

LAW ON ENTERPRISES

PART ONE JOINT PROVISIONS

1. Enterprise and entrepreneur

1.1 Definition

Article 1.

- (1) An enterprise is a legal entity conducting activities in order to make a profit.
- (2) An entrepreneur is a natural person conducting activities in order to make a profit.
- (3) A natural person conducting activities of free profession determined by special regulations is considered an entrepreneur, in the context of this law, if determined so by those regulations.
- (4) An individual farmer is not an entrepreneur, in the context of this law.
- (5) Activities, in the context of this law, are considered production and trade of goods and performance of services on the market.

1.2. Forms of enterprises

Article 2.

- (1) The forms of enterprises are business companies and public enterprises.
- (2) A business company is established as a company of persons or a capital company (corporation).
- (3) A company of persons is founded as a partnership or limited partnership.
- (4) A capital company is founded as a Joint Stock Company or company with limited liability.

1.3. Linking of enterprises

Article 3.

Enterprises can be linked through capital or contract (joint enterprises - parent and dependent company).

1.4. Equality of enterprises

Article 4.

Enterprises have the same position, rights, duties, and responsibilities on the market.

1.5. Acquisition of the status of legal entity

Article 5.

An enterprise acquires the status of legal entity by registering in the Court Register (hereinafter: register).

1.6. Transfer of claims and debt

Article 6.

By registering an enterprise in the register, rights and liabilities which founders have attained, that is, assumed, are transferred to the enterprise without a consent of the creditor, and the founders are responsible in accordance with the provisions of the contract with a third party.

1.7. Status of a part of enterprise

Article 7.

(1) Based on the Company of persons foundation charter, that is, by-laws of capital company it can be determined that a part of enterprise has certain authorities in legal trade, as well as a special settlement of business results and special sub-account, in accordance with the law.

(2) A part of enterprise does not have a status of legal entity.

2. Founding

2.1. Founders

Article 8.

(1) An Enterprise may be founded by natural person or a legal entity (hereinafter: founders).

(2) Natural persons may form a partnership company, limited partnership company, Joint Stock Company, and company with limited liability.

(3) Legal entities may form a Joint Stock Company, company with limited liability and limited partnership with the status of limited partner.

(4) A state, that is, unit of local self-governance may found a public enterprise.

(5) Foreign legal entities and natural persons may, under the conditions of mutuality, found an enterprise in accordance with this law and law which regulates foreign investment.

2.2. Membership and membership restrictions

Article 9.

(1) Founders and persons who join the company later on are members of the company.

(2) A natural person may be a member with unlimited joint and several liability in one company only.

(3) A partnership company cannot be a member of another partnership company or limited partnership company with the status of general partner.

(4) A limited partnership company cannot be a member of a partnership company or limited partnership company with the status of general partner.

(5) An entrepreneur cannot be a member of a partnership company or a general partner in limited partnership company.

2.3. Form of Foundation charter

Article 10.

(1) Foundation charter of an enterprise is establishing agreement.

(2) Foundation charter of an enterprise founded by one founder (single-member company) is a decision on foundation.

(3) Foundation charter of an enterprise founded by the State, that is, unit of local self-governance, is an act of the competent authority.

(4) Foundation charter from paragraphs 1 and 2 of this Article shall be drawn up in written form.

(5) The signatures of the enterprise founders from paragraphs 1 and 2 of this Article shall be certified with the competent court.

2.4. Contents of Foundation charter

Article 11.

Foundation charter of enterprise contains provisions on:

- 1) firm and head office;
- 2) firm of the founder and address, i.e. a head office, and in the case when a natural person is a founder - name, address and personal identification number of that natural person;
- 3) company's activities;
- 4) share capital;
- 5) rights, liabilities, and responsibilities of a founder towards an enterprise and vice versa;
- 6) conditions and manner of profit determination and distribution, as well as risk bearing;
- 7) enterprise representation;
- 8) protection of the living environment;
- (9) other issues prescribed by this law.

2.5. Registration of entrepreneurs

Article 12.

(1) A natural person, prior to starting an activity as an entrepreneur, shall submit a registration form in writing.

(2) Registration form from paragraph 1 of this Article, contains provisions on:

1. name, address, and firm, personal identification number and firm of the entrepreneur;
2. entrepreneur's activities;
3. protection of the living environment;
4. other issues prescribed by the law.

2.6. Founding period

Article 13.

(1) An enterprise can be founded for a limited or unlimited period of time.

(2) Unless otherwise determined by the Foundation charter, it is considered that the enterprise is founded for unlimited period of time.

2.6. Founders' responsibility

Article 14.

(1) Founders, unless otherwise determined by this law, are jointly and severally liable to the enterprise for not entering or not entering completely and promptly deposits in items and rights, for not paying or not paying promptly monetary deposits or for other harmful actions during the founding of an enterprise.

(2) If founder deposits the right of property on an item, in terms of responsibility for material and legal drawbacks of an item, the rules of the sales contract shall apply.

(3) If founder deposits the right to use an item, s/he shall be liable for the material and legal drawbacks of an item, according to the rental, i.e. service agreement.

(4) If founder deposits claims, s/he shall be liable for the existence and collection of the claims.

(5) Founders of an enterprise whose registration is canceled, are jointly and severally liable to the members, shareholders, and third parties for the damage done to them after the cancellation.

(6) Claims for compensation of damages that occurred in situations in paragraphs 1 to 4 of this Article may be submitted by an enterprise, that is, members and shareholders who own or represent at least one tenth of the share capital, or a smaller portion determined by the Foundation charter, i.e. by-laws (minority shareholders and members) and creditors of an enterprise whose claims are at least one tenth of enterprise's share capital.

3. The legality of founding and operating

Article 15.

(1) An enterprise is responsible to operate in accordance with the law, good business practices, and business morale.

(2) The control of the legality of founding and operating of an enterprise shall be performed by competent authority.

4. Activity

4.1. Conducting

Article 16.

(1) An enterprise may conduct one or more activities if it meets the requirements regarding the performance of each of those activities.

(2) An enterprise may conduct all transactions except for those that by law are not to be conducted as the activities of an enterprise.

(3) Activities determined by law may be conducted only with the permission of competent authority.

(4) An activity of general interest is determined by law.

4.2. Restrictions

Article 17.

(1) Certain activities, when determined by law, may be conducted only by particular forms of enterprises.

(2) Authorization of the State, or unit of local self-governance, regarding the performance of general interest activities, is determined by law, that is, by a decision made based on the law or an agreement of concession.

4.3. Condition for performance of activity

Article 18.

An enterprise may begin performance of activity, perform activity and change the conditions of its performance when a competent authority passes a decision that all conditions concerning technical equipment, protection at work and protection and improvement of the living environment have been fulfilled together with other prescribed conditions.

4.4. Change of activity

Article 19.

(1) Based on the Foundation charter of an enterprise it can be determined if an enterprise cannot change activity for a certain period of time or that it can change activity upon the consent of the founders, if, by changing an activity, the founding goals come in question.

(2) A decision on change of activity is made in the manner determined by the Founding charter.

4.5. Registered and unregistered activities

Article 20.

(1) An enterprise may close and perform other merchandise transactions and services only within the scope of activities listed in the registry.

(2) An enterprise may, without being listed in the registry, perform other activities which are intended for the activity listed in the registry, that are usually performed along those activities, in lesser volume or on the temporary basis.

(3) Transactions carried out contrary to paragraphs 1 and 2 of this Article are legally valid, except if the third party knew or had to know about the violation.

4.6. The minimal share capital for conducting certain activities

Article 21.

(1) The minimum amount of share capital determined by this law may be higher for founding of an enterprise which will perform specific activities, when this determined by a different law.

(2) The minimum amount of share capital may be lower for enterprises which are founded and dealing only with foreign parties, that is, parties who do not have a head office on the territory of Republika Srpska, in accordance with a special law.

5. Head Office

5.1. Definition

Article 22.

(1) The Head Office of an enterprise is a place where an enterprise performs activities, and in the case when activities are performed in several places, the Head Office of an enterprise is considered a place where the Management office is.

(2) The Head Office shall be registered in the Register.

5.2. Part of an enterprise - the Register entry

Article 23.

A part of an enterprise that has certain authorities in the legal operations shall be entered into the Register according to the Head Office, and a part of an enterprise that performs transactions in the activity scope of an enterprise, out of the Head Office of an enterprise - in the register according to the place where transactions are carried out.

5.3. Change of the Head Office

Article 24.

(1) An enterprise can change the Head Office following decision of the authority determined by the Founding charter.

(2) The Founding Charter anticipates that the Head Office can change only upon founder's approval.

6. Firm

6.1. Definition

Article 25.

Firm is a name under which enterprise operates.

6.2. The firm of an enterprise

Article 26.

- (1) Firm of a partnership company shall contain personal name of at least one member, indicating that there are more members, and sign "o.d."
- (2) Firm of a limited partnership company shall contain personal name of at least one general partner and sign "k.d.". Firm of a limited partnership cannot contain the names of limited partners.
- (3) Firm of a Joint Stock Company and company with limited liability shall contain a sign of a Joint Stock Company ("a.d.") and company with limited liability ("d.o.o.")
- (4) Firm of a public enterprise shall contain sign "j.p."

6.3. A firm of an entrepreneur

Article 27.

Firm of an entrepreneur shall contain his/her personal name.

6.4. Other obligatory elements

Article 28.

Firm shall contain a sign designating the activity and the Head Office of an enterprise.

6.5. Additional elements

Article 29.

- (1) Firm may also contain elements which designate an enterprise in more details.
- (2) Firm of parent companies may contain the following signs: holding, concern, corporation, group of enterprises, business system, and parent company.
- (3) The elements from paragraphs 1 and 2 of this Article cannot be such so they lead into confusion regarding the type or volume of transactions and linkage of enterprises, or provoke a mix-up of enterprises and trademark characteristics of another entity, or violate the rights of other entities.

6.6. Elements which firm must not contain

Article 30.

- (1) Firm may not contain a name of a foreign country, nor its coat of arms, flag, or other state emblems, nor the signs that imitate them.
- (2) Firm may not contain a name of an international organization, nor its emblems.
- (3) Firm may not include signs for control and guarantee of a quality of products and services.

6.7. Elements which may be contained in a firm with permission, or consent

Article 31.

- (1) The name of Republika Srpska or a local unit of self-governance may be contained in the firm upon approval by a competent authority.
- (2) A name, or part of a name of historical or other well-known figure may be contained in the firm with the approval of that person, and if the person is deceased - with the approval of her/his relatives up to the third degree of kinship, or with the approval of the competent authority, if there are no relatives.

6.8. Deletion of name and title

Article 32.

Upon the request of a competent authority, that is a person from the Article 31 of this law, a court in charge of the register shall delete from a firm the name of the country or a unit of local self-governance, or name of historical or other well-known figure, if it decides that the business dealings of an enterprise can endanger their reputation.

6.9. Abbreviated name of firm

Article 33.

(1) An enterprise may have an abbreviated name of a firm, which contains an abbreviated name, form and Head Office of an enterprise.

(2) The abbreviated name of firm shall be entered into the Register.

6.10. Use of firm

Article 34.

(1) During the business performance, an enterprise shall use a firm in form in which it was entered in the Register.

(2) An enterprise may use an abbreviated version of firm.

(3) A part of an enterprise that has certain authorizations in legal transactions appears under the firm of an enterprise and its own name.

(4) Dependent enterprises, in their firm, may use the firm elements of the parent company, on conditions determined by the Statute of the parent company.

6.11. Language in which firm is worded

Article 35.

Firm is worded in Serbian language, but it also may be worded in another language, provided the contents are the same.

6.12. Principle of exclusiveness

Article 36.

(1) Two or more enterprises which have identical or related activities cannot be registered under the same or similar name in the same court of registration.

(2) If entrepreneur or a member of a partnership company, that is, a general partner of a limited partnership whose personal name is a part of the firm, has a personal name that is already contained in an earlier registered firm with the same or similar scope of activity of a different entrepreneur, partnership company or limited partnership, than, a firm shall receive an affix by which that firm will be clearly distinct from the other registered firm.

(3) In the case arising from paragraphs 1 and 2 of this Article, the right to register has an enterprise, that is, entrepreneur which has first submitted the application to the registration court.

6.13. Protection of firm

Article 37.

(1) An enterprise with justified business interest may, in front of a competent court, request a protection of the registered firm from another enterprise with the same or similar firm, of the same or similar activity, that has applied for the registration at the later time with the same or different registration court.

(2) Right to submit the request for protection of firm ceases at the end of three-year-period from the day the firm from which protection is requested for is entered into the Register, that is, from the day the change of predominant activity is registered.

(3) In accordance with paragraph 1 of this Article, the claim for protection of firm may be filed by an enterprise which has suffered damages caused by improper use of firm by the other enterprise.

(4) Provisions of this Article do not exclude protection of a firm based on regulations of unfair competition.

6.14. Measures of firm's protection

Article 38.

(1) The court will prohibit the usage of firm to an enterprise against which the firm protection is requested, and order deletion of a firm out of the Register, if it finds the request being justified.

(2) In the case of paragraph 1 of this Article, an enterprise is entitled to a compensation for the damages.

6.15. Transfer and change of firm

Article 39.

(1) Firm may be transferred to another person only inclusive of the enterprise which operates under that firm.

(2) If member of a business company, whose personal name is contained in the firm, ceases to be a member of that company, company may continue doing business under the same firm only with his/her consent.

(3) If enterprise is transferred to another person, in order to continue with use of the same firm, it needs to obtain a permission from a person whose name is contained in the firm, or from his/her relatives up to the third degree of kinship.

(4) Decision on the change of firm is made in accordance with the Founding Charter.

7. Identification number

Article 40.

An enterprise has an identification number under which it is registered with the competent authority for statistics, in accordance with the law which defines classification of activity.

8. Representation

8.1. Representatives

Article 41.

(1) An enterprise is represented by a director, if not determined otherwise by this law.

(2) Based on the Founding charter, or the statute of an enterprise, it can be determined that besides a director an enterprise may be represent by other persons.

(3) The Founding charter, or the Statute of an enterprise can limit authority of representative to a completion of certain contracts or performance of other legal actions, or it could determined that the representative carries out completion of contracts and performance of other legal actions, only with a consent of the managing body.

(4) The authorities of a representative of an enterprise, that is, limitations to his/her authorities and termination of the right to representation shall be entered into the Register.

(5) Provisions of the Founding charter, that is, the Statute, which limit the authorities of representative, do not have a legal impact (are not legally binding) in respect to third parties/persons).

(6) Representative of an enterprise, in respect to the enterprise s/he represents, is responsible to abide by the authorities determined by the statute and the decision of the competent authority of an enterprise.

8.2. Proxies

Article 42.

(1) A representative of an enterprise may, within the frame of his/her authority, grant to another person a written power of attorney for representation of an enterprise.

(2) Based on the Founding Charter, that is the statute, or the decision of managing authority, it can be determined that the representative may grant to another person the power of attorney for representation, only upon the consent of managing authority.

(3) A power of attorney can be limited to a specific type of activities or specific jobs, provided that the limitations are effective towards a third person only if s/he knew about them, or must have known.

8.3. Procuration

8.3.1. Granting the right of procuration

Article 43.

A director of an enterprise, upon the consent of the managing authority, may grant procuration to a certain person.

8.3.2. The Register entry

Article 44.

(1) Granting the right of procuration shall be entered into the Register.

(2) Expiration of procuration shall be reported to the court which maintains the register, within the period of three days from the day the authorization ends.

(3) If the Register does not contain specification on whether the procuration is granted to the part of an enterprise, it shall be considered as granted to the whole enterprise.

8.3.3. The scope of authorization

Article 45.

(1) Procuration contains the authorization to conclude the contracts and perform legal transactions and activities in connection with the activity of an enterprise.

(2) Procuration does not contain authorizations to conclude the contracts pertaining alienation and encumbrance of the real estate. Authorizations arising from procuration cannot be limited, and procuration cannot be given for a limited period of time, nor can be bind to the certain conditions.

(3) Limitation of authorizations arising from procuration shall not have legal impact on the third persons.

8.3.4. Types

Article 46.

(1) Procuration can be individual or collective.

(2) Individual procuration can be given to one or more persons.

(3) If an individual procuration is given to more people, each proxy has all of the authorities which according to this law are contained in procuration.

(4) A collective procuration can be given to two or more people together.

(5) In the case of collective procuration, legal transactions and operations are valid only with the existence of all proxies' declaration of will, whereas declaration of will and statements of third parties given to one of the proxies are considered given to all proxies.

8.3.5. Transfer

Article 47.

A proxy may not transfer a procuration to another person.

8.3.6. Termination

Article 48.

(1) Procuracy may be revoked at any time.

(2) In the case of procuration being revoked, a proxy may realize his/her rights against the enterprise, when these rights arise from the relationship based on which the procuration was granted.

(3) Procuracy does not cease with death or loss of business ability of an entrepreneur, that is, the only owner of an enterprise.

8.4. Authorized signature

Article 49.

(1) An enterprise is signed when a representative of an enterprise adds his signature along with the firm of an enterprise.

(2) When signing an enterprise, a proxy has to state in writing that s/he is a proxy.

(3) A representative and proxy are obliged to submit their certified signatures to the court that maintains the Register.

(4) Persons authorized to handle financial resources are obliged to submit their certified signatures to the organization authorized for the payment operations.

9. Property of an enterprise

9.1. Definition of property

Article 50.

(1) The property of an enterprise consists of the rights of ownership on movable and immovable items, financial resources, securities, and other property rights.

(2) The initial property of an enterprise consists of deposits of the founders (the share capital).

(3) Non-monetary deposits of the founders, members, and shareholders are stated in money.

9.2. Reserves

9.2. Reserve requirements

Article 51.

(1) The capital company has a required reserve.

(2) Every year, at least 5% of the profit is going into the required reserve account, until the reserve reaches the proportion of the share capital determined by the statute, and at least 10% of the share capital.

(3) If the required reserve from paragraph 2 of this Article is reduced, it must be replenished to the prescribed amount.

9.2.2. Other reserves

Article 52.

The statute of an enterprise may anticipate appropriations from a profit also for the special reserves.

9.3. Liability for obligations

Article 53.

- (1) An enterprise is liable for its obligations with its entire property.
- (2) Founders, member, and shareholders of an enterprise are liable for enterprise's obligations in situations and under circumstances prescribed by this law.
- (3) An entrepreneur is liable for his/her obligations with his/her entire property.
- (4) Disposal without compensation or with minimal compensation of the property of a subject of unlimited liability prescribed by this law, performed in the last two years prior to acquisition of the feature of this subject, may be refuted.

9.4. Perception of a legal person

Article 54.

Founders, members and stockholders, members of the management and board of executive directors are liable for obligations of an enterprise with their entire property:

- 1) if they have misused an enterprise in order to achieve the goal prohibited to them;
- 2) if they have misused an enterprise in order to cause damage to their creditors;
- 3) if they have, contrary to regulations, treated the property of an enterprise as if it were their personal property;
- 4) if they have reduced the property of the enterprise for their own or benefit of another person, and they knew or they must have known that the enterprise will not be able to fulfill its obligations towards a third party.

10. Shares and stocks

Article 55.

- (1) Founders, members and shareholders, in proportion to their share in the property of an enterprise, shall acquire a part-ownership in an enterprise, that is, shares of an enterprise.
- (2) Founders, members and shareholders, in proportion to their part-ownership, that is shares, participate in enterprise management, division of profit, and also bear risks in business transactions, unless, in accordance with this law, otherwise determined by the Founding charter, that is, the statute of the enterprise.
- (3) Employees of the enterprise participate in division of profits in accordance with the Founding charter, that is, the statute and decision of the Assembly.

11. Maintenance of share capital

Article 56.

- (1) Dividends, special compensations and premiums cannot be debited to the share capital.
- (2) The dividend is determined after the amount for required reserve from Articles 51 and 52 of this law is deducted from the profit.

12. Maintenance of business books, preparation and publishing of accounting statements and audit

Article 57.

- (1) An enterprise maintains the business books, prepares, submits, and publishes the accounting statements and business reports, in accordance with the law.
- (2) Audit of accounting statements of an enterprise is conducted in accordance with the law.
- (3) An enterprise may establish an internal audit.

13. The Enterprise management

13.1. Principle

Article 58.

An enterprise is managed by the owners, that is , their representatives, in proportion to the portion of shares, except when possessing the shares or part-ownership without managing rights, as well as in other cases prescribed by this law.

13.2. Special situations

Article 59.

- (1) Certain functions in enterprise management may be admitted to the creditors of an enterprise only in cases, under conditions and in a manner anticipated by the contract on credit or another contract.
- (2) The contracts from paragraph 1 of this Article shall be entered into the Register.

14. The Enterprise authorities

14.1. Types

Article 60.

- (1) The Enterprise authorities, unless otherwise determined by this law, are:
 1. assembly, as the authority of owners;
 2. management board, as the management authority;
 3. director, as the managing authority;
 4. supervisory board, as the authority of supervision.
- (2) The management board and the director of enterprise, in the context of this law, form the management authority of an enterprise.
- (3) The director of an enterprise cannot be a member of the management board.
- (4) The statute of enterprise can determine election of the board of executive directors within the enterprise.

14.2. Scope

14.2.1. Scope of Assembly

Article 61.

- (1) The Assembly:
 1. passes the statute;
 2. defines business policy;
 3. adopts the annual account and business reports;
 4. decides on annual profit distribution and loss coverage;
 5. decides on increase and reduction of the share capital;
 6. decides on statute changes, changes of form and termination of an enterprise;

7. elects and replaces the members of the management board, the president, and members of the supervisory board, the auditor and liquidator, and determines their earnings, that is, the compensation;
8. passes the rules of procedure for its work;
9. decides on other issues determined by law, the Founding charter and the statute.

(2) Regarding the issues from items 3 and 4 in paragraph 1 of this Article, the assembly makes a decision after obtaining opinions of the supervisory board, or the auditor.

14.2.2. Scope of the managing board

Article 62.

The management board:

- 1) prepares proposals of decisions for the assembly and executes its decisions;
- 2) passes general enactment not passed by the assembly;
- 3) prepares the annual account and adopts interim statement of accounts;
- 4) prepares annual accounting statements, reports on transactions and implementation of business policy;
- 5) proposes the profit distribution;
- 6) elects the president of the management board from its lines;
- 7) appoints and expels the director;
- 8) provides guidelines to the director in order to implement the business policy;
- 9) decides on lasting business cooperation and linking with other enterprises;
- 10) makes investment decisions, unless otherwise determined by the statute;
- 11) decides on disposal of shares and part-ownership of an enterprise, unless otherwise determined by the statute;
- 12) decides on founding the new enterprises;
- 13) passes the rules of procedure for its work;
- 14) performs other activities determined by law, the Founding charter and the statute.

14.2.3. Scope of director

Article 63.

Director:

- 1) organizes and manages dealings of an enterprise;
- 2) represents the enterprise;
- 3) ensures and it is responsible for the legality of enterprise's activities;
- 4) performs other transactions determined by law, the Founding charter and the statute.

14.2.4. Scope of supervisory board

Article 64.

(1) Supervisory board:

1. supervises the legality of enterprise's management activities as well as of board of executive directors;

2. examines interim and annual financial statements and determines whether they are prepared in accordance with the regulations;
3. determines whether the business books and other documents of an enterprise are well maintained and in accordance with the regulations, and it can also give them for an expert assessment;
4. reports on the annual accounting statements and operating reports of an enterprise which are to be submitted to the assembly;
5. gives proposals for profit distribution;
6. reviews the auditors' reports;
7. passes the rules of procedure for its work;
8. performs other activities determined by law, the Founding charter and the statute.

(2) The supervisory board shall present the Assembly with the report holding results of supervision.

14.3. The requirement of electing the management board and the supervisory board

Article 65.

(1) The management board and the supervisory board are elected in the capital company that has over 100 employees.

(2) In exception to the provision in the paragraph 1 of this Article, in the linked enterprises, a supervisory board may be formed only at the level of the parent company, in accordance with the provisions of this law and the statute of parent and dependent company.

(3) In the capital company where the management and supervisory board are not elected, decisions on the issues within the scope of those authorities are made by the authority appointed in the Founding charter, that is, the statute.

14.4. Exclusion from the election

Article 66.

The owner representatives, that is representatives of the state capital in the assembly, proxies, members of the management and of the board of executive directors, members of supervisory board and the liquidity cannot be persons convicted for criminal offense against the economy or abuse of position for which legal consequences have begun, while those consequences are in effect.

14.5. Exclusion of supervisory board membership

Article 67.

Members of the management, proxies, members of the board of executive directors of the enterprise and linked enterprises and other employees in the enterprise, determined by the Articles of Incorporation or the statute, as well as the relatives of these persons, up to the third generation, cannot be elected for membership to the supervisory board.

14.6. Functions that cannot be combined

Article 68.

(1) In linked enterprises, director of a parent company cannot be director of a dependent company, or vice versa.

(2) In linked enterprises, a director of a parent company cannot be the president of the management board of a dependent company, nor can director of a dependent company be the president of the management board of a parent company.

(3) A representative of the state-owned capital in the enterprise assembly cannot be director of an enterprise, director of linked enterprises, member of the board of executive directors, or member of the supervisory or management board.

14.7. Mandate

Article 69.

Representatives of the owners, that is the state-owned capital in the assembly, members of the management and the board of executive directors and members of the supervisory board are elected for the time period determined by the Founding charter, or the statute, not exceeding the period of five years, with the possibility of reelection.

14.8. Limitation of election

Article 70.

(1) The same person can, at the same time, be a member of the management board in several enterprise.

(2) The same person can be a member of the supervisory board in several enterprises.

(3) Membership of the managing and supervisory boards of the linked enterprises is considered to be a membership of one board.

(4) Persons from the above paragraphs are obliged to inform the enterprise about multiple election.

14.9. Impeachment

Article 71.

Representatives of the owners, or the state-owned capital in the assembly, members of the management and the board of executive directors and members of the supervisory board are impeached according to same the procedure as for their election.

14.10. Liability of enterprise authority members for damages

14.10.1. Liability of the management members

Article 72.

(1) Members of the management have joint and several liability for the damage caused by their decision to the enterprise, creditors, and the owners, if that decision was made with negligence or with the intention of causing a damage.

(2) Provisions in paragraph 1 of this article are to be applied to the liquidator as well.

(3) Persons from paragraphs 1 and 2 of this article are not liable if they separate their opinions in the minutes.

14.10.2. Action for compensation of damages

Article 73.

(1) The assembly of the capital company can start proceedings with the competent court against the members of the management who made a decision which caused damage to the enterprise in the way stated in paragraph 1, article 72 of this law.

(2) Proceedings from paragraph 1 of this article can be started by the managing or supervisory boards, members and shareholders who have or represent at least one tenth of the share capital or a smaller share if determined by the statute, as well as the creditors of the enterprise whose claims amount to at least one tenth of the share capital, unless the assembly, at their request, starts the proceedings within 30 days from the day the request was submitted, or, in emergency cases, immediately, as well as in the case when members of the management have the majority of votes in the assembly.

(3) Provisions in paragraphs 1 and 2 of this article, also apply to the shareholders, members and creditors of linked enterprises (multiple derivation).

- (4) Shareholders, members and creditors shall notify the enterprise on started dispute.
- (5) Shareholders, members and creditors who succeed, in full or partially, in their complaint claim are entitled to cost recovery from the enterprise.
- (6) According to the complaint from paragraphs 1 and 2 of this article, the court can, in addition to cost coverage, annul the disputed decision, that is, a legal business if restitution is possible, or if it does not cause damage to the third, conscientious party.
- (7) A proceeding from paragraphs 1 and 2 of this article is urgent.

14.10.3. Exclusions of limitations and freedoms

Article 74.

- (1) Provisions of the Founding charter or the statute that anticipate the previous opinion or approval of the assembly or management for lodging a complaint from article 73 of this law on the behalf of an enterprise, or those that anticipate a withdrawal of submitting a complaint, are null and void.
- (2) The decision of the assembly of shareholders and members cannot forbid the lodging of a complaint arising from the liability of the members of management.

14.10.4. Expiration

Article 75.

The right to lodge a complaint from article 73 of this law expires within 90 days from the day of realization of the decision, and at the latest, within three years from the day the decision was made.

14.14.5. Liability of supervisory board

Article 76.

- (1) Members of the supervisory board are liable to the enterprise for the damage they cause, intentionally or out of negligence, while performing their duties.
- (2) Members of the supervisory board can be liable for the damages caused by the decision of the management members, if they knew, or must have known, of the decision, but did not inform the assembly of shareholders or the members.
- (3) The provisions of articles 72 to 75 of this law apply to liabilities of the members of supervisory board.

14.10.6. Individual complaint

Article 77.

- (1) A shareholder, or a member of the capital company can file an individual complaint for compensation of damages that directly affected him because of the decision of the enterprise authority.
- (2) An individual complaint from paragraph 1 of this article cannot be filed against the company, that is, members of the management who made the decision out of negligence or with the intent of causing a damage.

14.11. Liability of the enterprise authorities for unlawful decisions

14.11.1. Cessation of execution of the general enactment

Article 78.

(1) The director of an enterprise has a duty to stop the execution of the general enactment of the enterprise which s/he considers to be in contrast to the law or some other regulation, and s/he has to notify the body that passed that enactment immediately.

If the authority that passed the general enactment from paragraph 1 of this article does not bring into accord that enactment with the law within 30 days from the day it was notified by the director of the enterprise that s/he stopped the execution of that enactment, the director will, upon expiration of the deadline, within eight days, start the proceedings for the evaluation of the legality of that enactment.

(3) Until the enterprise authority reaches the decision regarding the announcement in paragraph 1 of this article, that is, until the competent authority reaches a decision, the enactment from that paragraph will not apply.

14.11.2. Complaint for annulment of unlawful decision

Article 79.

(1) The assembly of the capital company can start proceedings with the competent court against the decision of the enterprise authority regarding a decision it considers unlawful.

(2) A proceeding from paragraph 1 of this article can be started by the managing and supervisory boards, members and shareholders who have, or represent, at least one tenth of the share capital, or smaller part determined by the statute, as well as by creditors of an enterprise whose claims amount to at least one tenth of the share capital, if the assembly, at their request, does not start proceedings within 30 days from the day the request was submitted.

(3) Provisions of article 73, paragraphs 3 to 7 of this law, also apply to the complaint from paragraphs 1 and 2 of this article.

14.11.3. Measures

Article 80.

(1) Starting the proceeding from article 79 of this law does not delay enforcement of the decision, but the court may postpone the enforcement of contested decision until it reaches its own decision.

(2) Based on the complaint against the unlawful decision, the court can:

1. void the contested decision;
2. obligate the decision-maker to change the provisions of the statute, or other general enactment based on which unlawful decision was made.

14.12. Investigation of balance-sheets and decisions

Article 81.

(1) In cases established by the statute, members and shareholders who own, or represent, at least one tenth of the share capital, or a smaller part determined by the statute, as well as creditors of an enterprise whose claims amount to at least one tenth of the share capital, can request from the assembly of an enterprise to engage an expert to examine the last annual accounting reports or investment decisions from the past two years. If the assembly of an enterprise refuses to follow the suggestion or it does not reach a decision within 60 days from the day the proposal was submitted to the assembly, upon their request, an expert will be chosen by a competent court.

(2) A request from paragraph 1 of this article is to be submitted within 30 days from the day the assembly meets, or within 60 days from the day the proposal was submitted to the assembly.

15. Notification, business secret and competition clause

15.1. Notification of members and shareholders

Article 82.

(1) Members and shareholders shall be notified on enterprise and enterprise authorities' operations, its accounting reports, including consolidated accounting report, and the management's statements on performance of supervisory board and auditors.

(2) A member and a shareholder of an enterprise have a right to inspect the business books and documents of an enterprise, and to submit written questions regarding the enterprise management to the authorities determined by the Founding charter, to which they must receive written responses.

(3) A manner to enforce the rights from paragraphs 1 and 2 of this article is determined by the Founding charter, or the statute of the enterprise.

(4) If the authority assigned by the Founding charter, or the statute, does not enable a member or a shareholders of an enterprise to exercise his right of being informed, an interested member or a shareholder of an enterprise can submit a request to the competent court, in order to realize his/her rights from paragraphs 1 and 2 of this article.

15.2. Transparency of enterprise authorities

Article 83.

A manner for transparency accomplishment of an enterprise is determined by the statute or some other general enactment of the enterprise.

15.3. Notification of creditors and third parties

Article 84.

(1) A capital company shall submit to the court that maintains the register statements from accounting reports of an enterprise, consolidated accounting report of linked enterprises, management's statements about the business performance and the auditor's reports.

(2) A provision from paragraph 1 of this article does not apply to small enterprises, in the context of the law that regulates the accounting.

(3) Creditors of an enterprises and third parties are notified of the business operations of the enterprise through having access to the enactment from paragraph 1 of this article.

14.4. Notification of employees

Article 85.

(1) The enterprise management shall notify employees, in the manner determined by the statute, about its work and businesses performance of the enterprise, and especially of the development plans and their impact on the economical and social status of employees, about the trends and changes in income, protection and safety at work, and measures for improving the work conditions, distribution of profits, changes in the status, changes in form of the enterprise and founding of the enterprise.

(2) Employees of an enterprise may be notified on other issues determined by the statute.

15.5. Business secret

15.5.1. Definition

Article 86.

(1) A business secret considers documents and data, determined by the decision of enterprise management, which disclosure to an unauthorized party would be contrary enterprise activities and would damage its interests and business reputation.

(2) Documents and data claimed to be public by law, or documents and data on breaking the law on good business practices and principles of business morale cannot be considered business secrets.

(3) Founders, members, shareholders, members of the enterprise authority and employees shall be notified on the decision in paragraph 1 of this article.

15.5.2. Protection

Article 87.

(1) The manner of keep a business secret and the responsibilities of a person from paragraph 3, article 86 of this law, is determined by a decision of the enterprise management.

(2) Person outside the enterprise are also obliged to keep as a business secret data and documents that are considered a business secret of an enterprise if they knew about them, or, because of the nature of those documents and data, must have known that those were considered a business secret.

(3) Obligation of keeping a business secret continues even after termination of a status of a founder, member, or shareholder, expiration of a mandate of the member of enterprise authority and termination of employee's employment.

15.6. Competition clause

Article 88.

(1) A member of a partnership company, general partner of a limited partnership, member of a limited liability company and member of the management, supervisory board and board of executive directors of a limited liability company, joint stock company and public enterprise cannot have that feature, nor be employed or proxies in any other enterprise, that is, another legal entity of same or similar activity or an activity that could be considered competitive, nor can they be entrepreneurs conducting such activity.

(2) The Founding charter, that is, the statute of enterprise can also set the same limitations for limited partners in a limited partnership, or for shareholders in a joint stock company without a public registration of shares.

(3) The Founding charter, that is, the statute of enterprise can also establish that the prohibition from paragraph 1 of this article continues even after the loss of the feature from that paragraph, but not longer than two years.

(4) If a person from paragraph 1 of this article violates the competition clause, the enterprise can:

1. terminate the employment or other contractual work;
2. expel the member from the company;
3. request that the competitive activity be deleted from the register;
4. request compensation for damages.

(5) Instead of compensation for damages, the enterprise can request from the person from paragraph 1 of this article to:

1. surrender the transactions performed for one's personal benefit as transactions performed for the benefit of an enterprise;
2. transfer to the enterprise profits from the deals closed for the benefit of the other as deals closed for the benefit of an enterprise;
3. cede the rights to an enterprise from the deals closed for the benefit of the other as deals made for the benefit of an enterprise.

(6) The request of an enterprise for compensation of damages expires in 90 days from the day of realization of violation of the provisions in paragraph 1 of this article, and at the latest within three years from the day the violation was carried out.

15.7. Conflict of interests in business management

(Conflict of interests clause)

Article 89.

- (1) A member of a partnership, general partner of a limited partnership, member of a limited liability company and a member of a management, supervisory board and a board of executive directors of the limited liability company, joint stock company, public enterprise and a proxy may conclude, with the enterprise where they hold this title, a contract for a loan, deposit, warranty, guarantor and collateral, as well as the other legal business determined by the Founding charter, that is the statute, upon the approval of other members of the company, that is, the managing and supervisory board.
- (2) The approval from paragraph 1 of this article is also required for a legal business concluded by other persons, where there is an interest of the persons from that paragraph.
- (3) The interested party from paragraph 1 of this article cannot vote in the managing or supervisory board when deciding on approval.
- (4) Members of the company and shareholders shall be notified on the approval and legal business from paragraph 1 of this article in the first assembly meeting.
- (5) The Founding charter, that is, the statute anticipates that giving of the approval is not necessary for transactions carried out under usual terms.
- (6) A natural person as a founder, shareholder and a member of a company of one person cannot conclude a contract for a loan, deposit, warranty, guarantor and collateral, with his/her company.

16. General enactment of the enterprise

Article 90.

- (1) General enactment of enterprise are: the statute, regulations and a decision which in general manner settles certain issues, unless otherwise prescribed by this law.
- (2) The statute is the main general act of an enterprise.
- (3) Other general enactment of enterprise must be in accordance with the statute.
- (4) Individual enactment passed by the authorities and authorized individuals in enterprise must be in accordance with the general enactment of enterprise.

17. Register

17.1. Subject of registration

Article 91.

The register contains the following entries: firm, activity, Head Office, representatives, founding deposit and founding capital (recorded and paid) and other data prescribed by this law.

17.2. Subject of registration

Article 92.

- (1) An enterprise, as well as an entrepreneur, earning an annual income larger than 200.000 KM in Dinar counter-value shall be entered into the register maintained by a competent court, according to the procedure and manner determined by law.

(2) If an entrepreneur, who is registered in the register maintained by a competent court, does not earn during one year the income from paragraph 1 of this article, s/he can remain registered in that register.

(3) A natural person, who performs activities in order to make a profit, but does not earn the annual income specified in paragraph 1 of this article, shall be entered in the register defined by law that determines their legal status.

17.3. Assumption of accuracy

Article 93.

(1) Those who in legal trade, acting conscientiously, rely on data entered in the register, shall not suffer harmful legal consequences that result from it.

(2) No one can claim that s/he was not familiar with data entered in the register, unless otherwise prescribed by this law.

17.4. Report of change

Article 94.

An enterprise reports for the register entry all changes to data that need to be entered into the register.

17.5. Notification on registration data

Article 95.

Business enactment of enterprise intended for third parties (memos, invoices, orders, etc.), in addition to the firm and Head Office, also contain a sign of the court where enterprise is entered into the register, registration entry number, account number and personal identification number, and also a sign for an auditor, and for a joint stock company and limited liability company - and amount of the share capital and non-paid deposits.

18. Termination of an enterprise

Article 96.

(1) An enterprise shall cease its activities if:

1. it's prohibited to perform the activities because it does not meet the requirements for performance of the activity, or does not fulfill the conditions in time frame determined in the pronounced ruling, or, does not change the activity.
2. the natural and other conditions for the performance of activity cease to exist;
3. the founding time period expires;
4. the assembly, or the members decide so;
5. the number of its members or shareholders, except for the joint stock company without the public registration of shares and the limited liability company, is reduced to one, and a new member or a shareholder does not register with the court that maintains the register within six months.
6. the court decides that the registration is invalid;
7. it's not organized in accordance with this law;
8. does not conduct activities more than two years in a row;
9. it goes into a bankruptcy;
10. the share capital of the capital company is reduced below the minimum amount of the capital prescribed by this and other laws;
11. it merges with another enterprise or if it is divided;
12. in other cases if the provisions of this law, on certain forms of enterprises, prescribe so;

(2) Liquidation of an enterprise is carried out in cases described in items 1 to 6 of paragraph 1 of this article, and in cases in items 7,8, and 10 of this paragraph - a bankruptcy.

(3) An enterprise ceases to exist by being deleted from the register.

19. Cession of the entrepreneur's activities performance

Article 97.

(1) An entrepreneur shall cease to perform its activities:

1. by a written notice of withdrawal;
2. if the natural and other conditions for performance of activities cease to exist;
3. the founding time period expires;
4. if there is a loss of business capability;
5. by death;
6. if it does not perform activities more than two years in a row;
7. if it is prohibited from performance of activities;
8. if a decision on the register entry is void;
9. in other cases prescribed by law.

(2) An entrepreneur loses this feature by being deleted from the register.

20. Expiration of claims

Article 98.

(1) Claims of the members and shareholders arising from that feature towards an enterprise expire within three years from the day of maturity, unless the law provides otherwise for certain claims.

(2) Claims of the creditors of an enterprise towards the members and shareholders expire within three years from the day of termination of an enterprise, or a membership, that is, a shareholder status, if the law for individual claims does not determine a different expiration date.

(3) Provisions in paragraphs 1 and 2 of this article also apply to claims of an enterprise towards members and shareholders arising from that feature.

21. Application of provisions of this segment of the law

21.1. Application to enterprises

Article 99.

The provisions of Part One (Joint provisions) of this law apply to all forms of an enterprise, and provisions of capital companies accordingly apply to the public enterprise, unless otherwise prescribed for certain forms of an enterprise by this law.

21.2. Application to entrepreneur

Article 100.

The provisions of Part One (Joint provisions) of this law accordingly apply to the entrepreneur, unless otherwise prescribed by this law.

PART TWO

SPECIAL PROVISIONS FOR CERTAIN ENTERPRISES

CHAPTER 1

COMPANIES OF PERSONS

I. PARTNERSHIP

Definition

Article 101.

A partnership is a company founded by an agreement of two or more natural persons who bind themselves to, with personal unlimited joint and several liability for responsibilities of a company, conduct a specific activity under the mutual firm.

2. Application of rules of partnership agreement

Article 102.

The rules of partnership agreement apply to the agreement on partnership establishment, unless otherwise determined by the agreement on establishment.

3. Company authorities

Article 103.

- (1) A partnership has a director (the management).
- (2) The duty of a director may be performed by one or more members.
- (3) The agreement on partnership establishment determines the manner of performance of duties of other authorities in article 60. of this law when those authorities are not to be elected.

4. Application for entry into the register

Article 104.

In addition to information listed in article 91. of this law, the application for entry into the register also contains personal name, occupation and domicile of each member of a partnership.

5. Legal relations among members of the company

5.1. The freedom of contracting

Article 105.

Legal relations among members of a partnership are established by the agreement on company establishment, unless otherwise prescribed by this law.

5.2. The deposit

Article 106.

- (1) A member of a partnership can invest money, items, rights, labor, or services into the company. The value of non-monetary investment is determined by the consent of members of a partnership and it is expressed in money.
- (2) Members of a partnership shall invest equal deposits, unless otherwise agreed.

5.3. Obligation of proper conduct

Article 107.

(1) A member of a partnership is obliged to act with caution when conducting the company's business towards his/hers personal things and business.

(2) A member of a partnership, when conducting the company's business, is liable to the company for any damage s/he causes intentionally or out of negligence.

5.4. Reimbursement of expenses

Article 108.

A member of a partnership has the right to request from a company a reimbursement of expenses that occurred while s/he conducted the company's business, and which were essential considering the circumstances of the business dealings.

5.5. Consequences of delay

Article 109.

A member of a partnership who does not pay the deposit within a deadline anticipated in the agreement on company establishment, or the money received for the company does not give the to the company without a delay, or, without justification keeps the company's money for him/herself, that is, delays entering his/her other deposits into the company's property, such person is obliged to pay interest from the day s/he was obliged to make a payment, that is, give the money, or from the day s/he took the money, or had to compensates the company for caused damage.

5.6. Increase of deposit

Article 110.

A member of a partnership is not obliged to increase the deposit above the agreed amount , nor to supplement it if it diminishes without his fault.

5.7. Decrease of deposit

Article 111.

A member of a partnership does not have the right to decrease the deposit within the company without an agreement of other members.

5.8. Management of deposit and share

Article 112.

(1) A member of a partnership cannot withdraw or alienate his/her deposit, nor encumber it without the consent of other members of the company.

(2) A deposit, or its monetary value, may be withdrawn only in the case of termination of a partnership or membership.

5.9. Transfer of share among company members

Article 113.

The transfer of shares among members of a partnership is allowed, unless otherwise determined by the agreement on company establishment.

5.10. Consequences of breaking the competition clause

Article 114.

(1) If a member of a partnership breaks a competition clause, other members of the company make the decision on realization of a request from article 88. of this law.

(2) Provisions of article 88. of this law do not exclude the right of other members of a partnership to request a termination of a company and to accomplish other requests based on this law.

5.11. Right to management

Article 115.

(1) All members of a partnership have right to manage the company's business (hereinafter: management).

(2) If in the agreement on partnership establishment the management is entrusted to one or more members, other members of the company do not have right to manage the business.

5.12. Scope of management

Article 116.

(1) The management includes the authority for performance of the legal work and other activities which are regularly performed during the realization of partnership's activities.

(2) Legal work and the activities which surpass the authority from paragraph 1 of this article may be performed upon the consent of all members of a partnership, unless the agreement on company establishment does not establish majority decision-making.

5.13. Manner of the management

Article 117.

(1) If right on management belongs to a few or all members of a partnership, each of those members has a right to act independently, except, if other members of a partnership authorized for the management do not file a protest in harmonization with the agreement on establishment, in which case the business doesn't have to be refused if there is a danger from deferral.

(2) If the agreement on partnership establishment determines that members of a partnership authorized for the management may act only together, than every business transaction requires a consent of all members of a partnership authorized for the management, except if there is a danger from deferral.

5.14. Transfer of the right to conduct business dealings

Article 118.

(1) A member of a partnership cannot transfer the right on management to a third party, unless if it is anticipated by the agreement on company establishment or upon the agreement of all company members.

(2) If the transfer from paragraph 1. of this article is allowed, a member of a partnership is responsible only for the selection of the person the right on management is transferred to.

5.15. Reciprocal giving of instructions

Article 119.

Under the Agreement on partnership establishment it can be determined that a member of the company who is authorized for the management is obliged to consider the instructions of other members of the company authorized for the management. If a member of the company presumes that the instructions are not suitable, s/he shall inform other members of the company authorized for the management for a purpose of making a decision, unless there is a danger from deferral.

5.16. Abrogation and cancellation of management

Article 120.

(1) A member of a partnership who is authorized for the management can renounce from the management, by giving a notice in a period determined by the agreement on company establishment.

(2) Members of a partnership can deny the right on management to a member, in case of serious violation of duty or incapacity in management performance, in accordance with the agreement on company establishment.

5.17. Decision-making

Article 121.

(1) Each member of a partnership has one vote in decision-making, unless otherwise determined by the agreement on company establishment.

(2) Members of a partnership make decisions unanimously, unless the majority decision-making is not anticipated by the agreement on company establishment.

(3) Except from the provision of paragraph 1 of this article, a member of a partnership to whom the decision referees to does not participate in the decision-making process.

5.18. Procuration

Article 122.

A procuration may be granted and revoked by the consensus of all members of a partnership who are authorized for the management.

5.19. Obligation of disclosure and right of access into the business books

Article 123.

(1) A member of a partnership authorized for the management is obliged to submit to other members reports on company's business transactions, and upon their request, also a statement of account.

(2) Each member of a partnership can be personally acquainted with the company's business and has the right of access into the business books and other documents of the company.

(3) An Agreement on partnership establishment cannot exclude or restrict the members to exercise their rights from paragraphs 1 and 2 of this law.

5.20. Annual settlement

Article 124.

(1) A partnership company, at the end of the year, shall prepare the annual settlement, which determines a profit or loss of the company, as well as participation of each member in the profit distribution or loss bearing.

(2) Profit that belongs to a member of a partnership is attributed to his/her share, if determined so by the agreement on company establishment, and participation of a member in loss and money withdrawn during the business year is deducted from his/her share.

(3) Exclusion of a partnership member from profit or loss is null and void.

5.21. Profit distribution and loss bearing

Article 125.

(1) Profit of a partnership is distributed among member of the company in accordance with the agreement on company establishment.

(2) When calculating a portion of the profit that belongs to a member of a partnership in accordance with paragraph 1 of this article, the payment of deposit that member of a company made during the business year is taken into a consideration, in proportion to the time that elapsed since the date the payment was made. If member of a company has already withdrawn the money arising from his/her share during the business year, when calculating the share of a profit that belongs to him/her it is the reduced amount that is considered, in proportion to the time that elapsed since the date of withdrawal.

(3) A loss of a partnership shall bear members of the company, in accordance with the agreement on company establishment.

5.22. Link between profit and loss

Article 126.

If the Agreement on company establishment deviates from the provision of article 125. of this law, only in terms of share in the profit or loss, in doubt, deviations concern both profits and losses.

5.23. Money withdrawal

Article 127.

Each member of a partnership has the right, to the debit of his/her own share, to withdraw the company's money up to the amount determined by the agreement on establishment, not more than 4% of his/her share in the previous business year.

6. Legal relations of a partnership and its members towards third parties

6.1. Transfer of shares to third parties

Article 128.

(1) A member of a partnership can transfer his/her share to a third party upon the consent of other members of the company.

(2) In case of transfer of shares to a third party, members of a partnership have the preemptive right , in accordance with the agreement on establishment.

6.2. Right of representation

Article 129.

(1) A partnership is represented by a member of the company who is entrusted the management of the company, whereas other members can also be authorized to represent the company, based on the agreement on establishment.

(2) If more members represent a partnership, each representative represents it and signs for it independently, unless the agreement on establishment determines the collective representation.

(3) If the statements of will, invitation, complaint and similar were carried out on one of the members of a partnership authorized for collective representation, it is considered that they were carried out on the company.

6.3. Termination of the right of representation

Article 130.

(1) A representative can renounce his/her right to representation in accordance with the Agreement on partnership establishment.

(2) Members of a partnership can deny a member of a company the right of representation in case of a serious violation of representing duty or incapacity of representation, in accordance with the agreement on establishment.

6.4. Liability of company members

Article 131.

(1) Each member of the company is jointly and severally liable with his/her property for liabilities of a partnership, without the possibility of opposite agreement.

(2) The shares that a member of a partnership transferred into the company's property cannot be used as a guarantee or settlement of a company member creditor's claims.

(3) In case of termination of a partnership or membership relationship, a share which belongs to the member of the company can be used for settlement of company member creditor's claims.

(4) For duration of membership relationship in a partnership, a creditor of a company member can settle his/her claims with both, the claims of that company member towards the company, and from a share that belongs to that company member based on the share in the company.

6.5. Objections

Article 132.

(1) If a creditor files a complaint against member of a partnership regarding the liabilities of the company, a member of the company can file a personal objections and objections of the company.

(2) A member of a partnership can disregard the complaint of the creditor while exists the right of the company to contest the validity of legal work which constitutes the base of liability.

6.6. Compensation

Article 133.

(1) A partnership cannot compensate the claims of one of its members towards the creditor of the company.

(2) A member of a partnership cannot compensate the claims of a company or some other member of the company towards his/her creditor.

6.7. Liability of new company member

Article 134.

A member of a partnership who joins the company later on is responsible for the company's liabilities just as same as the other members; without a possibility of contradictory agreement with an influence on third parties.

7. Termination of partnership by termination of membership

7.1. Special cases

Article 135.

(1) In addition to the cases from article 96. of this law, a partnership shall also be terminated by cancellation, expulsion of a member of the company and death of a member, unless otherwise determined by the agreement on establishment.

(2) A partnership shall also be terminated by a court decision.

7.2. Resignation of a company member

Article 136.

(1) If a partnership is founded for an unlimited period of time, a member of the company can cancel the membership with a minimum notice of six months.

(2) Expulsion or restriction of the right of a member of a partnership to cancel the agreement on establishment is null and void.

7.3. Court decision

Article 137.

Based on the complaint of a member of a partnership, a court can decide to terminate the company if the other member of the company, on purpose or out of negligence, violates the liability from the agreement on establishment or if the fulfillment of such liability becomes impossible.

(2) Expulsion or restriction of the right from paragraph 1 of this article is null and void by the agreement on establishment.

7.4. Expulsion of a member

Article 138.

If with one member of a partnership occur the circumstances which, according to the provision of article 137. of this law grant other members of the company the right to demand termination of the company, the court can, upon the complaint of other members to the company, instead of making a decision to terminate the company, make a decision to expel that member from the company.

7.5. Continuation of a company with successors

Article 139.

(1) A partnership continues with the successors of the deceased member of the company if that is determined by the agreement on establishment and if the successors accept it.

(2) The successors can realize the right from paragraph 1 of this article within 30 days from the day the decision on succession comes into force, or within 30 days from the day of appointment of the representative of a successor who is incompetent to participate in business dealings.

(3) If a successor conditions his/her / further presence with a partnership by the status of a limited partner, and members of the company accept it, then a partnership takes form of a limited partnership.

7.6. Continuation of company's business

Article 140.

(1) If a member of a partnership dies, a successor to the deceased member of the company is obliged to immediately inform the members of the company.

(2) In case of paragraph 1 of this article, other members of a partnership are obliged to complete the unfinished business of the company if there is a risk of delay.

(3) The provision of paragraph 2 of this article is applied in other special cases of termination of a partnership from article 135 of this law.

7.7. Separation of a member of the company by termination of a membership

Article 141.

(1) If the agreement on partnership establishment determines that the company, in case of one member canceling the agreement, will still continue to exist with the remaining members of the company, then that member of the company shall be separated from the company at the moment of expiration of his/her termination notice.

(2) Provision of paragraph 1. of this article also applies in case of the expulsion or the death of a member of a partnership.

7.8. Special rights and liabilities of a separated member of the company

Article 142.

(1) A separated member of a partnership shall receive back all of his/her belongings given to the company at its disposal.

(2) A separated member of a partnership shall receive cash payments in the amount that s/he would receive after the balancing of the accounts, if the company would be terminated during the time of his/her separation.

(3) If the value of a partnership's property is not sufficient to cover the commitments of the company, separated member of the company must pay the portion of the amount that is insufficient, in proportion to his/her participation in the loss bearing.

7.9. Participation of separated member in unfinished business

Article 143.

(1) A separated member of a partnership has the right to participate in the profit and liability to participate in loss bearing for the business that was not finished at the moment of his/her separation, unless otherwise determined by the agreement on establishment.

(2) In case of paragraph 1 of this article, a separated member of a partnership can, at the end of every business year, request the settlement of completed business for that business year, payment of the amount that belongs to him/her and a report on the status of incomplete business.

7.10. Application for register subscription

Article 144.

Termination of a partnership and membership in the company shall be reported to the court that maintains the register for further registration and notice.

8. Liquidation of a partnership

8.1. Base and procedure

Article 145.

(1) Liquidation is carried out when the conditions for termination of a partnership arise, except in the case of changes in the status and a bankruptcy.

(2) Liquidation procedure can be regular and shortened.

8.2. Regular procedure

8.2.1. Appointment of a liquidator

Article 146.

(1) Liquidation of a partnership is implemented by all members of the company as the liquidators, unless the authority of a liquidator is entrusted to one member, several members or a third party by the agreement on establishment or the decision of members of the company. Several successors of one member of the company determine a mutual representative.

(2) If members of a partnership do not appoint a liquidator within 15 days from the day of company terminating conditions coming into effect, upon the request of a company member, a competent court shall appoint a liquidator from the line of third parties.

(3) If a partnership is terminated in cases from items 1, 5 and 6 of paragraph 1 of article 96 of this law, liquidation of the company is carried out by the court.

8.2.2. Subscription into the register and announcement

Article 147.

(1) Members of a partnership shall register, for subscription into the register, nomination of a liquidator, changes of a liquidator and changes in his/her authorities.

(2) Registration of the court-appointed-liquidator, as well as the registration of a court release of a liquidator are carried out ex officio.

(3) The liquidator endorses his/her signature with the court that maintains the register.

(4) The decision on termination of a partnership by liquidation, with an invitation the creditors to report their claims within 30 days from the day of announcement, as well as the decision on appointment of a liquidator, are published in the Official Gazette of Republika Srpska twice, with the time interval of at least 7, and 30 days at the most.

8.2.3. Rights and liabilities of a liquidator

Article 148.

Liquidator has rights and liabilities of the bankruptcy administrator determined by the law which regulates bankruptcy.

8.2.4. Impeachment of a liquidator

Article 149.

(1) Members of a partnership, by the anonymous decision, can impeach the liquidator they appointed.

(2) The court can relieve a liquidator from his/her duty, upon the request of a member of a partnership.

8.2.5. Returning of the borrowed items

Article 150.

An item given to the company to use by a partnership company's member, is to be returned to that company's member.

8.2.6. Mutual representation and managing of business

Article 151.

(1) If there is more than one liquidator, they exercise rights and perform their duties commonly, unless their independent acting has been determined, which is registered into the register.

(2) The provision of paragraph 1. of this article does not prevent liquidators to elect one person among them and authorize him/her to conduct certain business or certain kinds of business.

8.2.7. Unlimited authority

Article 152.

Limitations of the authorization of the liquidator have no effect towards the third parties.

8.2.8. Instructions

Article 153.

In terms of managing the business of the partnership, the liquidator is obligated to conduct it in accordance with the instructions of the company's members.

8.2.9. Firm

Article 154.

The firm of the partnership subject to liquidation procedure shall contain the sign "in the liquidation".

8.2.10. Balance

Article 155.

(1) The liquidator prepares the opening liquidation balance sheet at the beginning of the liquidation procedure, and at the end - a final accounting liquidation statement.

(2) If the liquidation is carried out for more than one year, the liquidator prepares accounting statements of the partnership at the each business year end.

8.2.11. Division of the property

Article 156.

(1) After settling with the creditors, the liquidator divides the remaining property of the partnership among other members of the company, in proportion to their shares in the company, as determined in the final liquidation balance sheet.

(2) The provision of article 127. of this law shall not be applied during the liquidation procedure.

(3) If there is a dispute between partnership members regarding division of the company's property, the liquidator may postpone the division until the dispute is resolved

8.2.12. Settling with the creditors

Article 157.

If the partnership's property is not sufficient to pay off the creditors, members of the partnership will pay off the creditors in as same proportion as they would cover losses.

If one of the company members does not pay his/her share, other company members shall pay his/her share according to this proportion.

8.2.13. Legal relations among the members of the company

Article 158.

Until the liquidation procedure end, the provisions of articles 105. to 134. of this law apply to the legal relations among the partnership members and legal relations between the company members and third parties.

8.2.14. Compensation for the liquidator

Article 159.

(1) The liquidator has the right to compensation for the expenses and for his/her work from the property of the partnership. Members of the company determine the amount of compensation; in the case that the court appoints the liquidator, the compensation is determined by the court.

(2) Compensation for work and expenses is paid to the liquidator after settling with the creditors, but before the property is divided to members.

8.2.15. Deletion of the company and business books

(1) The liquidator reports completion of the liquidation procedure to the court, thus deleting the partnership from the register.

(2) Business books and documents of the partnership that ceased to exist are handed over to one of the company members or to a third person for keeping. If the members of the company may not reach an agreement, company member or a third person is appointed by the court. Business books and documents are kept in accordance with the provisions on Registry materials and archives.

(3) The information on who will keep the business books and documents of the partnership is entered into the register.

(4) Members of the partnership and their successors are entitled to have insight into business books and documents as well as to use those books and documents.

8.2.16. Commencement of Claims Expiration

Article 161.

(1) Expiration of Claims from a partnership's member for the company's liabilities takes place on the day when the termination of the company or membership was entered into the register.

(2) If the claims of the creditor from paragraph 1. of this article towards the partnership mature after the registration, expiration of claims takes place on the maturity date of the claims.

8.2.17. Termination of statute of limitation

Article 162.

(1) Termination of statute of limitations for claims towards the partnership that ceased to exist, takes effect against the members of the company who were members of the company at the time of termination of the company.

(2) Termination of statute of limitations for claims towards the partnership that did not cease to exist, does not take effect against the members of the company whose membership was terminated, and termination of statute of limitations that took effect only towards a certain members of the company, does not take effect against other members of the company.

8.3. Shortened procedure

Article 163.

(1) Members of the partnership may decide to shorten the liquidation procedure, if they make a statement to the competent court of having all company liabilities towards the creditors settled and settled relations with the employees.

(2) Members of the partnership have joint and several liability for the company's liabilities for three years following the day of the companies deletion from the register.

(3) The court may demand partnership members the proof of truthfulness of the statement from paragraph 1. of this article, as well as certain security payment(collateral) of liabilities towards the creditors.

(4) A decision on cessation of partnership by shortened procedure is published in the Official Gazette of Republika Srpska, containing all names and addresses of company members.

II LIMITED PARTNERSHIP

1. Definition

Article 164.

(1) A limited partnership is a company founded upon the agreement between two or more persons for the purpose of conducting activity under the mutual firm, in which at least one person has unlimited solidarity liability for the company liabilities (hereinafter: general partner), and the risk of at least one person is limited to the amount of the deposit agreed upon (hereinafter: limited partner).

(2) General partner may be only a natural person, and limited partner may be natural and legal person.

2. Application of the provisions on partnership

Article 165.

(1) The provisions of the Law on partnership shall be applied to a limited partnership, unless otherwise prescribed by this Law

(2) General partners hold partnership members status.

3. Registration Form

Article 166.

(1) In addition to data listed in articles 91. and 104. of this Law, registration form also contains the name and address of each limited partner, i.e. indication of the firm and the domicile of the limited partner, as well as the identification of their deposits.

(2) The name, i.e. the firm of the limited partner is not listed.

4. Legal relationship between the members

4.1. A subject matter of deposit/share

Article 167.

(1) Deposit of a limited partner in the limited partnership may be in cash, kind, and rights.

(2) Deposit of a limited partner in kind and rights is assessed by an authorized assessor, unless their monetary value does not exceed 3000 convertible marks, or its equivalent in dinars at the exchange rate on the day the deposit is made, in which case, the assessment is done by the founders.

(3) A limited partner brings to a limited partnership the entire deposit agreed upon until the registration of the company, unless otherwise determined by the Foundation Act.

(4) The deposit of a limited partner may not be one in work performed nor services provided to the limited partnership.

4.2. Business management

Article 168.

(1) A general partner manages a limited partnership and manages the company's business.

(2) A limited partner may not manage the business of a limited partnership.

(3) A limited partner may not oppose the way a general partner manages the business of a limited partnership, unless it refers to the activities outside the company's scope.

4.3. Competition clause

Article 169.

Limited Partnership Foundation Act anticipates the application of the regulation on competition clause from the Article 88 of this Law to the general partner also.

4.4. Limited partner's disclosure and transparency rights

Article 170.

(1) A limited partner is entitled to demand the transcript of an annual financial statement, as well as to demand disclosure of business books and documents.

(2) If there is a justified reason, the court may at any time, upon a limited partner's request, obligate the limited partnership to submit the transcript of the financial statement to the limited partner or to disclose the business books and documents to her/him.

4.5. Profits and losses

Article 171.

(1) The provisions of article 124. of this Law also apply to the limited partners. A limited partner's profit is ascribed to his/her share up to the amount of his/her share agreed upon.

(2) A limited partner participates in the loss bearing up to the amount of his/her agreed share.

4.6. Profit sharing and loss reduction

Article 172.

Profit sharing and loss bearing among the limited partnership members is done in accordance with the Company's Foundation Act.

4.7. Withdrawal of money and payment of profits

Article 173.

(1) A limited partner does not have a right to withdraw money from the limited partnership on account of his/her own share.

(2) A limited partner may not demand profit paid out while his share is reduced due to the loss.

(3) A limited partner is not obliged, due to loss, to return the profit already received.

5. Legal relationship of the limited partnership and its members towards the third party

5.1. Representation

Article 174.

A limited partner may not represent a limited partnership unless granted a power of attorney or procuration.

5.2. Liability of a limited partner

Article 175.

(1) A limited partnership and creditors of the company may take legal action against a limited partner who did not pay or did not put in his share agreed upon, i.e. a part of the share, in which case a limited partner is liable only for the amount up to the unpaid share.

(2) In the case of paragraph 1. of this article, all limited partners are jointly and severally liable.

(3) An agreement of the members of the limited partnership by which a limited partner is exempted from paying his/her share, partially or in full, or the payment of his/her share is postponed, does not bear legal effect towards the creditors whose claims emerged before the agreement was entered into the register.

(4) If a share is returned to the limited partner, share is considered in relation to the creditor as not returned.

(5) If the participation in profit sharing is paid to a limited partner while his/her share is, due to loss, reduced to below the amount of the share agreed upon, or if by that payment the share is reduced to below the amount of the share agreed upon in relation to the creditors, the payment is considered as not been made.

(6) A limited partner is not obliged to return to the limited partnership the profit received, in good faith, and based on completed statement of accounts, except in the case of paragraph 5. of this article.

5.3. Responsibilities of a limited partner as a general partner

Article 176.

(1) A limited partner as well as a general partner has liability if by his/her consent his/her name was entered into the name of the limited partnership's firm.

(2) A limited partner who, as an authorized agent or a procurator, makes contract with the third party, without declaring her/is acting as an authorized agent or a procurator, has as same liability as a general partner for the liabilities emerging from the contract towards the third conscientious party.

(3) A limited partner has as same responsibility as a general partner if acting in contrast to the provision of article 168., paragraph 2. of this Law.

5.4. Liability before registration

Article 177.

If the founders of the limited partnership take liability for company's business management prior to its registration, a limited partner who agreed on taking liabilities is as same liable for those liabilities as a general partner.

5.5. Liability of a new member

Article 178.

A limited partner who joins the limited partnership after its incorporation has as same liability for the company's commitments towards the third parties, that emerged before she/he joined the company, as other limited partners.

5.6. Personal creditors and creditors of the company

Article 179.

(1) Personal creditors of a limited partner and a general partner do not have the right to collection of payments nor secured payment from the limited partnership's property.

(2) If the property of the limited partnership is not sufficient to settle the claims of the company's creditors, the company's creditors may realize their rights towards the general partners equally with their personal creditors.

(3) Creditors of the limited partnership and the company do not have the priority over the limited partner's personal creditors for the portion of deposit which, pursuant to Company's Foundation Act, is not paid in, i.e. placed into the company's property.

5.7. Transfer of shares

Article 180.

(1) Shares of the limited partnership members can be transferred as a whole, or in portions.

(2) Shares of the limited partnership members can be freely transferred among the members of the company, unless otherwise determined by Company's Foundation Act.

(3) Limited partnership members dispose of the shares for the third parties with conformity of all general partners and limited partners with majority share.

(4) General partners and limited partners, in the case of share sales, have preferential right in buying them, in a manner envisaged by the limited partnership's Foundation Act.

5.8. Alterations of the contract

Article 181.

(1) Limited partnership's Foundation Act may be altered by common consent of all company members, unless otherwise prescribed by the Company's Foundation Act

(2) Alterations in the limited partnership Foundation Act upon which obligations of the company members determined by the partnership Foundation Act increase, or which impose new obligations on the company members, are induced by the common consent of all company members.

5.9. Cessation of membership and change of the form of the company

Article 182.

(1) In case of death of a limited partnership's member or termination of one or more limited partners, the company shall not cease to exist.

(2) If all general partners step out from the limited partnership, a company may continue its activity as a limited liability company, a joint-stock company, or as an entrepreneur.

(3) If all limited partners leave limited partnership, a company may continue its activity as a partnership or as an entrepreneur.

(4) Any changes from paragraphs 1. to 3. of this article are entered into the register.

CHAPTER II

CAPITAL (COMPANIES, CORPORATIONS)

COMPANY

I. JOINT STOCK COMPANY

1. DEFINITION

Article 183.

(1) A joint stock company is company formed by legal i.e. natural entities for the purpose of carrying on a business, and its share capital is determined and divided into shares of certain nominal value.

(2) The sum of share nominal values constitutes the joint stock company's capital stock.

2. Founding

2.1. Foundation Act and Statute

Article 184.

(1) A joint stock company is founded by The Foundation Act; if founded by a single member then by The Foundation Resolution.

(2) Par. 1. of this Article contains provisions from Article 11. of this Law as well as other provisions relevant to founding a joint stock company as agreed upon by the founders.

(3) A joint stock company has The Statute.

2.2. Simultaneous and Successive Founding

Article 185.

(1) Founders may found a joint stock company:

1. By buying out all shares at the moment of founding, without a public prospectus on subscription to and payment of shares - the simultaneous founding;
2. By a public prospectus addressed to third parties on subscription to and payment of shares - the successive (gradual) founding.

(2) A joint stock company founded by public prospectus on subscription to and payment of shares may be founded by at least two founders, while a stock company founded without the public prospectus on subscription to and payment of shares may be founded only by a sole founder.

3. The Minimum of Share Capital

Article 186.

(1) A part of the joint capital in money pertaining to simultaneously founded joint stock company may not be less than 10.000 convertible marks or its countervalue in dinars at the exchange rate on the day of cash deposit.

(2) A part of the share capital in money pertaining to successively founded joint stock company may not be less than 20.000 convertible marks or its countervalue in dinars at the exchange rate on the day of cash deposit.

4. Issuing value of shares

Article 187.

The shares may not be issued, by this or some other Law, in an amount less than the minimum amount of joint stock company's share capital.

5. The Minimum Amount of Deposit

Article 188.

(1) A part of the founders' deposit of a sole shareholder in money may not be less than 500 convertible marks or its countervalue in dinars at the exchange rate on the day of cash deposit.

(2) Exceptionally from the Par 1. of this Article, if shareholders buy shares under privileged conditions in accordance with the Law, the deposit in money may be less in its amount.

6. The Least Nominal Value of a Share

Article 189.

(1) The least nominal value of a share may not be less than 5 convertible marks or the countervalue in dinars at the exchange rate on the day of cash deposit, except in the case pertaining to Article 186., Par 2. of this Law. Shares of less nominal value are invalid. The issuers are jointly and severally liable for any damages caused by such an issuance.

(2) Higher nominal values of shares are to be expressed in the amounts of convertible marks dividable by 10.

(3) Shares may not be issued nor sold, if to be issued bellow their nominal value, except in the case pertaining to Article 188., Par. 2. of this Law.

7. Deposits

Article 190.

- (1) Shareholders' deposits may be in the form of either cash or kinds and rights expressed in money.
- (2) Deposits in kinds and rights are assessed by an authorized assessor.
- (3) The provision of Par 2. of this Article shall be applied when within the period of two years following the company's foundation, founded joint stock company buys kinds and rights from the founders.
- (4) Exceptionally from provision of Par 2. of this Article, if the deposit value in kinds and rights does not exceed the share capital's minimum amount in money determined by this Law, the deposit shall be assessed by the founders.
- (5) Shareholders' deposits in the joint stock company may not be in the form of the work done nor in services provided to the company.

8. Foundation Expenses

Article 191.

- (1) The founders cover joint stock company's foundation expenses proportional to the number of shares they own.
- (2) The founders may claim their real foundation expenses from the joint stock company up to the highest amount ascribed to foundation expenses by the Foundation Act or by the Assembly's Resolution.
- (3) Foundation expenses may be compensated, unless otherwise determined by The Company's Foundation Act, only from the joint stock company's profit and shareholders may decide to give to those payments priority over participation in profit sharing.

9. Special Regulations for One-Member Company

Article 192.

- (1) Natural person may found one-member stock company.
- (2) Natural person who is a partner in a partnership i.e. a general partner in a limited partnership i.e. is involved in an entrepreneurial activity may not found a one-member stock company.
- (3) In case of violation of Par 1. and 2. of this Article, any interested party may appeal to the court to terminate the stock company and the court may grant a six months period for admission of another shareholder.
- (4) If, preceding the registration of a stock company in the Register, a founder has failed to pay in, in full, the monetary part of founders' share, i.e. did not put in the share, for the unpaid amount i.e. for the non-monetary share not put in he/she shall provide corresponding security instruments and submit to the court documentation on that when applying for registration.

10. Simultaneous Foundation

10.1. Procedure

Article 193.

- (1) Founders found a joint stock company by buying up all shares prior to registration of the company, without public prospectus on subscription to shares and their payments and without convening Founders' Assembly.
- (2) All founders sign The Joint Stock Company's Foundation Act and pass The Company's Statute. A joint stock company founded without public prospectus on subscription to shares and

their payment may have up to 50 shareholders at most, except in the case pertaining to Article 188, Par 2 of this Law.

10.2. Deposits

Article 194.

(1) Agreed cash deposits in the amount of at least 50% of a money part of the share/nominal capital are deposited on bank's provisional account until a joint stock company is registered with the Register, i.e. 50% of each shareholder's nominal share, while the remaining part is to be deposited within two years from the day the company is registered, in accordance with the Company's Foundation Act.

(2) Exceptionally from Par.1 of this Article, if shares are sold at the value higher than nominal, the amount exceeding those values has to be deposited in full prior to registration of the joint stock company.

(3) Exceptionally from the Par1 of this Article, if the monetary part of the share capital in money is exceeding the amount of 25.000 convertible marks or the countervalue in dinars at the exchange rate on the day of deposit, at least 20% of this amount is to be deposited prior to registration of the joint stock company with the Register.

(4) Deposits in kinds and rights expressed in money are submitted in full to the joint stock company prior to the registration in a way dependent on their nature, unless otherwise prescribed by the Company's Foundation Act.

(5) If shareholders do not pay their shares i.e. do not put in deposits by the deadline set by The Joint Stock Company's Foundation Act and in accordance with this Law, they are obliged to pay interest rate to the company, i.e. to offset the damages.

(6) In case when interim stock certificate transferred before it had been paid in full, i.e. before deposit had been put in, for payment, i.e. for putting of the agreed deposit, the transferors of the interim stock certificate shall be jointly and severally liable within the period of three years following the day transfer of shares is registered into the shareholders' register.

(7) Untimely deposit or registration of items and rights, in full or in part, into joint stock company's property, may incite shareholder's expulsion from the company, with his/her responsibility for loss offsetting.

10.3. Cogency of Provisions on Deposit Payment

Article 195.

Joint stock company may not, with its agency towards the third parties, release a shareholder, fully or partially, from his/her obligation to pay, i.e. to deposit and from her/is liability pursuing to the Article 194 of this Law nor postpone the fulfillment of this obligation.

10.4. Statement on Deposits in Kinds and Rights

Article 196.

(1) If deposits in kinds and rights are provided for the purpose of founding a joint stock company, shareholders produce and sign, prior to registration, a statement on deposits in kinds and rights.

(2) The statement should clearly list items to be deposited and assessment of deposits in kinds and rights done by an authorized assessor, i.e. the founders as well as the proof of putting those rights and kinds on the company's disposal.

(3) If a business enterprise is deposited for the sake of founding a joint stock company, a statement from the Par1 of this Article should contain the enterprise's balance sheet covering two last business years as well as the certificate on the assessment of the enterprise's value.

10.5. Application for Registration

Article 197.

With the application for registration following documents are to be submitted(enclosed):

- (1) The Foundation Act with authenticated signatures of the founders;
- (2) The Decision on appointment of a representative, unless the representative appointed by The Foundation Act;
- (3) The company's Statute;
- (4) Statement on deposits in kinds and rights;
- (5) The authorized assessor's statement on the value of deposits in kinds and rights, except where provisions from Article 190, Par. 4 of this Law apply;
- (6) Bank's statement on money depositing in the interim share account;
- (7) Certificate on relevant securities for non-monetary deposits;
- (8) Other certificates determined by regulations.

10.6. Registration of a sole shareholder**Article 198.**

When the total number of shareholders is reduced to one person, he/she is obliged to report the fact to the competent court for entering the register and announcing, and in the case of failing to do so, she/he shall have unlimited solidarity liability for the joint stock company's liabilities overtaken at the time.

11. Successive foundation**11.1. Public offer for subscription to and payment of shares (Prospectus)****Article 199.**

(1) Founders of a joint stock company address a public offering by Prospectus on subscription to shares and their payment, which contains:

1. The firm, domicile and activity of the joint stock company;
2. The amount of share capital;
3. Number and nominal value of shares, i.e. the issuance value. In case of issuance of different kinds and classes of shares - their naming as well as the rights pertaining to them and the deadlines for payments;
4. Place and time of subscription to shares;
5. Deadline for subscription;
6. Place, time and deadline for payment of shares;
7. Deadline for reimbursement in case of abortive foundation;
8. Indication of the amount to be paid for subscribed shares prior to registration of a company and consequences of untimely payments;
9. Special rights pertaining to founders (the preferential right with subscription to newly issued shares, the right of appointment of the leading members of managing board, priority shares, etc.);
10. Number, kind and class of shares bought up by founders without subscription based on public offer(Prospectus);
11. Substance and value of non-monetary deposit, number of shares allocated on such basis, the name, i.e. the firm and address and domicile, i.e. name of the person putting in the deposit, i.e. the firm of an authorized assessor who assesses it;
12. The highest amount of foundation expenses covered by the company;
13. Procedure in case of subscription to superfluous shares;
14. Method of convening the Founder's assembly;
15. Signatures of founders;

- (2) The founders publish a public offer (Prospectus) and buying up a part of shares;
- (3) Public offer (Prospectus) is published upon the competent authority's approval:
- (4) The provision of Par. 3 of this Article does not apply in case public offer (Prospectus) is addressed by the State.

11.2. Subscribers

Article 200.

- (1) Shares are subscribed by signing a statement on shares subscription(subscription form), in three copies.
- (2) Subscription to shares may be done either personally or through an authorized agent.
- (3) Subscription form shows:
 1. number, kind and class of subscribed shares, their nominal value and the price they were subscribed at.
 2. statement of a subscriber on his/her payment of shares under conditions determined by public offering (prospectus);
 3. amount of money to be paid by the subscriber while subscribing to shares;
 4. statement on subscriber's familiarity with the contents of the Public offering (Prospectus), with the Joint Stock Company's Foundation Act with founders' statement and on his/er acceptance(consent) to this.
 5. signature of the subscriber, i.e. of an authorized agent, including indication of residence, i.e. of the firm and domicile and signature of an authorized official from the bank handling subscription and payments.
- (4) Subscription Form not containing the data from Par.3 of this Article is void.

11.3. Payment and Depositing

Article 201.

- (1) Subscribers to shares have to pay, prior to the session of founders' assembly, at least 50% of the cash part of share capital, i.e. 50% of cash deposit of each shareholder, while the rest has to be paid within two years following the day of registration, and in accordance with the Joint stock company's Foundation Act and the Statute.
- (2) Purchase of shares sold above their nominal value is regulated by Article 194, Par.1 and 2 of this Law.
- (3) Exceptionally, in reference to Par.1 of this Article, if monetary part of share capital exceeds the amount of 50.000 convertible marks or countervalue in dinars at the exchange rate on the day of registration, at least 20% of that amount has to be deposited prior to session of the founders' assembly.
- (4) Non-monetary deposits are put into the joint stock company's property in full by the time of registration, in a way dependant on their nature, unless otherwise determined by the Prospectus.
- (5) Provisions from Par. 1 to 4 of this Article do not apply in the case described in Article 188, Par. 2 of this Law.

11.4. Subscription to superfluous shares

Article 202.

- (1) If the number of shares subscribed is greater than the amount stipulated in the public prospectus, the founders may reject or accept the subscribed surplus.

(2) If the founders may not decide on the subscribed superfluous shares, the issue of rejecting or accepting superfluous shares shall be resolved by the founders' assembly in the context of determining of the share capital.

(3) If the subscribed superfluous shares are rejected, the subscribed amount shall be, within eight days following the day of rejection, returned to their owners without any subtraction and with interest rate. The fulfilment of this obligation is guaranteed under the founders' joint and several liability.

11.5. Failure of subscription

Article 203.

(1) Deadline for subscription to shares may not be longer than three months following the day set for the commencement of the subscription.

(2) If all offered shares are not subscribed by the deadline set in Par 1 of this Article, the founders may, within 15 days following the deadline, subscribe those as their own.

(3) If offered shares are not subscribed in accordance with the Par 2 of this Article, the foundation is considered abortive and the founders must, within eight days following the deadline in Par. 2 of this Article, return the deposited amounts to their owners, together with interest rate, i.e. return deposits in kinds and rights. The fulfilment of this obligation is guaranteed under the founders' joint and several liability.

(4) Provisions pertaining to par. 1 to 3 of this Article do not apply if shareholders purchase the shares under privileged conditions, in accordance with the Law.

11.6. Issuance of subscribed shares certificates

Article 204.

(1) If the subscription to shares has been successful, the founders issue certificates on subscribed shares, within 15 days from the day of subscription deadline expiration determined by the public prospectus, i.e. subsequent overtaking of shares by the founders.

(2) A certificate on subscribed shares contains: the date the decision on public offering (prospectus) was made, the payments done, i.e. payments due, nominal and issuing value of shares, data on deposits in kinds and rights, total nominal amount for each class of shares if more than one class has been issued, the date of cessation of obligation if by that date the shares based on published public offer are not subscribed and properly paid for as well as other data as provided by the Law.

(3) A subscription certificate not containing data defined in Par. 2 of this Article is void.

(4) Any limitation not indicated on the certificate on share subscription does bear legal effect towards the joint stock company is concerned.

(5) Subscribers must have the list of the issued certificate on subscribed shares accessible in the bank at which the shares were subscribed.

11.7. Abortive Payment

Article 205.

Provisions of Article 203 of this Law are as well accordingly applied in the case when the payment of non-monetary part of share capital, pursuant to the Article 201, Par 1. and 3 of this law, has not been done by the day the Founders' assembly is held.

11.8. Management of payments under subscription

Article 206.

Joint stock company's founders may not manage the payments under subscription, while the managing board may - subsequently to the company's registration.

11.9. Founders' Assembly

11.9.1. Convening

Article 207.

- (1) The founders shall have to convene the founders' assembly within 60 days following the deadline for subscription to shares determined in the public offering (prospectus).
- (2) If the founders fail to convene the founders' assembly within the deadline set in Par. 1 of this Article, the foundation is deemed to have failed.
- (3) In case specified in Par 2 of this Article, the provisions of article 203, Par. 3 of this Law shall be applied accordingly .
- (4) The founder's assembly is convened upon the announcement performed in the same way as the public offering (prospectus), and at least 15 days before the session.
- (5) Within the period of time specified in Par. 4 of this Article, subscribers who were issued share certificates must have access to The Joint Stock Company's Foundation Act, the draft of the Statute, the founders' statement and statements of the authorized assessors on deposits in kinds and rights, the list of issued share certificates as well as the list of number, kind and class of shares taken by founders without the Prospectus-based subscription.

11.9.2. Quorum and reconvention

Article 208.

- (1) The founder's assembly may reach valid decisions if attended by shareholders who own more than one half of subscribed and paid voting shares.
- (2) If the founders' assembly does not have the quorum as specified in Par. 1 of this Article, the founders may reconvene the assembly, provided intervals of at least eight and not more than 15 days in between of the two conventions.
- (3) If the founders do not reconvene the founders' assembly or if the reconvened session fails to establish the quorum, the foundation of a joint stock company is considered as abortive.
- (4) In case specified in Par. 3 of this Article, the provisions of article 203, Par. 3 of this Law shall be applied.

11.9.3. Course of Founders' assembly

Article 209.

- (1) The founders' assembly elects the president, a recording secretary and two counters of votes and subsequently to that, the founders' statements on deposits in kinds and rights and on foundation procedure as well as authorized assessors' statements are read through while supplements to those statements are read through only if requested so by shareholders who own at least 10% of all votes of those present or represented shareholders.
- (2) The course of the assembly is recorded by minutes being taken and signed by the assembly's president, the recording secretary, both counters of votes and founders of the joint stock company.

11.9.4. Scope of activity

Article 210.

- (1) The founders' assembly:
 1. confirms the share capital is subscribed and paid in accordance with this Law;
 2. accepts or rejects the subscription to the superfluous shares if the founders have not done so;
 3. passes the primary Statute of the Joint Stock Company;

4. elects the primary company bodies, unless the founders reserved that right for themselves in the public offer(prospectus);
5. decides on special founders' rights and approves special contracts with the founders or with other parties (minor actions)
6. approves assessment of non-cash deposits' value as well;
7. approves the foundation expenses covered by the company;

(2) when the Assembly passes decisions from Par. 1 of this Article a joint stock company is deemed to be founded.

11.9.5. Decision making

Article 211.

- (1) The founder's assembly passes resolution upon the majority of paid voting shares.
- (2) The founders' assembly may avert public offering (prospectus) only by all shareholders deciding unanimously, provided that the value of non-cash deposits may not be determined to be higher than the assessed amount and special rights pertaining to the founders as well as special compensations and awards may not be changing to the joint stock company's expense.
- (3) In the decision-making process on special founders' rights as well as on approving special contracts with the founders and other parties, parties interested in subscription to shares do not have the voting right.
- (4) When making a decision on joint stock company foundation expenses, and if they are to be bored only by the Company, the founders do not have the voting right.

11.9.6. Application in Accordance

Article 212.

Provisions on Shareholders assembly's working and decision-making methods of this Law are accordingly applied to Shareholders Assembly's work and decision-making.

11.9.7. Registration

Article 213.

- (1) A joint stock company is entered into Register when the court determines that:
 1. the founders' assembly was convened and held in accordance with the provisions of this Law;
 2. the share capital has been subscribed to in full and paid in accordance with this Law;
 3. the non-cash deposits have been transferred in full to the company being founded, unless otherwise determined by the Foundation Act;
 4. the competent body's approval has been granted in accordance with article 199, Par.3 of this Law.
- (2) Provisions of the article 197 of this Law shall be applied to the registration.

12. Prohibition on right transferring

Article 214.

- (1) Prior to registration, a shareholder may not transfer to other party his/her rights obtained by subscription.
- (2) Prior to registration, a joint stock company may not issue shares nor interim stock certificates. Previously issued shares or interim stock certificates are invalid. Company founders and share issuers are jointly and severally liable for any damages caused by such an issuance of shares or interim stock certificate.

13. Contents of Statute

Article 215.

(1) Joint stock company's Statute contains provisions on:

1. the firm and domicile of a company ;
2. company's scope of activities;
3. amount of share capital and the method of share payment;
4. nominal value, kind and class of issued shares and an identification as whether the shares are personal (inscribed) or bearer shares;
5. the way company's firm is signed;
6. the way assembly is convened and its decision reached;
7. election, impeachment and company bodies' sphere of activity ;
8. representation;
9. profit sharing and loss bearing;
10. reserves;
11. consequences of share payment not been done or of untimely payment of shares;
12. environment conservation;
13. the method of modifying company's form;
14. cessation of the company;
15. procedure on amending the Statute;
16. other issues anticipated by this Law;

(2) Statute may also contain provisions on:

1. special contracts relating to non-monetary deposits and to special founders' rights or to the third parties (with enumerating names i.e. firm);
2. kinds of bonds and rights of their holders;
3. possibilities of and procedures on share withdrawal;
4. authorities of managing board regarding the increment of share capital;
5. restrictions in transferring the registered shares;
6. possibilities of converting of one kind or class of share into another kind or class;
7. other issues of importance to a joint stock company.

14. Shares

14.1. Kinds and classes

Article 216.

(1) Shares may be either personal shares (inscribed stock) or bearer shares (shares payable to bearer).

(2) Shares are personal (inscribed) if issued prior to complete payment of nominal or higher issuing amount (interim stock certificate) as well as in case of subscribing for shares together with concluded contract on minor actions.

(3) Under the issuance schedule, shares may be founders' ones (shares of primary issue) and shares of succeeding issues.

(4) By the substance of rights in profit sharing, shares may be ordinary (common stock) and priority ones (preferred shares).

(5) Ordinary shares carries the right to participation in joint stock company management, the right to participation in profit sharing and the right to a part of bankruptcy estate.

(6) Preferred shares, in comparison with ordinary ones, grant the right to payment priority of certain amount or percentage of the nominal value of shares, the priority at distribution of bankruptcy estate and other rights determined by the law regulating the securities. When issuing preferred shares a joint stock company may request the subscribers to preferred shares to pay additional fees.

(7) Preferred shares may be cumulative, participating and participating-cumulative.

(8) A cumulative preferred share carries the preferential right to payment of all unpaid dividends before any dividends are paid on ordinary shares in accordance with the decision on share issuance.

(9) Participating preferred shares carry the right, besides the predetermined preferred dividend, to payment of dividends belonging to ordinary share owners, in accordance with the decision on the issuance.

(10) Shares carrying same rights constitute one class (ordinary shares, preferred shares, voting shares and non-voting).

14.2. Voting right

Article 217.

(1) Each share carries voting right proportionally to its nominal value.

(2) Exceptionally from provisions of Par. 1 of this article, only preferred shares may be issued without voting right, provided that their nominal value is not higher than 49% of the joint stock company's share capital.

(3) Issuance of shares that would carry different number of votes within the same nominal value is prohibited.

(4) The Statute may determine the highest number of votes for each shareholder, regardless of nominal value of shares owned, under the proviso that the ruling applies to all shareholders who own voting shares.

(5) The Statute may stipulate shareholders' participation in the assembly's decision-making according to the number of shares they own i.e. to their nominal value, including possibility of shareholders' association.

14.3. Decision on issuance and issuance (printing) of shares

Article 218.

(1) The decision on issuance of a joint stock company's shares, reached by founders, i.e. the company's assembly, contains elements and items determined by the Law regulating stocks and bonds.

(2) A joint stock company issues (orders printing) of shares, at its own expense, only if envisaged by the Statute and upon the shareholders' request .

15. Legal relationship between company and shareholders

15.1. Principle of equality

Article 219.

Shareholders owning the share of the same kind, class, and of the same nominal value are considered equal.

15.2. Payment of deposits

Article 220.

(1) Shareholder is obliged to pay the nominal or higher issuing amount of registered shares either by making payment into the joint stock company's account or by transferring deposits in kinds and rights to the company, in accordance with this Law, upon the Foundation Act.

(2) Joint Stock company's managing board may, in accordance with the Statute, grant, to shareholders referred to in Par 1 of this article, an additional time limit for payment i.e. for putting in deposit.

(3) If a shareholder's payment is overdue i.e. placing his due deposit, he/she shall be liable towards the joint stock company, in accordance with this Law and the Statute.

(4) A shareholder may not balance his/her claims towards a joint stock company with share payment nor may take the right to collateral or of retention for deposits in kinds and rights.

(5) A joint stock company may not, with its agency towards third parties, exempt a shareholder from the obligation of payment or depositing in the company's property, nor may be such an obligation put off or weakened (reduced).

15.3. Deprivation of share right (expulsion of a shareholder)

Article 221.

(1) If, even within the additional time limit, a shareholder is overdue with his/her payment or with placing in deposit, a joint stock company's managing board may take away his/her interim stock certificate (expulsion of a shareholder).

(2) Expelled shareholder is liable to the joint stock company for the unpaid amount, i.e. for the deposit not placed in and for the damage caused, if the company fails to offset that amount by selling shares at the stock market or at public bidding, i.e. if the amount is not paid by his/her forerunners registered in the Shareholders' register when transferring the interim stock certificate to the other entity.

(3) Forerunners of a shareholder expelled from the Par. 2 of this Article, as well as the expelled shareholder, are jointly and severally liable for the period of three years following the day of registering the transfer of shares into the Shareholders' register or of the expulsion itself.

15.4. Prohibition of payment exemption

Article 222.

(1) In case of transfer of interim stock certificate or in case of shareholder's expulsion, shareholders and their forerunners may not be exempted from obligations of paying the deposits, except in case of decrement in share capital in accordance with this Law.

(2) If a back deposit is not paid off within the time limit determined by the Statute, a joint stock company may decrease the share capital for the nominal value of the unpaid share, whereby terminating its validity. If the decrement exceeds 5% of the share capital, the regulations of this Law regarding the decrement in the share capital shall be applied.

15.5. Prohibition of returning the deposit

Article 223.

Deposits may not be returned to shareholders, except in cases prescribed by this Law.

15.6. Other obligations of shareholders

Article 224.

(1) The Statute may determine special obligations for shareholders if transferring of shares requires the joint stock company's conformity or if preemption right (first right to purchase) is determined by the joint stock company, i.e. shareholders, proportionally to the nominal value of shares they own (a joint stock company's shares which are not bought or sold in the stock market). These obligations of shareholders are indicated on shares or on interim stock certificate.

(2) The Statute may also regulate the obligation for shareholders whose deposits are in kinds and rights to have those deposited in the joint stock company for the period of time they are liable to the company (tied shares).

(3) The Statute may also regulate the obligation for members of the joint stock company's managing board to own certain number of the company's shares and have those deposited in the company as long as their status of a member of the managing board persists (security shares).

15.7. Distribution of Profit

Article 225.

- (1) A shareholder has the right to participate in annual distribution of profit determined as such by the assembly (dividends).
- (2) The Statute may also regulate payment of dividends through the business year (interim dividend), by the consent of the supervisory board, but the amount intended for payment of interim dividends may not exceed 50% of the previous year's profit.
- (3) The profit is shared proportionally to nominal value of shares.
- (4) If shares are not paid off, the profit is shared proportionally to registered payments, taking into account the time of payments in the course of the business year.
- (5) The assembly may decide for the profit not to be shared among shareholders or not to be shared among the shareholders owning certain class of the share, but to be used for other purposes.

15.8. Return of prohibited payments

Article 226.

- (1) A shareholder is obliged to return to the joint stock company shares and dividends paid to him/her that oppose to provisions of this Law.
- (2) Joint stock company's claims from the Par. 1 of this Article may also be realized by its creditors if the company fails to settle its liabilities or by shareholders in accordance with this Law and in the case of bankruptcy - by a trustee in bankruptcy.
- (3) Expiration of claims from Par. 1 and 2 of this Article takes place from the day of unlawful payments.

15.9. Payments of additional services

Article 227.

The compensation paid for the additional services, provided to the joint stock company by the shareholders and obligatorily under the Statute, may not exceed the value of services provided.

15.10. Registering into the Shareholders' register and right of access

Article 228.

- (1) A share is registered into the Shareholders' register.
- (2) With the personal shares, a shareholder, in relation to the joint stock company, is deemed to be a person registered as a shareholder in the Shareholders' register.
- (3) Every shareholder has the right of access to the Shareholders' register.
- (4) Provisions of Par. 1 to 3 of this article apply to the interim stock certificate as well.

15.11. Limitations in transfer of personal shares

Article 229.

- (1) Transfer of the joint stock company's personal shares whose shares are not being sold or bought in the stock market, may be stipulated, under the statute, by the managing board's consent or by the preemption right of purchase over the other shareholders or companies.
- (2) The provision of Par. 1 of this article applies to interim stock certificate as well.

15.12. Shares with multiple owners

Article 230.

- (1) One share may be owned by more than one person.
- (2) The owners referred to in Par. 1 of this article constitute, in relation to the joint stock company one shareholder and realize their rights through a common proxy and are jointly and severally liable for liabilities pertaining to shareholders.
- (3) Shares referred to in Par. 1 of this article as well as the common proxy's name are registered in the Shareholders' register.

15.13. Personal shares write-offs

Article 231.

- (1) If a personal share or an interim stock certificate is destroyed or lost, it may be declared invalid and followed with the issuance of a new one, in accordance with the law regulating securities.
- (2) If the dividend coupons are personal ones, the declaration of shares or interim stock certificate shares invalid causes termination of claims based on the coupon for the dividends yet not determined applicable to still undetermined dividends.

15.14. Declaring of shares invalid

Article 232.

- (1) If the substance of a share has become incorrect due to statutory changes in the joint stock company as well as in other cases, the company, may declare shares invalid and to the present shareholders may issue (print) new replacement shares for the existing ones.
- (2) In case described in Par.1 of this article, a joint stock company invites, by a public prospectus, that publishes twice in 30 days intervals, shareholders to present their shares, with a clear warning that shares not presented shall be declared invalid and consequently annulled .
- (3)The joint stock company annuls presented shares and issues new shares, while the shares not presented declares invalid and annuls upon the court's approval.

15.15. Replacement of damaged shares; combining and distribution of shares

Article 233.

- (4) If a share or a interim stock certificate is damaged in such an extent that makes it sales-inadequate, while the printed contents is still readable, its owner may request the joint stock company to issue him/her, on their own expense, the new share, providing the old one is returned and annulled.
- (5) Shares and interim stock certificate may be, at the owner's request and expense, combined into one or more than one share, i.e. divided into several shares, providing the nominal value of newly issued shares not being less than the nominal value of shares of a particular series. Shares that are being combined or divided are presented to the joint stock company and annulled.

16. Withdrawal and Cancellation (Invalidation) of Shares

Article 234.

- (1)The Joint stock company's Statute may determine cases in which the company may withdraw and cancel issued shares.
- (2) Withdrawal of shares is possible only if it had been determined so by the statute prior to subscription to shares (compulsory -forced withdrawal of shares).
- (3) The decision on reduction of the share capital, referred to in Par. 1 of this article, shall reach the shareholders' assembly.

(4) Exceptionally from provisions of Par.1 and 2 of this article, a joint stock company may, by the consent of shareholders, i.e. of shareholders owning a particular class of shares, and whose shares are being withdrawn, withdraw those shares even if it had not been envisaged by the Statute.

(5) Withdrawal of shares must not jeopardize the principle of shareholders' equality.

(6) Withdrawal of shares may not be done contradictory to the provisions of this law which regulates share capital's sustaining.

17. Obtaining shares and their regime

17.1. Prohibition on subscription to company's own shares

Article 235.

(1) A joint stock company may not subscribe to its own shares.

(2) A dependent company and a company owned by another company may not subscribe to shares belonging to the parent company, i.e. to this company's shares beyond amounts determined by this Law.

(3) If a third party, in the course of company's foundation or share capital's increment, in violation of provisions of this law, overtakes the shares as for the joint stock company's account referred to in Par. 1 and 2 of this article, it is considered that the shares were taken for the third party itself, provided that party shall not acquire any rights until taking shares into its own account.

17.2. Direct obtaining of company's own shares

Article 236.

(1) A joint stock company may obtain its own shares only:

1. if shares obtaining is necessary for prevention of a considerable damage to the company;
2. if shares are to be offered to the company's employees for redemption or to linked companies;
3. if shares obtaining is charge-free
4. on the basis of the legal succession;

(2) The total nominal amount of shares obtained for the purposes described in Par. 1 and 2, of this Article may not exceed 10% of the share capital.

(3) Company's own shares may be obtained only if their nominal value or higher issuing amount have been paid in full.

(4) A joint stock company is obliged to alienate shares bought up in the sense of provisions 1 and 2, from Par. 1 of this Article within one year from the day shares were obtained, i.e. to offer shares referred to in provision 2 from Par. 1, of this article to employees to purchase within one year from the day shares were obtained, as well as to alienate shares obtained in accordance with provisions 3 and 4 from Par. 1 of this article within three years from the day shares were obtained.

(5) If company's own shares are not alienated in accordance with the provisions of Par. 4 of this article, a joint stock company is obliged to withdraw and invalidate them in accordance with the provisions of this law.

(6) Company's own shares do not grant the company any other rights.

17.3. Obtaining own shares through third parties

Article 237.

(1) Person carrying on a business in his/her own name, and for the joint stock company's account, may obtain the company's shares under the same conditions under which, pursuant to provisions of article 236 of this law, the company obtains its own shares.

(2) The provision of Par. 1 of this article applies in case shares of a parent company are obtained by a dependent enterprise or by a company in which some other company controls a major part of the share capital or if those shares are obtained by a third party doing business in its own name but for the account of a dependent enterprise, i. e. a company in which some other company controls a major part of the share capital.

(3) A third party referred to in Par. 1 and 2 of this article is obliged to transfer the shares into the joint stock company's property for whose account third party actually obtained the shares, with a compensation of counter-values.

17.4. Own(Personal) Shares Serving as Securities

Article 238.

(1) Provisions of this law regarding direct obtaining of personal shares, i.e. through a third party apply to the case of personal shares serving as securities as well.

(2) Having personal securities to serve as securities in violation of the Par. 1 of this article is void.

17.5. Special rule for one-member company

Article 239.

(1) A one person stock company may not purchase its own shares or withdraw those nor having them serve as security.

(2) A one-member stock company may obtain its own shares free of charge or based on legal succession.

18. Legal regime of particular business operations

18.1. Invalid business operations

Article 240.

(1) Legal business dealing with providing advance payment or loan or securing advance payment or loan by a joint stock company in order to obtain the company's shares is void.

(2) The provision of Par. 1 of this article does not refer to legal businesses of the financial organizations nor to obtaining the joint stock company's own shares aimed at distributing them among the employees or to the employees in the linked enterprises, if the company disposes of the reserves to be used for these purposes.

(3) Legal business between a joint stock company and a third party in which the third party would have the right to obtain the company's shares for the company itself or a dependent enterprise or a company in which another company controls major part of the share capital stock is invalid if the company obtains the shares in violation of the provisions of this law.

18.2. Conversion of loan into share capital

Article 241.

(1) If a shareholder makes a loan to a stock company under the conditions less favorable than the usual ones, he/she may not request the return of the loan in bankruptcy proceedings or in forced settlement.

(2) If, in case described in Par. 1 of this article, a third party, instead of some of shareholders, has made a loan, while a shareholder has provided securities for the loan payment, that person may, in

bankruptcy proceedings or in forced settlement, request reimbursement only for the amount which he/she did not receive as a security for loan repayment.

(3) Provisions of Par. 1 and 2 of this article also apply to other legal businesses of shareholders or third parties if the said legal businesses represent the securing of the loan.

18.3. Return of loan before bankruptcy proceedings

Article 242.

(1) If a joint stock company has, in cases referred to in article 241 of this law, paid back the loan in the last year preceding the bankruptcy proceedings, a shareholder who has received the repayment for the loan, i.e. secured the loan, must compensate the company for the repaid portion of the loan. This obligation exists only up to the value of securities at the time of paying back the loan, and ceases to exist if items that served as securities have been put on the company's disposal for the purpose of compensation.

(2) The provision of Par. 1 of this article also applies to other legal businesses of shareholders or third parties if those businesses serve as security for the loan.

19. Convertible and participating bonds

Article 243.

(1) Bonds whose owners are guaranteed the right of converting them into shares or the first right of purchase of shares (convertible bonds) and bonds whose owners' rights are tied to shareholders' dividends (participating bonds) are issued based on the assembly's decision.

(2) The assembly may authorize the managing board to keep issuing bonds referred to in Par. 1 of this article for the period of up to five years. The decision on issuing the bonds referred to in Par. 1 of this article is to be reported by the managing board to the court in charge of registration for the purpose of registration and announcement.

(3) Participating bonds may carry the preferential right in participating in the profit which also applies to preferred participating bonds.

(4) Shareholders of a joint stock company have the first right of purchase of convertible and participating bonds, similar to shareholders' right to preferred purchasing of new bonds.

20. Bodies of joint stock company

Article 244.

(1) Bodies of a joint stock company founded without a public prospectus on subscription to and payment of shares are assembly and director and, in cases under this law - managing board and supervisory board.

(2) Bodies of a joint stock company founded upon the public prospectus on subscription to and payment of shares are assembly, managing board and director, and, in cases under this law - supervisory board as well.

(3) In a one-member stock company, responsibilities of assembly and of director are performed by the owner, unless otherwise determined by the Foundation decision.

(4) In a one-member stock company, decisions reached as part of managing the company are entered into the Decisions book.

(5) Decisions referred to in Par. 4 of this article that have not been entered into the Decisions book do not have legal effect.

(6) Into the Decisions books from the Par. 4 of this Article the following is entered:

1. decisions on approval of annual accounting statements and statements on business operations;
2. decisions on division of profit and compensation for losses;

3. decisions on increment and decrement in share capital;
4. decisions on investments;
5. decisions on statutory changes, changes in the form and on cessation of a joint stock company;
6. other decisions of importance for company's managing functions;

(7) The book of decisions is to be kept in order. Data entered into the book must not be changed or erased.

21. Assembly of shareholders

21.1. Scope of responsibility

Article 245.

(1) Assembly of shareholders, in addition to responsibilities referred to in article 61 of this law, makes decisions concerning the following:

1. changes in rights associated with particular classes and kinds of shares;
2. realization of joint stock company's requests regarding members of the managing board, supervisory board or shareholders concerning the compensation for damages caused by the company's foundation or by business operations;
3. representation of the company in court trials against members of the managing board.

(2) Assembly may make decisions concerning the supervisory board's scope of activities only at supervisory board's own request.

21.2. Convening assembly

Article 246.

(1) Assembly is convened at least once in a year (ordinary session).

(2) Assembly is convened by managing board and, in cases under this law, by supervisory board or shareholders.

(3) Convening of assembly is to be announced at least 21 days prior to its session in a way regulated by the statute.

(4) Shareholders who possess personal shares (inscribed stock) and shareholders whose shares are kept at the stock company are to be invited to attend the assembly by a special invitation.

(5) The joint stock company's statute may request that participation in the assembly and the realization of voting rights of shareholders referred to in Par. 4 of this article may be stipulated by the submission of the application at least three days prior to the assembly is held and by the share depositing, i.e. bearer certificate.

21.3. Protection of rights of minor shareholders

Article 247.

(1) Shareholders who have or who represent at least one tenth of the capital stock or a smaller portion as defined by the statute, may request the managing board to convene the assembly, with specifying their reasons for the convention as well as the questions to be decided on by the assembly.

(2) If the managing board, following the request in writing by shareholders as specified in Par. 1 of this article, does not convene the assembly within 15 days following the request, those shareholders may convene the assembly themselves.

(3) If, based on the request referred to in Par. 1 and 2 of this article, the assembly is not convened within 15 days, then over the following 15 days it may be convened by the supervisory board.

(4) Provisions of the article 246 of this law are accordingly applied to the convention of the assembly referred to in Par. 2 and 3 of this article.

(5) If the assembly is not convened even under the request referred to in Par. 3 of this article, the joint stock company shall buy off shares belonging to shareholders referred to in Par. 1 of this article, based on their demand and in accordance with this law.

21.4. Agenda

Article 248.

(1) The assembly's agenda is to be published together with its convention, as regulated by the statute.

(2) Any item on the agenda to be decided by the assembly is to be accompanied by proposed decisions.

(3) If the assembly is deciding on changes in the statute, the published agenda is to contain the location of the statute text being changed.

(4) Shareholders' questions regarding the agenda and presented in written form at least eight days prior to the assembly convention, have to be answered by the managing board, in written form, in accordance with the assembly's rules of procedure.

(5) A shareholder who has or represents at least one tenth of the capital stock or a smaller part, as regulated by the statute, may request the managing board in written form, within eight days following the convention of the assembly and specifying reasons, to include certain item into the agenda.

(6) If the managing board fails to fulfill shareholders' request referred to in Par. 5 of this article and does not, within eight days following the submission of the request, announce that in the same way as the convention of the assembly had been announced, the action shall, on shareholders' request, be undertaken by the supervisory board, within three days following submission of the request to the supervisory board, or if it has not been set up, or if it fails to include the question into the agenda, the action shall, based on the request of shareholders' referred to in section 5 of this article, be undertaken by the assembly.

(7) The assembly may also take place without regular convention and announcement of the agenda, if attended by all shareholders with the right to vote and if not a sole shareholder opposes it.

21.5. Special announcements

Article 249.

(1) Within eight days following the announcement of the assembly's convention, the managing board informs persons who represent shareholders, shareholders' associations that in the course of the previous session had secured the voting rights for shareholders or had requested a report on convening the assembly as well as members of the supervisory board.

(2) A person representing shareholders (authorized agent, depositor of shares) informs, without any delay, a stock company's managing board.

(3) If a person representing shareholders at the assembly's session has the right to vote for them, he/she informs shareholders regarding propositions for particular items. In doing so he/she has to protect shareholders' interests. If that person is not provided instructions on how to vote by the shareholders, he/she shall vote on the particular agenda items taking into account the shareholders' interest.

(4) Par. 3 of this article also applies to shareholders' associations that shareholders have, in written form, empowered to realize all or some specific of voting rights.

21.6. List of participants

Article 250.

- (1) In the course of the assembly session a list of participating and represented shareholders and their assistants is to be made, together with nominal value and class of shares as well as number of votes carried by these shares.
- (2) The list is made based on registration of shares or corresponding certificates or based on authorizations.
- (3) If a person who represents shareholders or shareholders' association is granted the right of vote, the list must contain the nominal value and class of shares that are the basis for the right.
- (4) The list of participants is to be put on disposal of present shareholders and their representatives prior to voting.

21.7. The Minutes

Article 251.

- (1) The minutes must in particular contain the following: place and date of the assembly's session, agenda, name of a recording clerk, voting results, statement of the chairman regarding a decisions that have been reached and separate views of particular shareholders.
- (2) Each decision of the Assembly shall be entered into the minutes.
- (3) The minutes have the attachment of the list of participants and proofs on convening the assembly.
- (4) The minutes is signed by the chairman of the Assembly and a recording clerk.
- (5) Shareholders and other persons with a legal interest have a right to overview the minutes in the way regulated by the rules of the assembly's activities.

21.8. Quorum and decision making

Article 252.

- (1) Assembly can make decisions if attended by shareholders or their representatives who posses more than one half of the total number of votes.
- (2) If the assembly was not convened due to the absence of quorum from paragraph 1 of this article, it shall be convened again with the same agenda, in the manner regulated by the statute.
- (3) In the case described in paragraph 2 of this article, the assembly may make a decision if it's attended by the shareholders with more than one third of total number of votes, unless otherwise determined by the statute.
- (4) On changes in the statute the Assembly decides by majority of total number of the shareholders' votes with the right to vote, unless otherwise determined by the statute.
- (5) The Assembly decides by a three-fourths majority of votes of present shareholders on increase and reduction of the share capital, status changes, election and impeachment of members of the managing board, president and members of the supervisory board, auditors and liquidators, changes in form and termination of a joint stock company and distribution of profits, unless the statute anticipates the decision making by other majority.
- (6) Regarding the other issues other issues within the assembly's scope, the assembly decides by the majority of votes of present shareholders, unless this law or the statute determine otherwise.
- (7) The validity of the decision which burdens the shareholders with additional obligations, that is, restricts the rights defined in accordance with this law, the statute and decision on the issue of shares, requires the consent of shareholders to which this decision referees to, unless otherwise prescribed by this law.
- (8) The provision of paragraph 7 of this article applies to the decision-making regarding the restriction on transfer of registered or temporary shares, if such restriction is not anticipated by the statute, that is, by the decision on share issuance.

21.9. Voting procedure

Article 253.

- (1) The assembly, as a matter of rule, decides by a public vote.
- (2) Assembly may use secret vote in order to reach a decision on election and impeachment of the joint stock company authority members, as well as on particular issues when requested by shareholders with at least one tenth of the company share capital.

21.10. Right to vote

Article 254.

- (1) A shareholder realizes his/her right to vote in person or through a proxy.
- (2) If a shareholder realizes his/her right through a proxy, that that proxy cannot be a member of the management board, board of executive directors or supervisory board.
- (3) The proxy right, as a matter of rule, is granted for one assembly session and it is effective for the repeated session.
- (4) An absent shareholder may vote in written form, in a manner regulated by the statute.
- (5) Right to vote based on usufructuary, deposit or keeping the shares is enjoyed by the shareholder, while usufructer, commissioner or keeper may enjoy that right only by special authorization of shareholder.
- (6) The manner of realization of the right to vote is more closely regulated by the assembly's rules of procedure.

21.11. Exclusion of the right to vote

Article 255.

A shareholder may not vote when the assembly is deciding on:

1. relieving that shareholder of his/her obligations and responsibilities;
2. granting a shareholder privileges at the expense of the stock company;
3. determination of a requests which company has in regards of that shareholder;
4. initiating or terminating a litigation against that shareholder;
5. and in other cases when that shareholder has an interest contrary to the interest of the company (the conflict of interests clause).

21.12. Preference shares without the voting right and special assembly

Article 256.

- (1) Preference shares without the voting right secure all other rights of a shareholder.
- (2) If the preference dividend is not paid in total within two years following the deadline established by the statute, shareholders have the right to vote until that amount is paid.
- (3) The validity of assembly's decision on restriction, reduction or termination of the preference rights requires the shareholders' consent.
- (4) Shareholders with preference shares give their consent, as referred to in section 3 of this article, at the session attended by shareholders who posses mote than one half of the nominal value of preference shares (special assembly). Provisions regulating convention and decision making of the special assembly are determined by the statute.
- (5) If the preference right concerning distribution of profit is terminated in accordance with the provisions of this article, the preference shares secure the voting right.

22. Managing board and director (the management)

22.1. Selection and composition of the managing board

Article 257.

- (1) The managing board consists of at least three members.
- (2) Members of the managing board may be selected among shareholders of a stock company, company's employees as well as among persons from outside a company.
- (3) The statute of a joint stock company provides for shareholders with minor portion of shares to have a member of the managing board.
- (4) A managing board member referred to in section 3 of this article is one of members selected by the company's assembly.

22.2. Deputies and co-optation

Article 258.

- (1) Stock company's statute may anticipate position of a deputy member of the managing board.
- (2) If between two assemblies a managing board member's seat becomes vacant, and stock company's statute does not anticipate position of a deputy, the managing board may co-opt one, but only up to one third of its members.
- (3) Provisions of this law regarding members of the managing board also apply to deputy members of the management board.

22.3. Impeachment

Article 259.

- (1) Stock company's assembly may impeach a member of the managing board under provisions of the statute.
- (2) A managing board member who is impeached without a just reason has right to compensation of damages in accordance with the contract.

22.4. Decision-making

Article 260.

- (1) The managing board makes decisions if more than one half of members is present.
- (2) The managing board makes decisions by the majority of votes of present members, if the statute does not provide otherwise.
- (3) In case of equal division of votes, the president's vote is deciding, if the statute does not provide otherwise.
- (4) It is allowed for the managing board to make decisions in written form, by telephone, telegraph or other technical means, in a way regulated by the statute, if not a single member of the board opposes.
- (5) Provisions of article 255 of this law regarding the exclusion of shareholders right to vote in the assembly also apply to exclusion of the managing board member's right to vote in course of managing board reaching a decision.

22.5. Director's scope of authority

Article 261.

In addition to responsibilities specified in article 63 of this law, a director performs other operations which have not been, under the law, statute or some other decision of the stock company, allocated to the scope of other authorities of a company.

22.6. Granting authorities

Article 262.

- (1) Stock company's statute may authorize the managing board to transfer some of its duties to a director or president of the managing board.
- (2) The authorization referred to in paragraph 1 of this article can be revoked at any time.
- (3) Director or president of the managing board has to, within the deadline determined by the statute, submit a report to the managing board regarding actions undertaken in connection with paragraph 1 of this article.

22.7. Board of executive directors

Article 263.

- (1) Stock company's statute anticipates the existence of the board of executive directors.
- (2) Board of executive directors is a director's auxiliary and executive authority.
- (3) Members of the board of executive directors are appointed and impeached in accordance with the statute.
- (4) Members of stock company's board of executive directors may be elected for members of the managing board, but the number of those members may not exceed one third of the managing board members.

22.8. Dominance of company's interest

Article 264.

Members of the managing board and board of executive directors perform their duties in the interest of a stock company and in doing so they act as good businessmen.

22.9. Incentive payment to members of managing board

Article 265.

- (1) Statute may anticipate incentive payment for members of the managing board.
- (2) Incentive payment is distributed in accordance with the assembly's decision.

22.10. Principal for management members earnings

Article 266.

When establishing earnings for members of the managing board (earnings, compensation for expenses and other forms of income) the assembly shall make sure that those will be in proportion to their duties and stock company's financial situation.

22.11. Reduction and return of paid earnings

Article 267.

- (1) If after establishing the earnings of members of the managing board, stock company's financial situation deteriorates, the assembly has a right to reduce earlier established earnings.
- (2) In the case a stock company goes under bankruptcy, members of the managing board must, if requested by shareholders, return incentive payment received over the previous year.

22.12. Special responsibility of members of the managing board

Article 268.

(1) Members of the managing board must compensate a stock company for a damage if contrary to this law they have:

1. returned deposits to shareholders;
2. paid interest rates or dividends to shareholders;
3. registered, obtained, pledged, or withdrawn their own shares of the company or of some other company;
4. issued shares prior to payment of nominal or higher issuing amount;
5. divided the company's property;
6. made a payment after the company's insolvency or over-indebtedness has been established;
7. issued shares in case of conditional increase of the share capital contrary to the specific purpose, or prior to total payment of their counter-value.

(2) Stock company's requests regarding compensation of losses from members of the managing board can also be realized by company's creditors if the company is unable to compensate them as well as shareholders, in accordance with this law.

22.13. Contract with a member of managing board

Article 269.

In addition to rights and duties that a member of a stock company has under this law, other rights and duties can be specified by a contract between a member of the managing board and the company, in accordance with the statute.

23. Supervisory board

23.1. Composition and election

Article 270.

(1) Supervisory board has at least three members.

(2) Members of supervisory board are selected by assembly from among stock company's shareholders or other persons from out of the company.

(3) Stock company's statute can anticipate positions of deputy members of supervisory board.

23.3. Decision making

Article 271.

(1) Supervisory board can make decisions if the session is attended by at least two thirds of the members. Decisions are reached by majority vote of attending members.

(2) Supervisory board's decisions can be reached in written form, by telephone, telegraph or other technical means, in a way anticipated by statute, only if not a single member of supervisory board does not oppose such procedure.

23.3. Impeachment

Article 272.

Impeachment of a member of supervisory board is regulated by provisions of article 259 of this law which regulates impeachment of a member of stock company's managing board.

23.4. Realization of scope of activity

Article 273.

Supervisory board performs duties from its scope of activity on its own initiative or upon request of shareholders with at least one tenth of stock company's share capital as well as upon request company's creditors whose claims amount to at least one tenth of share capital.

23.5. Special scope of activity

Article 274.

- (1) Members of supervisory board may attend assembly's session and participate in the discussion without the right to vote.
- (2) Supervisory board must convene a shareholders' assembly in cases anticipated by this law or the statute.
- (3) In matters concerning members of the managing board and board of executive directors, as well as in disputes with members of managing board and board of executive directors, stock company is represented by an appointed member of supervisory board.
- (4) Supervisory board is authorized to inspect business records and company's documents, in accordance with the statute.

23.6. Control of lawfulness of management's activities

Article 275.

- (1) Shareholder who has or represents at least one tenth of share capital or a smaller portion specified by the statute may request supervisory board, in written form, to undertake control of lawfulness of management's activities, with specifying reasons for that.
- (2) If supervisory board does not observe the request from paragraph 1 of this article within 30 days following the said request, a shareholder described in paragraph 1 of this article may, after the deadline, approach shareholders' assembly.

23.7. Compensation and responsibility

Article 276.

- (1) Members of supervisory board may be compensated for their work in proportion with tasks pertaining to members of supervisory board and financial standing of a stock company, in accordance with statute and assembly's decision.
- (2) Actions and responsibilities of a supervisory board member are duly regulated by provisions of this law on responsibilities of members of managing board.

24. Increase of share capital

24.1. Increase of share capital through new deposits

24.1.1. Conditions

Article 277.

- (1) Share capital of a stock company is increased by issuing new shares based on new deposits.
- (2) If there is more than one class of shares and increase of share capital changes established rights of shareholders of a particular class of shares, assembly's decision validity requires consent of shareholders of that particular class, which is granted in accordance with this law.
- (3) Stock company may increase its share capital if nominal value of all previously registered shares is deposited in its total, except in cases pertaining to paragraph 2, article 188 of this law, in case of merging of a company and in case of increase of share capital through a non-cash deposit.
- (4) Stock company which makes a public invitation for registration and purchase of shares (prospect) may increase its share capital with the consent of an authorized body, in accordance with legal regulations governing securities.

24.1.2. Notice of decision

Article 278.

- (1) Decision on increase in share capital shall be registered.
- (2) Along the notice on decision from paragraph 1 of this article a report of a certified evaluator concerning the evaluation of deposits in items and rights is attached.

24.1.3. Appropriate application

Article 279.

Provisions of this law regarding public invitation for subscription and payment of shares, payment of deposit, registration forms, evaluation of non-cash deposits, reports on deposits in items and rights, excess of registered shares, abortive registration, disposal of deposits, losing rights based on shares, prohibition on exemption from payment and prohibition on return of deposits and responsibilities are duly applied on increase of share capital as well.

24.1.4. Preference rights

Article 280.

- (1) Shareholder has the preemptive right in purchase of the newly issued shares in proportion of nominal value of shares, in accordance with the statute.
- (2) Owners of shares that grant the preemptive right in purchase of shares may exercise their right before shareholders from paragraph 1 of this article.
- (3) Rights from paragraphs 1 and 2 of this article may be denied or restricted by a decision on increase of share capital in accordance with this law, except in case pertaining to section 2, article 188 of this law.

24.1.5. Registration of increase and commencement of validity

Article 281.

- (1) Amount of increase in share capital is reported for registration within 15 days following the day of enforcing the decision on increase in share capital.
- (2) Registration in increase in share capital is published in "Official Gazette of Republic of Srpska" within 15 days following the day of registration.
- (3) Increase in share capital is valid starting with the day of registration.
- (4) Registration of increase in share capital is duly regulated by provisions of this law regulating registration of a stock company.

Prohibition of share issuance

Article 282.

Shares and temporary shares may not be issued prior to registration of increase in share capital through new deposits. New shares and temporary shares issued prior to registration are invalid, and the issuers are jointly and severally liable for damages resulting from such issuance.

24.2. Conditional increase in share capital

24.2.1. Basics

Article 283.

- (1) Conditional increase in share capital can be made for the sake of:
 1. guaranteeing rights to owners of shares that may be changed into stocks;

2. guaranteeing preference rights to shareholders for purchase of new shares in exchange for transferring into a deposit money claims that belong to them based on participation in profit.
3. realizing rights of creditors concerning conversion of claims into deposit.

(2) Nominal amount of conditional increase in share capital may not be higher than one half of the share capital that exists at the time of deciding on conditions for increase in share capital.

24.2.2. Registration of decision

Article 284.

(1) Decision on conditional increase in share capital is registered within 15 days following the day of reaching the decision on conditional increase in share capital.

(2) Conditional increase in share capital is published in the "Official Gazette of Republic of Srpska" within 15 days following the registration.

24.2.3. Prohibition on issuing shares

Article 285.

Issuance of shares and temporary shares based on conditional increase in share capital is regulated by article 282 of this law.

24.2.4. Report of share issuance

Article 286.

(1) The total amount of shares issued over the previous business year based on change of shares that can be converted into stocks, or on realization of preference right of shareholders concerning purchase of new shares shall be reported to the competent court maintaining the registry, within 15 days following approval of the annual financial statement for the previous year.

(2) A report from paragraph 1 of this article is accompanied with director's statement to the effect that shares have been issued for purposes specified in the decision on conditional increase in share capital.

24.3. Authorized share capital

Article 287.

(1) The statute or assembly's decision may authorize managing board to increase, within five years following the registration of a stock company and through issuance of new shares, the share capital up to a certain amount (authorized share capital) and not more than one half of the share capital that exists at the moment of granting the authority.

(2) The statute or assembly's decision may restrict issuance of the authorized share capital shares only to employees of a stock company or joint enterprises.

24.4. Increase of share capital from company's reserves

24.4.1. Conditions

Article 288.

Assembly may, after approving financial statements for the previous year, decide to have the share capital increased through transformation of the existing reserves and non-allocated profit into the share capital.

24.4.2. Transformation of reserves and unallocated profit into share capital

Article 289.

(1) Stock company's reserves, in a part exceeding one tenth of share capital, or a larger part determined by the statute, as well as non-allocated profit may be transformed into share capital.

(2) Stock company's reserves and non-allocated profit may not be turned into share capital if the company is suffering losses.

24.4.3. Registration of increase and beginning of decision's validity

Article 290.

(1) The decision on increase in share capital to be registered is submitted together with balance sheet which is the basis for the increase, auditor's expert opinion and the last annual financial statement, as well as the managing board official statement that the reduction in property that might prevent the increase in share capital or hurt shareholders' rights has not occurred between the day of approving the balance sheet and the day of submitting the registration application.

(2) The decision from paragraph 1 of this article is registered by the court if no more than six months have passed between putting together the balance sheet which is the basis for the increase of share capital and submitting the registration application.

(3) When the decision referred to in section 1 of this article is registered it is stated that the share capital has been increased from reserves or unallocated profit of the stock company.

(4) The increase in share capital is valid from the day of registration of the decision on increase in the share capital.

(5) New shares are considered fully paid for.

(6) The increase in share capital is published in the "Official Gazette of the Republic of Srpska", within 15 days following the registration.

24.4.4. Principle of proportionality

Article 291.

(1) New shares belong to shareholders in proportion to nominal value of the stock company's shares that they have.

(2) If decision of Assembly is made in contrary to the provision of paragraph 1 of this article it is considered invalid.

24.4.5. Invitation to shareholders

Article 292.

(1) Following the registration of the decision on increase in share capital, a stock company's managing board issues an invitation to shareholders to collect new shares. The invitation contains:

1. amount of increase in share capital;
2. proportionality between new and former shares;
3. a warning that the company has the right to sell, at the expense of shareholders, the shares not collected within a year following the day of invitation and after three published warnings with at least one month between each other.

(2) After one year following the day of the last warning from paragraph 1 of this article being published, a stock company shall sell the non-collected shares at the shareholders' expense, at the official stock market price or the price obtained at public auction if the stock market price is unavailable.

24.4.6. Prohibition of issuance of shares

Article 293.

Issuance of shares and temporary shares based on increase of share capital from stock company's reserves is regulated by article 282 of this law.

24.5. Partially paid shares

24.5.1. Shareholders' rights

Article 294.

(1) Nominal amount of share capital is increased in proportion to partially paid shares, while nominal value of existing shares is increased in proportion to increase of share capital, or new temporary shares are being issued.

(2) The right of participation in distribution of profit and right of vote based on partially paid shares resulting from increase of share capital through new deposits or a conditional increase are realized in proportion to amount of payment.

24.5.2. Special regulation concerning shares from company's reserves

Article 295.

(1) Shareholders with new shares from company's reserves participate in profit distribution pertaining to the whole business year in which the decision on increase of the share capital has been reached, providing the decision does not rule otherwise.

(2) The decision on increase of the share capital may provide for shareholders in paragraph 1 of this article to participate in profit distribution pertaining to the business year preceding the one in which the decision on increase of the share capital was reached.

24.6. Invalidity of decision

Article 296.

The decisions on increase of the share capital through new deposits, conditional increase and increase based on stock company's reserves are invalid if the resulting increase is not registered within three months following the day of increase.

25. Special regulation for single person company

Article 297.

If a single person company's share capital is increased through new shareholders' deposits, the company stays in business as a stock company, in accordance with this law. The fact becomes registered.

26. Protection of shareholders' rights

Article 298.

Mutual relations between shareholders regarding participation in managing the share capital may be changed only through implementation of this law's provisions on increase or reduction in the share capital.

27. Reduction of share capital

27.1. Ordinary reduction

27.1.1. Conditions

Article 299.

(1) Stock company's share capital can be decreased by assembly's decision with the understanding that there are more classes of shares and the decision changes the established rights of certain class shareholders, the decision must be approved by that class shareholders, in accordance with this law.

(2) Share capital can be decreased through a decrease of nominal value of shares or through a decrease of their number.

27.1.2. Registration and announcement of the decision

Article 300.

(1) The decision on reduction of the share capital shall be reported for registration.

(2) The decision on reduction of the share capital shall be announced two times every 30 days, with invitation to creditors to report their claims.

27.1.3. Protection of rights of creditors

Article 301.

(1) Creditors who report their claims within 30 days following the day of the second announcement of the decision on reduction of the share capital are entitled to payment of mature claims, that is, security provision for immature claims.

(2) Payment to shareholders, that is, their exemption from obligation of further payments based on the reduction of share capital may not be done prior to the expiration date in section 1 of this article, nor prior to payment, that is, provision of security to the creditors.

27.1.4. Announcement of shares being invalid

Article 302.

(1) Stock company invites shareholders, by a public notice, to submit their shares for merging or change of the nominal value.

(2) The public notice is announced twice each 30 days.

(3) Shareholders with shares made out to the name are invited personally.

(4) The notice, regarding submission of shares, contains a warning that the shares will be declared invalid if not submitted within regular or additional deadline.

(5) The submitted shares that become merged with the issuance of the new ones are invalidated by the stock company, while those not submitted are declared invalid.

27.1.5. Registration

Article 303.

(1) The reduction of share capital shall be reported for registration.

(2) The reduction of share capital cannot be registered prior to meeting demands of creditors referred to in article 301 of this law.

(3) The reduction of share capital is published in the "Official Gazette of Republic Srpska" within 15 days following the day of registration.

27.1.6. Principle of equality

Article 304.

(1) The decision on reduction of share capital must not violate the principle of shareholders' equality.

(2) In reduction of share capital the stock company's own shares become withdrawn and invalidated.

27.1.7. Application of provisions concerning reduction of share capital

Article 305.

Provisions of this law concerning the minimal nominal value of shares and minimal share capital are applied with the reduction of the share capital.

27.2. Simplified reduction of share capital

Article 306.

(1) The reduction of the share capital for the sake of covering a loss or transfer of assets into reserves is done in a simplified procedure (the simplified reduction).

(2) A simplified reduction of the stock company's share capital is done only if obligatory reserves are secured in advance and no profit is on disposal.

(3) The reduction of the share capital referred to in section 1 of this article is regulated by provisions of articles 299 and 300 and articles 302 through 305 of this law.

27.3. Reduction of share capital through withdrawal of shares

Article 307.

If the withdrawal of shares, in accordance with article 234 of this law, is carried out to the debit of the share capital, that withdrawal is regulated by provisions of this law on reduction of the share capital.

27.4. Beginning of validity of decrease of Share capital

Article 308.

Decrease of Share capital on the basis of regular decrease, simplified decrease or withdrawal of shares becomes valid on the day of entering decision on decrease of Share capital in Register.

28. Liquidation of a joint stock company

28.1. Regular procedure

28.1.1. Decision

Article 309.

(1) The decision on liquidation of a joint stock company in cases pursuant to article 96, section 1, item 2 through 4 of this Law is enacted by Assembly, and in cases pertaining to items 1, 5 and 6 of that section - the Court.

(2) If a joint stock company is liquidated on the basis of decision made by the court, the court is carrying out the liquidation.

(3) A proposal for liquidation of a joint stock company can be submitted by the court or any shareholder who has or represents at least one tenth of share capital.

(4) The decision on liquidation of a joint stock company made by Assembly includes naming one liquidator or several liquidators and creditors and shareholders with shares made out in the name of a bearer are requested to report their claims within 30 days following the day of publishing the decision i.e. to deposit their shares or certificates on shares.

(5) The decision pursuant to paragraph 4 of this article is published in the "Official Gazette of Republic Srpska" two times with a minimum interval of seven but not more than 30 days.

(6) If Assembly did not appoint a liquidator following a request of shareholders who have or represent at least one tenth of Register capital and joint stock company's creditors who claim at least one tenth of Register capital, the court appoints a liquidator.

28.1.2. Registration and announcement of the decision

Article 310.

(1) Assembly's decision on liquidation of a joint stock company and appointment of liquidators is registered with the court in charge of registrations within three days following the day the decision was made. The registration of the decision is published in the "Official Gazette of Republic Srpska" two times with minimum interval of seven but not more than 30 days.

(2) A liquidator deposits his/her signature with the court in charge of registration.

28.1.3. Sign attached to a firm

Article 311.

The firm of a joint stock company that is under the process of liquidation shall contain the sign "in liquidation".

28.1.4. Liquidator's statement

Article 312.

A liquidator submits to the court a written statement that obliges the liquidator to consciously and with full responsibility perform all duties in relation to a joint stock company's liquidation.

28.1.5. Revocation of liquidator

Article 313.

(1) A body that has appointed a liquidator may revoke or dismiss him/her at any time.

(2) Based on the request of shareholders who have or represent at least one tenth of joint stock company's share capital or the request of creditors whose claims amount to at least one tenth of share capital, the court may dismiss a liquidator.

28.1.6. Liquidator's authorities

Article 314.

A liquidator has authorities of a bankruptcy commissioner.

28.1.7. Relationship between liquidation and bankruptcy

Article 315.

If a liquidator, on the basis of reported claims of creditors, determines that joint stock company's property is not enough for payment of all claims of creditors, with the interest rate, he/she must immediately stop the liquidation process and submit a proposal for initiating a bankruptcy.

28.1.8. Balance sheet

Article 316.

(1) A liquidator compiles an initial liquidation balance sheet at the beginning of liquidation and at the end of - final accounting liquidation statements.

(2) If the liquidation process takes more than a year, a liquidator compiles an accounting statement of a joint stock company at the end of each business year.

28.1.9. Liquidator's statement and decision proposal

Article 317.

- (1) Following settlement with a joint stock company's creditors, a liquidator prepares a statement on the course of liquidation process and a proposal of a decision on the distribution of property, unless the decision on liquidation has not determined otherwise.
- (2) A body that has decided on liquidation decides, unless determined otherwise, on accepting the liquidator's statement and on the proposal on the decision regarding distribution of property.
- (3) If the body in charge of accepting the statement and proposal pursuant to paragraph 1 of this article is an Assembly that fails to convene or does not have the quorum after two conventions, the liquidator's proposal is considered accepted.

28.1.10. Distribution of property

Article 318.

- (1) Following settlement with joint stock company's creditors and deposition of contested claims, the remaining property is distributed among shareholders in proportion to a nominal value of shares. Unpaid shares get paid in accordance with the decision and statute, prior to distribution of property, if it is necessary for compensation of a joint stock company's creditors.
- (2) A liquidator may not initiate distribution of the remaining property to shareholders prior to expiration of 30 days following the day of second invitation to creditors to report their claims.
- (3) Following distribution of a joint stock company's property, a liquidator submits to the court a request for the company's removal from the register. The request includes a report on the course of process of liquidation and a statement confirming that all property has been distributed in accordance with the decision on distribution.

28.1.11. Liquidator's responsibility

Article 319.

- (1) Following the removal of a joint stock company from the register, the liquidator's actions can not be denied.
- (2) A liquidator is responsible to creditors concerning the compensation for damages caused by his/her fault in the course of liquidation. Along with liquidator the shareholders are jointly and severally liable - up to the amount paid from the liquidation mass. Creditor's claim not timely reported in accordance with this Law is not considered a damage, if a liquidator did not or could not know of such.
- (3) Provision of paragraph 2 of this article does not apply to the damage caused to shareholders by liquidator for which he/she is responsible under general provisions regulating responsibility for damages.
- (4) Claims for damages directed towards liquidator expire within one year following the day of removal of the joint stock company from the register.
- (5) If there is more than one liquidator, they are jointly and severally liable.

28.1.12. Shareholders' claims

Article 320.

- (1) Shareholders can, in the course of liquidation process, realize their claims resulting from legal businesses with a joint stock company.
- (2) Claims based on paid deposits get settled after the settlement with creditors and compensation for the liquidation expenses.

28.1.13. Deposition

Article 321.

(1) If creditors' i.e. shareholders' claims cannot be compensated, the money amount used for payment is deposited with the court, while objects get deposited with a public storage, for the period of six months.

(2) Following the deadline pursuant to paragraph 1 of this article, the deposited amount i.e. the amount obtained through the sale of stored objects is put on disposal to the authorized body of the local self-government in which removed joint stock company used to have Head Office, unless the decision on distribution of property has not determined otherwise.

Compensation for liquidator

Article 322.

A liquidator is entitled to reimbursement as well as compensation for his/her work out of the joint stock company's property. The amount of compensation is determined by shareholders' assembly, and in case of appointment of liquidator by court - the court.

Compensation for work and reimbursement is paid to the liquidator after settlement with creditors and prior to distribution of property to shareholders.

Keeping business books

Article 323.

Joint stock company's business books and documents related to liquidation are kept by one of shareholders or by a third party. Business books and documents are kept in accordance with regulations regulating registered materials and archives.

The name of a person trusted with keeping business books and documents is registered in Register.

Creditors and shareholders have the right of access to business books and documents.

Short procedure

Conditions and procedure

Article 324.

A joint stock company can be terminated under the short procedure of liquidation if after enacting the decision on termination of joint stock company in the way that all shareholders submit to the court their signed statements certifying that all liabilities of the company concerning creditors have been fulfilled and that all issues concerning the employees have been resolved.

Shareholders are jointly and severally liable for liabilities of a joint stock company for the period of three years following the removal of the joint stock company from the Register.

The court may request shareholders to prove truthfulness of the statement referred to in paragraph 1 of this article as well as additional forms of securing the payment liabilities.

Action against decision on termination

Article 325.

Shareholders, creditors or persons who have a legal interest may appeal to the court regarding the decision on termination of a joint stock company through a short procedure within 15 days following the day of the decision's announcement.

The court revokes the decision on termination of a joint stock company under the short procedure if court comes to conclusion that shareholders and creditors may be damaged by such decision.

The court may, under the circumstances, proceed with liquidation process or appoint a liquidator in charge with the liquidation of a joint stock company under the regular procedure in accordance with this Law.

After the revocation of the decision on termination of a joint stock company under the short procedure, the shareholders' statements on taking over responsibilities concerning the company's liabilities may not cause a legal consequence.

Revocation of the decision on termination of a joint stock company under the short procedure shall be published.

Joint and several liability of shareholders

Article 326.

A joint stock company which gets terminated under the short procedure is removed from the Register with the registration of personal names and addresses, i.e. company's name and shareholders head office with an indication of their joint and several liability for the company's liabilities .

II. LIMITED LIABILITY COMPANY

1. Definition

Article 327.

Limited liability company is a company founded, for the purpose of conducting business activity, by legal entities or natural persons, who are not responsible for company's liabilities but share the risk of conducting business activity up to the amount of their deposits. Company's share capital is composed of company members' deposits

(2) A member of a limited liability company acquires a share in the company in proportion to the value of deposit. Each member of the company may have only one share while one share may amount to more than one vote.

(3) Stocks may not be expressed in shares.

Founding

Article 328.

(1) Limited liability company is founded by a Founding Act or, if founded by one person, by a founding decision.

(2) Limited liability company has a statute.

(3) Limited liability company may have up to 30 members, unless company members are employed with the company and purchase their shares under preferred conditions and in accordance with the Law.

3. Contents of the contract

Article 329.

(1) In addition to elements contained in article 11 of this Law, a Founding Act of limited liability company contains the following provisions on the :

1. the amount of share capital and the amount of each member's deposit ;
2. the method and time of making money deposits ;
3. the number of company members and the decision making procedure in the case of indecisive distribution of votes;

4. the appointment of company's director and representative and in the case of more than one representative - the way of business managing, representation and signing legal documents for the company.

(2) A Founding Act of a limited liability company may also contain the provisions on the following:

1. the non-monetary deposits and their value;
2. other deposits in property value due by members (hereinafter : secondary contributions) and the amount of predetermined fine to be paid in case of disregarding or untimely observing the secondary deposit requirements;
3. the authorization of members' assembly regarding additional deposits ;
4. the ban on transfer of shares and distributions in case of legal succession and inheritance;
5. the withdrawal of shares;
6. the limitation of rights of representatives;
7. other issues of importance for the company;

(3) The provisions pursuant to paragraph 1 and 2 of this article accordinally apply to establishment of one-member limited liability company.

4. Contents of the Statute

Article 330.

The Statute of a limited liability company contains provisions on:

1. company name and head office;
2. company activities;
3. total amount of a register capital, type and amount of each member's deposit and the method of registration and payment of contribution;
4. the division of profit and the way of bearing the risk and covering the losses;
5. the election, recall and scope of activities of company's bodies;
6. representation;
7. reserves;
8. the way of changing company's form;
9. liquidation of a company;
10. the procedure of changing the statute;
11. other issues of importance for company activities.

5. Share capital and deposits

Article 331.

(1) A ready-money founding deposit of the share capital of a limited liability company may not be less than 5.000 Convertible Marks.

(2) A ready-money founding deposit of a particular member may not be less than 500 convertible marks in dinar countervalue according to the exchange rate on the day of purchase.

(3) Exceptionally from provisions of paragraph 2 of this article, if members of a limited liability company are entities who purchase preferred shares, in accordance with special regulations, a ready - money deposit of a particular member may be less than specified.

6. Payment and registration of deposits

Article 332.

(1) Deposits of members of limited liability company must be registered in full prior to submitting application for registration.

(2) Deposits put into limited liability company may not be in the form of labour or services.

(3) Prior to registration, at least 50% of ready-money part of share capital i.e. 50% of ready-money part of a particular member's deposits gets deposited on an authorized bank's provisional account while the remaining part is to be deposited within two years following the day of registration of a limited liability company, in accordance with the company's Founding Act.

(4) Exceptionally from provision of paragraph 3 of this article, if a ready-money part of the share capital exceeds 15.000 Convertible Marks in dinar countervalue according to the exchange rate on the day of purchase, at least 20% of that amount is to be deposited prior to registration of a limited liability company.

(5) Members of limited liability company are jointly and severally liable to company and company's creditors regarding payment of non-deposited parts of deposit i.e. regarding non-deposition of deposits in kind and rights. Provisions of this paragraph do not apply in case of section 3, article 331 of this Law.

(6) Other issues dealing with payments and deposits of members of a limited liability company which are not regulated by this article are accordingly regulated by provisions of article 190, article 194 paragraph 4 through 7 and articles 219 through 223 of this Law.

7. Cogency of provisions on payment of deposits

Article 333.

Limited liability company may not exclude a company member, completely or partially, from the liabilities that considers payment and registration of deposit or from responsibilities pursuant to article 332 of this Law nor can it postpone fulfillment of liabilities.

8. Report on deposits in kind and rights

Article 334.

Provisions of article 196 of this Law accordingly apply to the report on deposits in kind and rights within a limited liability company.

9. Foundation expenses

Article 335.

Provisions of article 191 of this Law accordingly apply to the foundation expenses of a limited liability company.

10. Special regulations for one-member company

Article 336.

Provisions of article 192 of this Law accordingly apply to one-member limited liability company.

11. Application for entering the Register

Article 337.

Provisions of articles 197 and 198 of this Law accordingly apply to the application for entering the limited liability company in the Register.

12. Book of company members

Article 338.

(1) Limited liability company keeps the Book of company members.

(2) The Book of company members contains in particular:

1. name and address, i.e. company name and head office for each company member;

2. the amount of each member's deposit and the amount of payment;
3. changes in any data entered into the Book of company members;
4. other data of importance for company members.

(3) Each member of a limited liability company may take a look into Book of company members as well as into forms and documents that had served as basis for entering the data. Other persons interested in the Book may take a look into the Book -upon company's approval.

13. Legal relations between company and its members

13.1. Deposits into company's property and obtaining of shares

Article 339.

(1) Founding Act of a limited liability company may not exclude company members from the liabilities of depositing into company's property, except in cases of applying the regulations on decrease in share capital.

(2) Members of a limited liability company may not have their liabilities of depositing into company's property substituted by their claims towards the company.

(3) A share based on deposit can belong to one person or several persons.

(4) If several persons own one share, those persons are considered, in relation to a limited liability company, as one member, and they realize their rights through a mutual representative. They are jointly and severally liable concerning liabilities of a company member.

(5) Members of a limited liability company who own one share may mutually agree to have equal or different level of participation concerning that share.

(6) Legal actions of a limited liability company directed towards owners of one share affect all owners of that share even when the actions are undertaken towards one of them.

(7) Limited liability company may issue to its member a certificate as proof of having a share. The certificate does not have characteristics of securities. The certificate is in the name.

13.2. Secondary activities

Article 340.

Members of a limited liability company may also undertake liabilities of making secondary activities.

13.3. Additional payments

13.3.1. Basis

Article 341.

(1) Members' assembly of a limited liability company may determine liabilities of additional payments for the company members as well as the amount of those payments, if Foundation Act provides so.

(2) Additional payment does not increase member's deposit or share, nor share capital.

(3) Additional payments are determined in proportion to deposits.

(4) Member of a limited liability company can not have additional payment liabilities off set by claims towards company.

13.3.2. Overdue additional payment

Article 342.

Overdue additional payment is accordingly regulated by provisions of article 194, paragraph 5 of this Law, unless otherwise provided by the Foundation Act of a limited liability company has not.

13.3.3. Additional payments refund

Article 343.

- (1) Additional payments which do not serve as coverage for share capital in case of loss may be refunded to the members of a limited liability company, but not prior to expiration of 30 days time-limit following the day of publishing the decision on refund.
- (2) Additional payments based on Foundation Act of a limited liability company may not be refunded prior to depositing.
- (3) Refunded additional payments are considered as not paid in.

13.4. Share transfer

13.4.1. Regular transfer

Article 344.

- (1) A share may be freely transferred among members of a limited liability company, in accordance with company's Foundation Act. Company's consent in share transfer is necessary in case where the company member has also undertaken liability on a secondary activity.
- (2) If the member of a limited liability company obtains, during the share transfer, in addition to his share one or several additional shares, all shares merge into one share.
- (3) A share can be transferred to a third party within the right of preferred purchase on part of other members of a limited liability company i.e. the company itself, in accordance with the Statute.
- (4) If several members of a limited liability company express their will to purchase a share and there is no agreement between transferors and those members regarding a portion of the share to be purchased by each of them, the portion shall be divided among them in proportion to their deposits in the company, unless the company's Foundation Act has not provided otherwise.
- (5) If members of a limited liability company i.e. the company itself, fail to express the will to purchase share within 30 days following the day of the selling offer for share, the share can be transferred to a third party under conditions which can not be more favorable to the buyer.

13.4.2. Transfer during executive action

Article 345.

- (1) If a share of member of a limited liability company is sold during executive action, the court shall inform company members and company itself regarding both permission to sell and the share estimate.
- (2) If, within 15 days following the day of receiving the information, members of a limited liability company do not express their will to purchase share, the share shall be sold in accordance with the regulations of executive action.

13.4.3. Share transfer in case of death or discontinuation of a member

Article 346.

- (1) In the case of death or discontinuation of a member of a limited liability company, the share is transferred to inheritor or legal successor, unless otherwise provided by company's Foundation Act.
- (2) Foundation Act of a limited liability company which excludes share transfer, determines the share purchase by the company members or company itself.

(3) If members of a limited liability company or company itself fail to purchase share, the share is withdrawn with compensation for its value, in accordance with the provisions of this Law on decrease of share capital of a joint stock company.

13.4.4. Consequences of transfer

Article 347.

- (1) In the case of share transfer, both transferor and transferee are jointly and severally liable concerning liabilities arising from membership relations within limited liability company.
- (2) Share transfer results changes in Foundation Act of a limited liability company .
- (3) Share is transferred by a contract in a written form.
- (4) Transferee has to report to a limited liability company any change in ownership and the time of change, for the purpose of having those facts entered into the Book of company members.
- (5) Share transfer has a legal action towards the limited liability company following the moment of entering into the Book of company members.

13.5. Division of share and transfer of part of share

Article 348.

- (1) Share can be divided in case of inheritance, legal succession of a member and transfer.
- (2) Foundation Act of a limited liability company may exclude division of share, except in the case of share transfer among company members.
- (3) Provisions of this Law on share transfer are accordingly applied to the transfer of the part of the share.

13.6. Distribution of profit

Article 349.

- (1) Members of a limited liability company are entitled to participation in profit as determined by annual balance, unless otherwise provided by company's Foundation Act.
- (2) Profit is distributed among members of a limited liability company in proportion to their shares, unless otherwise provided by company's Foundation Act .
- (3) Distribution of profit among members of a limited liability company is accordingly regulated by provisions of article 225 of this Law.

13.7. Company's responsibility towards its members

Article 350.

- (1) Foundation Act of a limited liability company may anticipate company's liability to do or not to do something beneficial for one or several of its members.
- (2) Liability pursuant to paragraph 1 of this article can not be in contrary to provisions of this Law on payments of deposits or members' responsibility for paying deposits , nor it can be in contrary to the provisions of this Law on sustaining the share capital.

13.8. Prohibition on refunding the deposit

Article 351.

Deposits may not be refunded to members of a limited liability company, except in the cases anticipated by this Law.

13.9. Return of prohibited payments

Article 352.

(1) A member of a limited liability company is obliged to return deposits and dividends to the company, which were paid to him by the company in contrary to the provisions of this Law.

(2) Claims pursuant to paragraph 1 of this article can also be realized by creditors of a limited liability company if company fails to meet its obligations and as well as company members in accordance with this Law. In the case of bankruptcy the provision also applies to bankruptcy manager.

(3) If company members, mentioned in paragraph 1 of this article, cannot be required to return the paid amounts, i.e. if it is not possible to collect payments, those amount are guaranteed by other members in proportion to their deposits. If the amount cannot be claimed or collected from a particular member it is distributed among other members in proportion to their deposits.

(4) Expiration of claims pursuant to paragraph 1-3 of this article starts following the day of making an unlawful payment.

14. Legal regime of particular business actions

14.1. Invalid business actions

Article 353.

Legal actions dealing with advancements or loans provided by a limited liability company for the purpose of obtaining company's share or dealing with other forms of loans are accordingly regulated by provisions of article 240 of this Law.

14.2. Conversion of loan into the share capital

Article 354.

Conversion of loan of member of a limited liability company into share capital is accordingly regulated by article 241 of this Law.

14.3. Refund of the loan before initiating bankruptcy

Article 355.

Refunding the loans of members of a limited liability company before initiating bankruptcy is accordingly regulated by article 242 of this Law.

15. Obtaining and managing one's own share

Article 356.

Provisions of articles 235 - 239 of this Law accordingly apply to prohibition of registering one's own shares, direct obtaining of one's own shares, obtaining one's own shares through third parties and turning one's own shares into pledge.

16. Discontinuation of share (withdrawal)

Article 357.

(1) Share becomes discontinued if provided so by Foundation Act of a limited liability company.

(2) Foundation Act of a limited liability company determines the basis and procedures concerning discontinuation of share.

(3) Share becomes discontinued with consent of members of a limited liability company, unless otherwise provided by company's Foundation Act.

(4) Member of a limited liability company whose share has become discontinued loses rights and liabilities based on that share.

(5) Provisions of this article do not exclude application of provisions of this law regarding decrease and preservation of share capital of a limited liability company.

17. Special regulation for one-member company

Article 358.

(1) One-member limited liability company may neither obtain or withdraw its own share.

(2) One-member limited liability company may obtain its own shares free of charge and based on legal succession.

18. Preferred shares

Article 359.

(1) Preferred shares are accordingly regulated by provisions of this law on preferred stocks.

(2) Foundation Act of a limited liability company regulates company members' rights concerning preferred shares.

19. Bodies of a limited liability company

Article 360.

(1) Bodies of a limited liability company are director, managing and supervisory board in cases anticipated by this Law and Assembly - if provided by the Foundation Act.

(2) Activities of Assembly and director's activities in one-member limited liability company are performed by the owner, unless otherwise provided by Foundation Act.

(3) In one-member limited liability company decisions enacted in the process of managing the company are entered into company's book of decisions.

(4) Decisions, referred to in paragraph 3 of this article, which are not entered into the book of decisions are legally invalid.

(5) Provisions of article 244, paragraph 6 and 7 of this Law accordingly apply to keeping the book of decisions of a limited liability company.

20. Assembly

20.1. Scope of activities

Article 361.

(1) Assembly of a limited liability company, in addition to responsibilities referred to in article 61 of this Law, makes decisions on:

1. additional payments,
2. return of subsequent additional payments,
3. distribution and discontinuation of shares,
4. realization of company's demands concerning managers or company members in relation to compensation for damages arising from foundation of company or conducting business activities,
5. representation of company in the court or in other legal actions against company managers.

20.2. Convention of assembly

Article 362.

(1) Assembly is convened by director or by a body anticipated by Foundation Act of a limited liability company.

(2) Assembly can be convened by members of a limited liability company or its supervisory board, as provided by this Law.

(3) If the balance sheet of a limited liability company shows a considerable decrease in share capital, it is obligatory for the assembly to convene.

20.3. Procedure of convening the Assembly

Article 363.

(1) Assembly is convened by written invitation. The written invitation, containing assembly's agenda, is to be delivered to all members of a limited liability company not later than seven days prior to Assembly session.

(2) If not convened in accordance with the provision of paragraph 1 of this article, assembly may make decisions if all members of a limited liability company agree so.

(3) The provision from paragraph 2 of this article also apply to deciding on issues which are not included into agenda, providing the suggestion concerning changes in the agenda has been presented to the assembly at least three days prior to the Assembly session.

20.4. Representation of a member

Article 364.

(1) A member can be represented in the assembly by another authorized member or other

(2) Authorized person.

(3) Managers, members of the board of executive directors and supervisory board may not represent other members in the Assembly of a limited liability company.

20.5. Quorum

Article 365.

(1) Assembly can reach decisions if attended by members who have more than one half of the total number of votes, unless Foundation Act of a limited liability company or statute regulating Assembly procedure does not provide some other qualified majority.

(2) If Assembly can not convene due to the lack of quorum referred to in paragraph 1 of this article, the assembly it is to be convened again with the same suggested agenda, in accordance with Foundation Act of a limited liability company i.e. the Statute.

20.5.1. Decision making

Article 366.

(1) Assembly reaches its decisions by a three fourths majority of attending members in cases dealing with adoption and changes in the Statute, increase and decrease in share capital, status changes, changes in form or discontinuation of a limited liability company and distribution of profit, unless Foundation Act or Statute does not provide some other form of qualified decision making majority.

(2) Assembly reaches its decisions concerning other issues within the scope of its activities in accordance with the Foundation Act of a limited liability company i.e. the Statute.

(3) The decision imposing additional liabilities on a limited liability company members i.e. limitations in their rights as prescribed by this law and Foundation Act, shall be valid only by common consent of all members to which such decisions applies to, unless otherwise provided by this Law.

20.5.2. Right to vote

Article 367.

(1) Each member, except preferred share members without managing rights, has the right to vote in proportion to their share. Foundation Act or Statute determines the amount of share that guarantees one vote.

(2) Foundation Act or Statute may not give a particular member the number of votes disproportionate to his share. The right to vote of certain members may be restricted, regardless of the amount of their share.

20.5.3. Voting in writing form

Article 368.

An absent member of a limited liability company may vote in writing form, in accordance with the Statute.

20.5.4. Voting procedure

Article 369.

Voting procedure of members of a limited liability company is accordingly regulated by provisions of article 253 of this Law.

20.5.5. Exclusion from voting right

Article 370.

Exclusion from voting right of member of a limited liability company is accordingly regulated by provisions of article 255 of this Law.

20.5.6. Rights of minority members

Article 371.

(1) Members of a limited liability company who together possess or represent at least one tenth of share capital or a smaller portion as determined by Foundation Act or Statute may request convening of the assembly. They are supposed to list reasons for the Assembly convening as well as issues to be dealt with.

(2) Members referred to in paragraph 1 of this article may request inclusion of a certain issue into agenda of already convened Assembly.

(3) Members referred to in paragraph 1 of this article may, in accordance with the Foundation Act of a limited liability company or Statute convene Assembly or include certain issues into agenda if their request referred to in paragraph 1 and 2 of this law has been rejected.

(4) If assembly fails to convene within 15 days following request of members referred to in paragraph 1 of this article, the Assembly shall be convened, within next 15 days, by Supervisory Board, if such has been established.

(5) If Assembly fails to convene in accordance with paragraph 4 of this article, i.e. if Supervisory Board has not been established, limited liability company has to, in accordance with this Law, purchase shares of members referred to in paragraph 1 of this Law.

20.5.7. Minutes

Article 372.

Assembly minutes of a limited liability company is accordingly regulated by provisions of article 251 of this Law.

21. Supervisory board and director

Article 373.

Functions of the Supervisory Board and Director of a limited liability company are accordingly regulated by provisions of this Law dealing with supervisory board and director of a limited liability company.

22. Board of executive directors

Article 374.

Functions of board of executive directors of a limited liability company are accordingly regulated by provisions of this Law dealing with board of executive directors of a limited liability company.

23. Supervisory board

Article 375.

Functions of supervisory board of a limited liability company are accordingly regulated by provisions of this Law dealing with supervisory board of a limited liability company.

24. Changes in Foundation Act of a company

Article 376.

(1) Foundation Act of a limited liability company can be changed with consent of all company members, unless otherwise provided by a Foundation Act.

(2) Changes in Foundation Act of a limited liability company which results in increased liabilities of company members or which establish new liabilities of company members can be introduced with consent of all company members.

25. Increase in share capital

Article 377.

(1) Share capital of a limited liability company is increased by changes in company's Foundation Act.

(2) Members of a limited liability company have right of preferred deposits, i.e. making new deposits within 30 days following the day of introduction to changes in company's Foundation Act, in proportion to their earlier deposits.

(3) Other issues regarding increase in share capital of a limited liability company are accordingly regulated by provisions of this Law dealing with increase in share capital of a limited liability company.

26. Decrease in share capital

Article 378.

Decrease in share capital of a limited liability company is accordingly regulated by provisions of this Law dealing with decrease in share capital of a limited liability company.

27. Due application of provisions on one-member company

Article 379.

Functions of one-member limited liability company are accordingly regulated by provisions of this Law dealing with one-member company.

28. Discontinuation of company and membership relations

28.1. Special cases

Article 380.

In addition to cases of discontinuation referred to in article 96 of this Law, limited liability company becomes discontinued, in accordance with Foundation Act, through death or discontinuation of its member.

28.2. Withdrawal of a member

Article 381.

- (1) Member of a limited liability company may withdraw from the company, on legitimate reasons and with consent of other company members.
- (2) If members of limited liability company fail to reach consent concerning one member's withdrawal, the withdrawing member may institute legal proceedings with the authorized court.
- (3) The withdrawing member of a limited liability company is entitled to compensation for caused damages.

28.3. Expulsion of member

Article 382.

- (1) Members' assembly of a limited liability company may, by majority of total number of votes, expel a particular company member if he fails to fulfill liabilities determined by Foundation Act or fails to fulfill other legitimate reasons.
- (2) Company member referred to in paragraph 1 of this article may not vote on his own expulsion.
- (3) Expelled member of a limited liability company may institute legal proceedings with the court within 30 days following the day of receiving decision on expulsion from the company.
- (4) If a limited liability company consists of two members, one of them may not make a decision to expel another.
- (5) Limited liability company is entitled to compensation for damages caused by expulsion of its member.

28.4. Common provisions on withdrawal and expulsion of member

Article 383.

- (1) Member of limited liability company who withdraws from company or is expelled from it, is entitled to compensation for estimated value of its deposit.
- (2) Membership in a limited liability company ends with valid court decision on expulsion or withdrawal i.e. on the day of decision on withdrawal or expulsion, if court action has not been initiated.
- (3) Foundation Act or statute of a limited liability company may not abolish members' right to withdraw from company or company's right to expel member from the company.

28.5. Priority of refunding

Article 384.

In case of termination of a limited liability company and after providing compensation for creditors from its property, first to be returned are additional payments after which the rest of the property is to be divided among company members in proportion to their shares.

28.6. Due application of joint stock company's regulations

Article 385.

Termination of a limited liability company is accordingly regulated by provisions of this Law dealing with termination of a limited liability company.

III. PUBLIC ENTERPRISE

1. Definition

Article 386.

- (1) Public enterprise is an enterprise that performs business activity of general concerns, and is founded by Republic i.e. by unit of local self-government.
- (2) Business activity of general concerns can be performed by other forms of enterprises as determined by this Law, a part of enterprise as well as an entrepreneur.
- (3) Foundation and business activity of enterprise referred to in paragraph 1 and 2 of this article are regulated in accordance with this Law and the law regulating conditions and forms of performing business activity of general concerns.

2. Bodies of public enterprise

Article 387.

- (1) Bodies of public enterprise are managing board, supervisory board and director. Statute of public enterprise may also determine establishment of the board of executive directors.
- (2) Managing and supervisory boards are elected by a founder, i.e. the owner.
- (3) Director of a public enterprise is selected by managing board, unless otherwise provided by Foundation Act.

IV - ENTERPRISE FOR EMPLOYMENT OF DISABLED PERSONS

1. Definition

Article 388.

- (1) Enterprise which in accordance with the Law performs professional rehabilitation or employs at least 40% of disabled persons, conducts its business activity as enterprise for employment of disabled persons.
- (2) Professional rehabilitation and employment of disabled persons can also be performed by a part of an enterprise.

2. Applicability

Article 389.

Provisions of this Law apply to the enterprise referred to in article 388 of this Law , unless otherwise provided by the Law.

PART THREE

MERGING OF ENTERPRISES

I. Linked enterprises (groups of enterprises)

1. Definition

Article 390.

- (1) Linked enterprises are:
 1. Parent and dependent company (mixed holding, concern);
 2. Company with mutual shares;
 3. Holding.

(2) Enterprises can not get linked, according to provisions of paragraph 1 of this article if it is in contrary to the monopoly regulations.

2. Parent and dependent company

Article 391.

(1) If one company has majority or considerable share of capital in another company or if, based on contract with another company, it has right to appoint majority or at least one fourth members of another company's managing board i.e. has majority or at least one fourth votes in assembly, that company is considered parent company while other company is considered dependent company.

(2) Parent company with majority share of capital is a company which, directly or indirectly through another company on the basis of more than 50% of participation in another company's capital, has more than 50% of votes in assembly and has right to appoint more than one half of members of managing board of another company (dependent company).

(3) Parent company with considerable share of capital is company which, directly or indirectly through another company, on the basis of at least 25% of participation in another company's capital has at least 25% of votes in assembly and right to appoint at least 25% of members of managing board of another company (dependent company).

(4) Direct participation of capital belonging to parent company or another person who keeps it for its sake is determined on the basis of relation between nominal amount of that participation and total amount of capital of dependent company.

(5) In determining participation referred to in paragraph 4 of this article, the following items are subtracted from total amount of dependent company's capital: its own stocks and shares of dependent company as well as stocks and shares kept for dependent company by a third party.

(6) Indirect participation of capital belonging to parent company includes stocks and shares that belongs to company dependent on it or that belong to another party for the sake of that company or for the sake of company dependent on it (dependent companies).

(7) Dependent company may obtain stocks and shares in parent company and realize its voting right based on stocks and shares on its disposal, in accordance with regulations of this Law dealing with companies with mutual shares.

(8) Acquisition of essential, majority and mutual share of capital is entered and published in the "Official Gazette of Republic Srpska".

3. Companies with mutual shares

3.1. Definition

Article 392.

Companies with mutual shares are linked companies, in which each company participates with its capital in another company.

3.2. Companies with relatively balanced shares

Article 393.

(1) If mutual participation in capital is relatively balanced, each company will decrease its participation in another company's share capital up to 10%.

(2) A company has to inform another company that it has obtained more than 10% of participation in its share capital.

(3) Stocks and shares that exceed 10% of another company's share capital have to be alienated within one year following information on mutual shares.

(4) Stocks and shares that have to be alienated do not result in voting rights.

3.3. Companies with one company majority share

Article 394.

- (1) If one company possesses stocks and shares that constitute more than 10% of another company's share capital, the other company's participation in capital may not exceed 10% of the former company's share capital.
- (2) Company that obtains more than 10% of capital participation in another company is obliged to immediately notify that company on the matter.
- (3) Following the receipt of notification, the notified company may not purchase stocks and shares of a company that has obtained more than 10% of its share capital.
- (4) If notified company possesses stocks or shares that constitute more than 10% of share capital of the company that issued notification, an agreement will regulate decrease of one company's capital participation to up to 10% of another company's share capital.
- (5) If agreement referred to in paragraph 4 of this article is not reached, company with smaller percent of capital participation in another company must alienate its stocks and shares to up to 10% of another company's share capital within one year following the day of notification.
- (6) Stocks and shares that must be alienated in accordance with paragraph 5 of this article do not result in voting rights.

4. Holding

Article 395.

- (1) Holding is company which has in its possession stocks and shares of dependent company and is primarily involved into managing, obtaining capital participation in another company through stocks, shares or exchangeable shares (founding, long-term investments, purchasing, exchange) as well as disposal of those securities.
- (2) Holding can be organized as partnership, limited partnership, stock company, limited liability company and public enterprise.
- (3) Relations between holding and dependent companies are accordingly regulated by provisions of this Law on parent and dependent companies as well as provisions on companies with mutual participation.

5. Mutual regulations for linked companies

5.1. Procedure on obtaining considerable and majority participation of capital in joint stock companies with public registration of shares

Article 396.

- (1) In primary joint stock companies with public registration of shares, considerable or majority participation of capital can be realized directly or through a third party, by making public offer to shareholders of company whose shares are being purchased and by notifying company on intention to purchase its shares.
- (2) Stock purchasing offer and company notification on purchase intention are published in the stock-market gazette.
- (3) Stock purchasing offer must be made not later than within 30 days following the day of publishing notification mentioned in paragraph 1 of this article.
- (4) Offer contains type, number and price of stock to be purchased as well as offer's deadline which may not be shorter than 21 days.
- (5) Offerer whose offer has been accepted has to obtain consent by an authorized body in accordance with Law regulating securities.

(6) Considerable and majority participation is to be registered and published in the stock-market gazette.

(7) Obtaining majority or considerable participation of capital must not violate the principle of equality of stockholders of the same class.

(8) Acting in contrary to provisions pursuant to paragraph 1 - 7 of this article may not result in voting right based on obtained considerable or majority participation.

5.2. Responsibility for caused damages

Article 397.

(1) If parent company causes dependent company to indulge into self-damaging legal activity or to do something self-damaging or to fail to do something, it will compensate dependent company for damages caused in that way.

(2) Request for compensation for damages referred to in paragraph 1 of this article may come, on behalf of dependent company, from stockholders and members of dependent company who possess or represent at least one tenth of that company's share capital or smaller portion as anticipated by statute as well as company's creditors whose claims amount to more than one tenth of dependent company's share capital.

(3) Next to the parent company, joint and several liability applies to managers of parent company who have caused dependent company to indulge into self-damaging legal activity or to do something self-damaging or to fail to do something.

(4) Jointly and severally liable also are managers of dependent company if they have failed to perform their duties correctly, except when they have acted on parent company's managing board instructions.

5.3. Liabilities of stockholders with majority participation

Article 398.

(1) Stockholder who, in accordance with provisions of article 396 of this Law, obtains majority capital participation expressed in shares with voting right, has to, within six months following the day of obtaining majority participation, upon request of any stockholder of parent or dependent company and based on that stockholder's choice, do following:

1. buy his stocks for at least the same price for which they had been bought in process of obtaining majority participation; or,
2. exchanges his shares in dependent enterprise for the shares of parent enterprise ,
3. pay stockholder dividend such as belongs to stockholder with participating stocks.

(2) Realization of stockholders' rights referred to in paragraph 1 of this article must not violate the principle of equality of the same class stockholders or restrict stockholders' right to institute legal proceedings.

5.4. Joint and several liability for liabilities

Article 399.

(1) Stockholder who possesses more than 75% of dependent company's stocks is jointly and severally liable for his liabilities (dependent company under direct management).

(2) Obtaining capital participation referred to in paragraph 1 of this article is registered and published in the stock-market gazette.

5.5. Stockholders' rights

Article 400.

Stockholders of dependent company under direct management may at any time request parent company to:

1. pay them dividend such as belong to stockholder with participating stocks; or
2. have their stocks bought at stock-market price or at price of public auction or at price determined by a court expert; or
3. have their stocks exchange for parent company stocks.

5.6. Creditors' rights

Article 401.

Creditors of dependent joint stock company under direct management whose unrealized claims originated before publishing the notification and public offer concerning purchase of stocks for the sake of obtaining majority capital participation may, within 90 days following announcement on obtaining capital participation in excess of 75%, request parent company securities up to amount of their claims.

6. Compulsory purchase or exchange of stocks

6.1. Definition

Article 402.

(1) Stockholder who, in accordance with provisions of articles 396 and 398 of this Law, obtains 90% of dependent company's stocks may, within 60 days following the day of obtaining such participation and by decision of its Assembly:

1. purchase stocks of dependent company's stockholders at the price not less than the price for which those were bought in process of overtaking majority participation; or
2. exchange stocks in dependent company for those of parent company; or
3. pay dividend that belongs to stockholder with participating stocks.

(2) Purchase or exchange of stocks referred to in paragraph 1 of this article is registered and published in stock-market gazette.

(3) Realization of stockholders' rights referred to in paragraph 1 of this article is registered and published in stock-market gazette.

(4) Realization of stockholders' rights referred to in paragraph 1 of this article must not violate the principle of equality of the same class stockholders or eliminate right of stockholders to institute legal proceedings.

(5) Provisions of paragraph 1 - 3 of this article and provisions of article 399 of this Law accordingly apply to the joint stock company without public registration of stocks and limited liability company as well.

6.2. Joint and several liability for liabilities

Article 403.

Stockholder referred to in article 402 of this Law, i.e. member is jointly and severally liable for liabilities of dependent company.

II BUSINESS ASSOCIATION AND OTHER FORMS OF MERGING

1. Business association

Article 404.

(1) Business association can be established by two or more companies or entrepreneurs for the purpose of improving their business and coordinating their activity.

- (2) Business association is established for the purpose of making profit.
- (3) Rights of members of business association may not be expressed in securities.
- (4) Business association is a legal entity.
- (5) Business association is entered in Register.
- (6) Term "business association" is part of a company name.
- (7) Business association acts in legal matters in its own name and in the name of its members and in the name and on behalf of its members.
- (8) For liabilities overtaken in legal matters business association is liable with its property while its members are liable in a way determined by Foundation Act or by a contract with a third party.
- (9) Foundation Act determines the name, time of foundation, purpose and activity, head office, management, representation, responsibility, merging, withdrawal, acting in legal matters, expulsion, property, supervision, termination as well as other issues of importance for realizing aims of establishing a business association.

2. Other forms of company merging

Article 405.

Companies and entrepreneurs may get linked by contracts and other forms of merging (consortium, franchise, association of companies, business union, business system, etc.).

PART FOUR

STATUS CHANGES AND COMPANY FORM CHANGES

1. General rules

Article 406.

- (1) Company can merge with another company (merging), divide into two or more companies (division) and change its form (company form change).
- (2) Companies of the same or different form may get linked providing they have been registered for at least one year. The same applies to company form change.
- (3) Companies can not merge if that is in contrary to the monopoly regulations.

2. Merging

2.1. Definition

Article 407.

Two or more companies can merge in the following way:

1. by transferring property of one or more companies (overtaken companies) to another company (taking company) in exchange for stocks or shares of that company (merging by overtaking);
2. by creating a new company which takes property of merging companies in exchange for securing stocks or shares of a new company (merging by new foundation).

2.2. Merging by overtaking

2.2.1. Contract on overtaking and report on merging

Article 408.

- (1) Contract on merging by overtaking contains in particular:

1. company name and head office of companies merged by overtaking
2. agreement on transfer of property of each company which are merging in exchange for stock and shares of overtaking company
3. rate of exchange of stocks or shares and value of companies that participate in merging
4. details on transfer of stocks or shares of overtaking companies
5. determination of rights resulting from stocks or shares of overtaking companies
6. rights that overtaking company grants to particular stockholders and other owners of securities or members of overtaken company
7. special rights granted to members of managing and supervisory boards and overtaken company's auditor

(2) Managing boards of companies that participate in merging by overtaking have to make a written report containing explanation of contract on merging and criteria for evaluating property that serves as basis for determining rate of exchange of stocks or shares.

2.2.2. Evaluation

Article 409.

(1) Managing boards of companies that get into merging by overtaking appoint authorized evaluators for their companies or they may jointly appoint a common authorized evaluator or the court will do so acting on their proposal.

(2) Authorized evaluators make a report on results of evaluation with explanation on rate of exchange of stocks or shares.

2.2.3. Validity of contract on merging

Article 410.

(1) Contract on merging by overtaking becomes legally valid when approved by assemblies of companies which participate in merging by overtaking and in case of public companies - following consent of authorized body as well, unless provided otherwise by the Law.

(2) If there are several classes of stocks and company merging changes established rights of stockholders of certain class, the validity of assembly's decision requires consent of stockholders of that particular class which is to be given in accordance with this Law.

(3) Stockholders and members of a company that participates in merging by overtaking are entitled to have access to documents regulating merging.

2.2.4. Increase of share capital - exceptions

Article 411.

Increase in share capital through merging by overtaking is not regulated by provisions of this Law on increase in share capital of a company which overtakes another company, i.e. the provisions on:

1. prohibition of increase in share capital until registered deposits are not settled;
2. conditions for registration of new stocks or shares;
3. preferred rights of stockholders and members regarding purchase of new stocks or shares.

2.2.5. Process of merging and increase in share capital

Article 412.

(1) Overtaking company may not increase share capital based on merging by overtaking while it keeps its own stocks or shares, i.e. while it owns stocks or shares which are not paid for in full and belong to company being overtaken.

(2) Provisions of paragraph 1 of this article also apply to overtaken company which has its own stocks, i.e. shares or stocks, i.e. shares not paid for in full and belonging to overtaking company.

2.2.6. Protection of creditors' rights

Article 413.

(1) Creditors of companies which participate in merging by overtaking may, within 30 days following the day of second publishing of notification on initiating the process of merging by overtaking, request compensation of their claims or having them settled.

(2) An adequate compensation of creditors can be written statement coming from managing boards of companies participating in merging by overtaking to the effect that those companies' property will be managed separately from compensating each company's creditors. Otherwise, the court may cancel merging by overtaking based on creditors' legal proceedings.

(3) Rights concerning compensation referred to in paragraph 1 of this article do not apply to creditors who in case of bankruptcy have the right of preferred settlement.

2.2.7. Protection of holders of special rights

Article 414.

Overtaking company secures for the owners of exchangeable and participating stocks issued by overtaken companies the same rights that they used to enjoy in overtaken companies.

2.2.8. Entering the Register

Article 415.

(1) Merging by overtaking is to be reported for entering the Register.

(2) If merging by overtaking results in increase of share capital of overtaking company, the registration of merging and increase of share capital get registered simultaneously.

(3) By registration of merging by overtaking into register of overtaking company's head office, property of overtaken companies, including their liabilities, is transferred to overtaking company.

(4) By registration of merging by overtaking into the register, the overtaken companies cease to exist. By registration of merging by overtaking, stockholders or members of overtaken companies become stockholders or members of overtaking company.

(5) Registrations referred to in paragraph 2 and 4 of this article may not take place prior to settlement or compensation of creditors' claims of companies that participate in merging in accordance with provisions of article 413 of this Law.

(6) Status changes resulting from merging by overtaking are published in the "Official Gazette of Republic Srpska", two times in not less than seven and not more than 30 days.

2.2.9. Protection of rights of stockholders and members

Article 416.

(1) Stockholders and members of companies that participate in merging by overtaking and who oppose the merging are entitled to have their stocks or shares purchased by overtaking company at market value or, in the case of disagreement at the price determined by the court, in accordance with this Law, i.e. to have company change their stocks or shares with voting right into preferred stocks or shares without voting right.

(2) Stockholders and members of overtaken companies and overtaking companies who oppose merging by overtaking may oppose decision on merging by overtaking in the court if they believe that rate of exchange of their stocks or shares is not appropriately proportionate.

(3) Rights referred to in paragraph 1 and 2 of this article may be realized not later than within 60 days following the day of second announcement of registration of merging by overtaking.

2.2.10. Responsibilities of members of managing and supervisory boards

Article 417.

(1) Members of managing and supervisory boards of overtaking company are jointly and severally liable together with overtaking company concerning compensation for damages caused by merging by overtaking to members or stockholders and creditors of overtaken company, i.e. overtaking company.

(2) Responsibilities referred to in paragraph 1 of this article also apply to members of managing and supervisory boards of overtaken company.

2.2.11. Merger through Take-Over in Special Cases

Article 418.

(1) If at least 90% of the share capital of a dependent enterprise is in the ownership of a parent enterprise, the merger through take-over is carried out without the consent of the Assembly of the dependent enterprise, except if the shareholders or members of such company who possess or represent at least one tenth of the share capital of the company request the convening of the Assembly for the passing of the resolution. Own shares or stakes of the dependent enterprise and shares or stakes belonging to another for the account of such enterprise are deducted from the share capital.

(2) If all shares or stakes of a dependent enterprise belong to the parent enterprise, the (enterprise) taking over does not need information on the change of shares or stakes nor the evaluation of an authorized evaluator (one-member companies).

2.3. Merger through New Founding (Merger)

Article 419.

(1) The provisions of this Law on the merger through take-over are applied accordingly to the merger of an enterprise through a new founding. A newly found enterprise is considered as a take-over enterprise.

(2) A contract on the merger is confirmed by the Assemblies of the enterprises that are merging through a new founding.

(3) The provisions of this Law on the founding of an enterprise are accordingly applied for the founding of a newly founded enterprises.

(4) With the entry of a newly founded enterprise in the Register, the assets of the enterprises that are merged, including liabilities, are transferred to the newly founded enterprise. The enterprises that are merged cease to exist with the entry of the newly founded enterprise.

(5) Shareholders and members of enterprises that have merged become shareholders and members of the newly founded enterprise.

3. Division

Article 420.

(1) An enterprise can be divided into two or more new enterprises, with the dissolution of the existing enterprise, through a resolution of the Assembly.

(2) The provisions of this Law on the protection of shareholders and members and the provisions on merger through new founding are accordingly applied to the division of an enterprise.

(3) Enterprises created through division are jointly and severally liable for liabilities of the divided enterprise.

(4) The erasing of a divided enterprise from the register and the entry of the enterprises created through the division is conducted after the delegation (determination) of assets, rights and liabilities (balance sheet on division).

4. Change to Form of an Enterprise

Article 421.

(1) An enterprise can change in the form if it fulfills the conditions for the founding such a form of an enterprise as determined by this Law.

(2) A change in form of an enterprise does not mean the creation of a new enterprise in relation to undertaken rights and liabilities.

(3) A resolution on the change in form of an enterprise is passed by the Assembly, in that, if with the change in form of an enterprise the determined rights and liabilities of shareholders and members of the enterprise are changed, for validity of the resolution on the change in form of an enterprise the consent of such shareholders and members is necessary, provided in accordance with this Law.

(4) The Assembly, through a public invitation, that is announced two times in a period of at least 15 and at most 30 days, invites all shareholders members of an enterprise who were not present i.e. represented by the Assembly to in a period of 60 days from the day of the last announcement declare in writing whether they accept the change in form of an enterprise based on a resolution of the Assembly.

(5) Announcement of a public invitation pursuant to paragraph 4 of this article is not necessary if all of the members and shareholders were either present i.e. represented by the Assembly, or if they were individually invited, in which case a period of 60 days starts from the day of receipt of the invitation.

(6) If the shareholders and members do not declare themselves on a resolution of the Assembly on a change in the form of an enterprise within the prescribed period, it is considered that they provided their consent.

(7) Shareholders and members who dispute a change in the form of an enterprise can, in a period of 60 days from the day of announcing the entry of the change in form in the register, seek that the enterprise purchases their shares or stakes in accordance with the provisions of this Law, or that an enterprise changes their shares and stakes with attached voting rights to preference shares and stakes without attached voting rights.

PART FIVE

PENALTY CLAUSES

1. Criminal Acts

1.1 False Balance Sheets

Article 422.

The person, that in an enterprise or other business person creates a false balance sheet that determines a profit or loss of an enterprise or that determines the share of each member of a company in the profit or loss with a purpose of acquiring benefit for themselves or another person or with a purpose of causing another person damages, will be penalized for a criminal act with a jail sentence from three months to five years.

1.2. Misuse of the Evaluation

Article 423.

If an authorized evaluator misuses his/her authorities during the evaluation of assets of an enterprise or some other subject involved in business operation and by such acquires benefit for him/herself or another person or causes damage to another person, will be penalized for a criminal act with a jail sentence from three months to five years.

2. Violations of enterprises and responsible persons

Article 424.

(1) An enterprise or an other subject involved in business operation with the characteristic of a legal person will be penalized for a violation with a fine of 4 500 to 45 000 Convertible Marks if :

1. it conducts an activity for which it does not fulfill the prescribed conditions, or if it conducts an activity that, in accordance with the Law cannot be conducted, or if it changes the conditions of conducting activities before the supervisory board passes a decision on the fulfillment of conditions relating to technical equipment or protection at work or other prescribed conditions (article 16 paragraphs 1 and 2 and article 18);
2. it concludes a contract or conducts other operations of transactions of goods or services outside the framework of the activities entered in the Register (article 20 paragraph 1);
3. in its business operations it does not use its commercial name as entered in the Register (article 34);
4. it does not set aside funds in the compulsory reserves or if it decreases them opposite to the provisions of this Law, unless determined otherwise by this Law (article 51);
5. as a member or shareholder it misuses an enterprise for the purpose of attaining a forbidden goal or so as to cause damage to its creditors, or if, in contrary to the Law, it acts with the assets of an enterprise as if its own assets were in question , or if for the purpose of acquiring benefit for itself or another person, it decreases the value of the assets of an enterprise (article 54);
6. it does not maintain the business books and if it does not create, disclose and submit accounting statements and business reports in the method prescribed by the Law (article 57 paragraph1);
7. in contrary to the provisions of this Law it breaches the clause on competition (article 88);
8. it creates an incorrect annual financial statement that determines either a profit or loss of a company as well as the participation of every member of the company in the profit or loss (article 124 paragraph 1);
9. in contrary to the provisions of this Law it does not pass a decision on the termination of a company through the liquidation or if it does not settle liabilities towards the creditors before the division of assets (article 96, article 145 paragraph 1 articles 156, 157 and 165, article 309 paragraph 1 and articles 318 and 384);
10. it issues shares in an amount lesser than the minimum amount of share capital as determined by the Law (article 187);
11. it frees a shareholder or member of a company from the liabilities to pay up their contribution as well as the responsibility or if it postpones enforcement of the liabilities in contrary to this Law (articles 195 and 333);
12. it does not maintain the Book of Shareholders or Book of Members of a company or Book of Decisions in the method determined by this Law (articles 228 and 338, article 244 paragraphs 4 - 7 and article 360 paragraphs 3 - 5);
13. carries out the payment of dividends, return, special payments and remuneration (awards) burdened to the share capital or in contrary to this Law or the Founding Act decreases the share capital of a company (article 56 paragraph 1 article 206 paragraph 2 and article 378);
14. in contrary to this Law or the Founding Act, it conducts division of profit, loss, dividends, contributions or shares or interest and the withdrawal of money or if in some other way, in contrary to such enactment, it conducts settlement to shareholders or members of a company or the settlement of other costs of a company (article 55, article 56 paragraph 2, articles 124 - 127, articles 171 - 173, articles 225 - 227, articles 348 - 352).

(2) For business operations pursuant to paragraph 1 of this article, a responsible person in the enterprise or other subject, involved in business ,who has the characteristic of a legal person will be penalized for a violation with the fine of 300 -3000 Convertible Marks.

Article 425.

(1) An enterprise or an other subject involved in business will be penalized for a violation with the fine of 1 500 to 15 000 Convertible Marks if :

1. the Founding Act in not composed in a written form or if data that should be stated in such act or the By-law, are not stated (article 10, 11, 215, 329, 330, article 404 paragraph 9 and article 408);
2. within the deadline does not submit an application for entry in the register for all information prescribed by this Law or any changes to such information (article 22 paragraph 2, articles 23, 24, article 33 paragraph 2, article 41 paragraph 4, article 44 paragraph 1, article 59 paragraph 2, articles 91, 94, 144, 147 paragraph 1, 182 paragraph 4, 198, 243 paragraph 2, 278 paragraph 1, 281 paragraph 1, 284 paragraph 1, 286 paragraph 1, 318 paragraph 3, 323 paragraph 2, 337, 391 paragraph 8, 396 paragraph 6, 399 paragraph 2, 402 paragraph 2, 404 paragraph 5, 415, 419 paragraph 1, 420 paragraph 4 and article 421 paragraph 9);
3. undertakes operations of representation and other operations in relation to such without the approval or agreement provided by this Law or if does not comply with authorities as determined by the By-law or a resolution of the competent bodies of the enterprise (article 41 paragraphs 3 and 6, article 42 paragraph 2 and article 43);
4. as a representative or procurator does not submit verified signature to the court that maintains the Register (article 49 paragraph 3);
5. does not elect the bodies of the enterprise (article 60 and article 65);
6. does not inform the enterprise on the multiple election to the supervisory or management board of an enterprise;
7. it refuses to provide a requested information or provide a response based on this Law or the Founding Act, to a member or shareholder or employee in the enterprise if they provide incorrect information or they disables the realization of rights to disclosure or if they do not provide any of the public announcements or other announcements prescribed by the Law or if they provide an incorrect public or other announcement (article 82 - 85, article 248 paragraph 4 and article 249 paragraph 2);
8. through a decision of the management does not determine documents and information considered as a business secret or if does not determine the method of keeping documents and information (article 86 and article 87 paragraph 3);
9. as a member of a company, management or other body of a company or enterprise concludes a business deal with a company or enterprise without previous approval of the other members of the company or other competent body (article 89);
10. as a member of a partnership authorized for management does not submit a report on business operations of the company and the account statement to the other members of the company, on their request (article 1123 paragraph 1);
11. it amends the Founding Act without the agreement of all of the members of the company or if they amend it in contrary to this Law (article 181 and 376);
12. it remains as the sole shareholder and does not register as such with the competent court in charge of entry in the Register and disclosure (article 198);
13. as a founder , in the case of an unsuccessful subscription of shares, does not return the paid amounts to the subscribers within the prescribed period (article 203 paragraph 3);
14. as a founder does not convene the founding Assembly within the prescribed period (article 237 paragraph 3);
15. as a person that operates in its own name and for the account of a joint stock company does not transfer shares to the ownership of the joint stock company for which account they were acquired (article 237 paragraph 3);
16. does not convene the Assembly when obliged to do so pursuant to this Law or if convenes it in contrary to the provisions of this Law, the Founding Act or By-law (article 246 and 362);
17. it calls for a public invitation for the subscription and payment of shares (prospectus) that contains incorrect information or does not contain information and as such does not fulfill conditions provided by this Law (article 199 paragraph 1 and article 200 paragraphs 1 - 3);
18. does not issue certificates for subscribed shares within the period provided by the Law (article 204 paragraph 1);
19. a director, authorized by the management board for the operations within their scope of activities ,does not submit a report to the management board on conducting such operations (article 262 paragraph 3);

20. it does not submit a proposal for carrying out bankruptcy procedure (article 315);
21. does not realize significant i.e. the majority of capital participation on the basis of a public offer and does not disclose it as well as it was acquired (article 396);
22. in mutual participation with another company that does not bring the capital to the amount determined by this Law (article 393 paragraph 1);
23. does not inform other enterprise and publish the ratio of acquired shares or stakes in the Stock Market Gazette (article 393 paragraph 2, article 394 paragraph 2, article 396 paragraph 2 and 6, article 399 paragraph 2 and article 402 paragraph 2);
24. it does not organize and bring into accord its general enactment with the provisions of this Law or does not compile them in the prescribed period, unless prescribed otherwise by this Law (article 427 paragraphs 3 and 4);

(2) For operations, pursuant to paragraph 1 of this article, a responsible person in the enterprise or other subject involved in business, who has characteristic of a legal entity will also be penalized for a violation with a fine of 100 - 1 000 Convertible Marks:

4. Violations of the Entrepreneurs

Article 426.

(1) An entrepreneur will be penalized for an a violation with a fine of 1 500 to 15 000 Convertible Marks if it carries out any of the operations pursuant to article 424 paragraph 1 of this Law.

(2) An entrepreneur will be penalized for a violation with a fine of 600 to 6 000 Convertible Marks if it carries out any of the operations pursuant to article 425 paragraph 1 of this Law.

PART SIX

TRANSITIONAL AND CLOSING PROVISIONS

1. Continuation of Operations of an Enterprise and Entrepreneur

and Liabilities Toward this Law

Article 427.

(1) Existing enterprises and other forms of organization and consolidation for the conducting of economic activities, as well as entrepreneurs, with the day of coming into effect of this Law continue operating in the method and under the conditions entered in the Register.

(2) A change to ownership in enterprises that manage state capital is conducted by the procedure and in the deadlines provided for by a separate law.

(3) An enterprise and other forms of organization and consolidation pursuant to paragraph 1 of this article, as well as entrepreneurs are obliged to organize and bring into accord their general acts with the provisions of this Law in a period of one year from the day of coming into effect of this Law, unless prescribed otherwise by this Law.

(4) If existing enterprises and other forms of organization and consolidation pursuant to paragraph 3 of this article are organized as capital companies, they are obliged to when re-registering, submit proof on the fulfillment of conditions relating to cash share of the share capital determined by the provisions of articles 186, 194, 201, 331 and 332 of this Law.

(5) Existing enterprises and other forms of organization and consolidation for the conducting of economic activities, as well as entrepreneurs pursuant to article 92 paragraph 1 of this Law who do not act in accordance with the provisions of paragraph 3 of this article cease with operations and the court will erase them from the register upon the completion of a liquidation procedure.

2. Initiated Procedures of the Entry of Private Enterprises,

Shops and Agricultural Businesses

Article 428.

A private enterprise, shop or agricultural farm with the character of a legal entity that is entered in the Register of a competent court up to the day of coming into effect of this Law that in the procedure of bringing into accord with this Law register as an entrepreneur, register with the same Register.

3. Application of the Provisions on the Change

to form of an Enterprise

Article 429.

The provisions of article 421 of this Law on changes to the form of an enterprise will be applied from January 1, 1999.

4. Initiated Procedures

Article 430.

If a procedure for the founding or change to a founder, shareholder or member of a company, as well as a procedure for the election of bodies and the passing of general acts of an enterprise and other forms of organization, and for the conducting of economic activities was underway on the day of coming into effect of this Law, it will be concluded in accordance with the provisions of this Law.

5. Capital Company created out of a Business Association

Article 431.

A capital company created out of a business association, that aside from its activities conducts an activity that, in accordance with this Law, can be conducted by a business association, can continue conducting such activity as a capital company, in accordance with the Founding Act, without founding a business association.

6. Application of the Provisions on Status Changes

Article 432.

(1) The provisions of articles 406 - 420 of this Law on status changes will be applied as of January 1, 1999.

(2) Up to January 1, 1999 status changes will be conducted in that:

1. a decision on a change to status of an enterprise (division, merger or consolidation) is passed by the management body;
2. enterprises created from the division or merger with another enterprise or the consolidation with another enterprise have joint and several liability for liabilities of enterprises that have ceased to exist;
3. the mutual relations of enterprises that are created through a change in status are regulated by the contract.

7. Application of Provisions on Required Reserves and Disclosure

Article 433.

The provisions of article 51 of this Law on required reserves and the provisions of article 84 of this Law on informing creditors and third persons will be applied as of January 1, 2000.

8. End of Validity to existing Regulations

Article 434.

With the day of coming into effect of this Law, the Law on Enterprises ("Official Gazette SFRY", no. 77/88, 40/89, 46/90 and 61/90) ceases to apply.

9. Coming into Effect of this Law

Article 435.

This Law comes into effect on the eighth day upon its publication in the "Official Gazette of the Republika Srpska".

LAW ON AMENDMENTS TO THE LAW ON ENTERPRISES

Article 1.

After item 7) of Article 61. of the Law on Enterprises ("Official Gazette of Republika Srpska", issue number 24/98 and 62/02), a new item 8) is added and reads as follows:

"8) makes decision on establishing of new enterprises".

Previous items 8) and 9) become items 9) and 10).

Article 2.

Item 12) of paragraph 1. of Article 62. is deleted. Previous items 13) and 14) become items 12) and 13).

Article 3.

Article 252. is amended and reads as follows:

" Article 252.

1. General Meeting of Shareholders may pass decisions if the shareholders that have more than a half of the total number of votes, including those choosing to cast their votes in writing, are present.
2. The announcement for the General Meeting of Shareholders referred to in the previous paragraph outlines a time and a place of a repeated General Meeting of Shareholders with the same agenda, for the case when the General Meeting of Shareholders can not be held due to the lack of quorum. The repeated General Meeting of Shareholders is validly entitled to pass decision provided that the shareholders that have more than a third of the total number of shares, including those choosing to cast their votes in writing, are present or represented.
3. Decisions on amendments to the Charter are passed if the majority of votes out of total shareholders' votes is reached at the General Meeting.
4. The General Meeting passes decisions on the amendments to the Charter, selection and dismissal of an auditor and bankruptcy estate administrator, chairman and members of the Supervising Board, change of type and termination of the joint stock company and profits distribution by three-quarters majority of votes of the present or represented shareholders, including the votes of those choosing to cast their votes in writing.
5. The General Meeting passes decisions on the equity increases and decreases, selection and dismissal of members of the Managing Board, as well as on the other issues that fall within their scope of work, by a majority of votes of the

present or represented shareholders, including the votes of those choosing to cast their votes in writing.

6. In order for the decision which commits shareholders to additional obligations, i.e. decreases the rights set forth by this Law, Charter and decision on share issue, to be valid, an approval of the shareholders subject to such a decision is required, except if not stipulated otherwise by this Law.
7. Provision referred to in the previous Article is also applied when passing a decision on limiting the transfer of registered shares or temporary shares, if such limitation is not set forth by the Charter, i.e. by the decision on their issue".

Article 4.

The number "5.000" is replaced by the number "2.000" in Article 331., paragraph (1). The number "500" is replaced by the number "100" in paragraph (2).

Article 5.

Joint stock companies shall bring their general by-laws into accord with the provisions of this Law within three months as of the day this Law comes into force.

Article 6.

The item 21a. is added after item 21. of Article 425., paragraph (1), and it reads as follows:

"21a. if does not bring its general by-laws into accord with the provisions of this Law (Article 5)".

Article 7.

This Law comes into force on the eight day from publishing in "Official Gazette of Republika Srpska".

No:01-340/03
April 29, 2003
Banjaluka
Ph.D.

President
of the National Assembly
Dragan Kalinić,