of the meeting, within 60 days from the date of the latest announcement.

(4) The publication of the public announcement referred to in Paragraph 3 shall not be necessary if all members or shareholders attended or were represented at the meeting, or if they were called on individually, in which case the 60-day term shall run from the date of receipt of the call. Should members or shareholders fail to declare their position in writing within the set term, they shall be deemed to have approved.

(5) Articles 221 to 223 apply accordingly to the protection of creditors, holders of special rights and members or shareholders opposed to the transformation.

(6) Article 224 applies accordingly to the liability of legal representatives and members of the Board of Directors or Supervisory Board of the transforming company for damages caused by their breach of duty during the conduct of the transformation.

(7) The transformation shall be submitted to the National Registration Centre for registration and publication together with the transformation decision, the minutes regarding the transformation decision, the approval of single shareholders and of members or shareholders absent during the meeting. Where applicable, the information mentioned shall also be placed on the companies' websites.

(8) The registration of the transformation shall have the following legal consequences:

1. The transforming company continues to exist in the legal form established by the transformation decision;

2. The members or shareholders of the transforming company participate in the company in conformity with the formalities required by this law for the new company form;

3. The rights of third persons regarding the shares of the transforming company are transferred to the shares of the transformed company.

Part X
Transitional and Final Provisions

Article 230
Continuation of Company Operation and the Duty to Adjust to this Law

- (1) When the present Law enters into force, existing companies shall continue to operate in the manner and under the conditions which were valid at the time of their registration.
- (2) Within 3 years after this Law entered into force, companies shall bring their organization and operation in line with the provisions of this Law.
- (3) Companies which fail to act in conformity with Paragraph 2 shall be dissolved, and the National Registration Centre shall cancel upon completion of liquidation proceedings.

Article 231
Procedures in Progress

If the procedure of formation or of change of a founder, shareholder or member of a company, as well as the election of organs, adoption of by-laws and other organisation procedures were under way on the day this Law is entering into force, these procedures shall be completed in conformity with the present Law.

Article 232
Laws to be Repealed

Law No. 7512 of 10.08.1991 on “Sanctioning and protection of private property, free initiative, independent private activities and privatisation”, Law No. 7632 on the “General Part of the Commercial Code” of 4.11.1992, Law No. 7638 on “Commercial Companies” of 19.11.1992, are repealed.

Article 233
Entry into Force

The present Law shall enter into force 15 days after its publication in the Official Gazette.

Head of the Parliament
Jozefina Topalli (Çoba)

