LAW ON COMPANIES

PART ONE

BASIC PROVISIONS

Title I

SCOPE OF THE LAW AND FORMS OF PURSUIT OF BUSINESS ACTIVITIES

Scope

Article 1

This law shall regulate incorporation, registration, restructuring, dissolution and other issues of relevance for activities of companies, entrepreneurs and a foreign company branch.

Forms of Pursuit of Business Activities

Article 2

(1) The companies are legal entities pursuing economic activities in accordance with law as follows:

1) General Partnership - "GP";
2) Limited Partnership - "LP";
3) Joint Stock Company - "JSC"; and
4) Limited Liability Company - "LLC".

(2) The economic activity may also be pursued by:

1) Entrepreneur and
2) Foreign Company Branch.

Application of Law

Article 3

This law shall also be applied to companies incorporated under special law or regulation.

Public Interest Company

Article 4

Public Interest Company is a joint stock company (public joint stock company) and a limited liability company (public limited liability company) which shall be incorporated under this law and which shall issue securities and other financial instruments traded on an organized capital market in Montenegro and abroad.

Company's Legal Capacity

Article 5

(1) A company shall acquire legal personality on the date of its registration with the Central Registry of Economic Entities (hereinafter CRPS).

(2) CRPS shall be kept by the administration authority responsible for tax collection (hereinafter: competent registration authority).

(3) The date of registration entered in the certificate of registration shall be deemed the date of company registration.

(4) A foreign company branch shall not have status of legal entity.

(5) Company shall have rights and obligation of a natural person, save for the rights and obligations only natural persons or companies performing business activities in different form may acquire.

Subsidiary and Way of Entering into Legal Transactions

Article 6

(1) Companies may also perform their activities through subsidiaries.

(2) A subsidiary is a separate organizational unit of a company with no legal personality, which performs business outside the registered office of the company.

(3) A subsidiary shall act in legal transactions exclusively on behalf and on the account of a company it operates within, and may perform business only from the scope of that company's activities.

(4) A subsidiary shall act in legal transactions under the name of a company it is a part of, and in addition to the name of the company, the name of the subsidiary must include the registered office of the subsidiary and an indication that it is a subsidiary.

Establishing Subsidiary

Article 7

(1) The subsidiary shall be established by a decision of the company's competent body.

(2) The decision referred to in paragraph 1 herein must include:

1) the founding company registered name and registered office;

2) the subsidiary name and address;

3) the name and surname of the person designated to represent the subsidiary and the company, their unique identification number and residence, or name, passport number or other identification number and residence for foreign natural persons.

(3) Companies establishing subsidiaries shall submit to CRPS for registration within 15 days from the date of establishment as follows:

1) the decision referred to in paragraph 1 herein;

2) authorisations to represent the company individually or collectively for persons referred to in paragraph 2, item 3 herein.

Dissolution of Subsidiary

Article 8

Subsidiary shall be terminated:

1) based on the decision of the company's competent body;
2) if the subsidiary's founding company ceases to exist.

Title II

LIABILITIES FOR COMPANY'S OBLIGATIONS

Liability for Obligations before Registration of Company

Article 9

(1) The founders and persons who have undertaken any obligations in the process of incorporating a company before its registration shall be jointly and severally liable, without limit, for these obligations.

(2) The founders and persons who have undertaken the obligations referred to in paragraph 1 herein shall be released from liability if the company undertakes these obligations after registration.

Acquiring the Company Member Status

Article 10

(1) A status of a member of general partnership, limited partnership, and limited liability company shall be acquired on the day of registration of the ownership of a share in the CRPS, in accordance with this Law.

(2) A natural person or legal entity acquires the status of a shareholder on the day of registration of the share(s) of the company with the Central Clearing Depositary Company (hereinafter: CKDD), in accordance with law regulating the capital market.

(3) The status of a member of general partnership, limited partnership, and limited liability company shall cease on the date of registration of the termination of the company member status in the CRPS, in accordance with this Law.

(4) The natural person or legal entity's shareholder status shall be terminated on the day of deletion of all shares of the company from his own account in the CKDD, in accordance with law governing the capital market.

Liability of Company and Members for Company's Obligations

Article 11

(1) A company shall be liable for its obligations with all its assets.

(2) The partners in the general partnership and general partners in the limited partnership shall be liable for the company obligations jointly and severally, with all their assets.

(3) The limited liability company members, shareholders of the joint stock company and the limited partners in the limited partnership shall not be liable for the obligations of the company, unless otherwise provided by this law.

Abuse of Legal Personality Status

Article 12

(1) When one or more limited partners, limited liability company members or shareholders misuse the circumstance that they are not liable for the obligations of a limited partnership, a limited liability company or a joint stock company, their joint and several unlimited liability for the obligations of these companies may be determined by the competent court.

(2) The misuse referred to in paragraph 1 herein shall be deemed to have taken place if a limited partner, a limited liability company member or a shareholder shall:

1) use the company to achieve an objective that is otherwise prohibited for that person;

2) use the company or its assets to cause damage to the company's creditors;

3) use or dispose of the company's assets contrary to the law;

4) reduce the company's assets for their own personal gain or for the gain of third parties, although they knew or ought to have known the company would be unable to meet its obligations.

(3) A creditor of a company whose claim is due may take legal action against a person referred to in paragraph 1 herein before a competent court within six months of learning of misuse referred to in paragraph 2 herein, but in any case no later than three years of the date of such misuse.

(4) Taking a legal action referred to in paragraph 3 herein shall be without prejudice to the creditors' right to collect the claim in different manner, in accordance with law.

(5) If a claim by a creditor referred to in paragraph 3 herein is not due at the time of learning of misuse, the six-month period shall commence on the date when such claim becomes due.

Title III

THE COMPANY'S REGISTERED OFFICE, ACTIVITY AND NAME

Registered Office

Article 13

(1) The registered office shall be the place where the company's management is located or the place where company permanently carries out its activity and which is established in the company's instrument of incorporation or Articles of Association and registered with the CRPS.

(2) A company may have only one registered office.

(3) If the company's management or the place where company permanently carries out its activity is located at a place different from the one recorded as registered office, the place recorded in the CRPS shall be deemed to be a registered office, providing that third parties court jurisdiction may be determined also by the place of the company management, or the place of permanent performance of activities.

(4) A company's registered office may be changed in the manner determined by its instrument of incorporation or Articles of Association.

Mail Delivery and Receipt Address

Article 14

(1) Mail shall be delivered to the address of a company's registered office or to a special mailing address, registered in accordance with this Law.

(2) A joint stock company must have an address for receiving electronic mail.

(3) Other companies may have an address for receiving electronic mail, which shall be registered with the CRPS.

Use of Seal

Article 15

(1) Companies shall not be obliged to use a seal in legal transactions.

(2) The provision of paragraph 1 herein shall not apply to an electronic seal.

Company Activity

Article 16

(1) The predominant business activity of a company shall be registered with the CRPS during the incorporation procedure.

(2) In addition to the predominant business activity, the company may perform other activities determined by the instrument of incorporation or Articles of Association, in accordance with law.

Registered Name of the Company, Subsidiary and Entrepreneur

Article 17

(1) The registered name of the company, the subsidiary and the entrepreneur is the name under which they operate.

(2) The registered name of the company, the subsidiary and the entrepreneur, and all changes thereof, shall be registered with the CRPS.

(3) The registered name of the company and the registered name of the subsidiary may be changed in the manner determined by the instrument of incorporation or Articles of Association, and the name of the entrepreneur based on the decision of the entrepreneur.

(4) The company and entrepreneur shall enter in legal transactions under the registered name, use it in business letters and other documents forwarded to third parties and post it on the business premises.

(5) The company name may also contain an indication of the predominant business activity.

Content of Company and Entrepreneur Name

Article 18

(1) Registered name of a general partnership must contain the indication “general partnership” or “GP” abbreviation.

(2) Registered name of a limited partnership must contain the indication “limited partnership” or “LP” abbreviation.

(3) Registered name of a joint stock company must contain the indication “joint stock company” or “JSC” abbreviation.

(4) Registered name of a limited liability company must contain the indication “limited liability company” or “LLC” abbreviation.

(5) A subsidiary’s registered name must contain the full registered name of the company under which it operates, indication that it is subsidiary and address of subsidiary

(6) A foreign company branch must contain the original registered name of a foreign company, indication or indication abbreviation of the form of that company (“joint stock company” or “JSC”, “limited liability company” or “LLC”, “limited partnership” or “LP”), alternative name of a foreign company branch, if the original registered name of a foreign company is used by another company in Montenegro, as well as the form of organization of a foreign company branch (“foreign company branch”, “business unit”, “representative office”).

(7) An entrepreneur name must contain indication "entrepreneur".

(8) The indication “in liquidation” shall be added to the registered name of a company undergoing liquidation.

Abbreviated Company Name

Article 19

(1) A company may use, in addition to the full registered name, an abbreviated name, if it is determined by the instrument of incorporation or Articles of Association.

(2) The abbreviated name referred to in paragraph 1 herein, must contain the indication of the form of the company, as well as some of the words already contained in the name.

(3) The abbreviated name of the company shall be registered with the CRPS.

(4) A subsidiary may not use the abbreviated name.

Use of States and International Organizations Names and Symbols

Article 20

(1) A company's registered name may contain the name "Montenegro", and the company logo may contain coat of arms, flag and other state symbols, in accordance with law.

(2) Registered name of the business organization may contain names, coats of arms and other symbols of a foreign state or international organization, with a prior approval of a competent body of the state or international organization that the name or symbols relate to.

Use of Natural Person Name

Article 21

(1) Registered name of a company may include name or part of the name of a natural person only with his written consent, and if that person is deceased, with a consent of the person's heir.

(2) If a company with its conduct or in another manner violates honor and reputation of the natural person whose name is included in its registered name, that person or the person's heirs may take legal action before the competent court requesting deletion of the person's name from the registered name of the company.

(3) If the name of the person has remained in the company's registered name after the termination of his membership in the company, the competent court shall order the removal of the person's name from the registered name of that company, at the request of that person or his heirs.

(4) The legal action referred to in paragraphs 2 and 3 herein may be taken within one year from the date of termination of a company member status or the death of a company member whose name has remained in the registered name of that company.

Company Name Transfer

Article 22

(1) The company name, registered with the CRPS, cannot be transferred to another company.

(2) Notwithstanding paragraph 1 herein, the company registered name may be transferred to another company in the event of a merger of companies, when the registered name of the merged company is transferred to the acquiring company.

Protection of Company Name

Article 23

(1) A company may not register a name with the CRPS if:

1) it is contrary to mandatory regulation or offensive to public morality;

2) it is identical or similar to the registered name of another company, which may result in the misidentification of companies by participants in legal transactions;

3) it may mislead participants in legal transactions with regard to the company's legal form.

(2) In case of a violation of provisions referred to in paragraph 1 herein, the interested party may request the competent court to change the registered name of the company referred to in paragraph 1 herein.

(3) The legal action referred to in paragraph 2 herein may be filed within two years from the date of registration of the company's registered name.

(4) The proceedings under the legal action referred to in paragraph 3 herein shall be expedited.

(5) If the company referred to in paragraph 1 herein does not make a change of registered name within 30 days from the date of the judgment ordering the change of registered name became final, the competent registration authority shall initiate *ex oficio* the proceedings for court liquidation of the company.

Title IV

COMPANY REPRESENTATION AND PROCURA

Legal representatives

Article 24

(1) Company legal representatives, in accordance with this law, are:

- general partners in general partnership;
- general partners in limited partnership;
- Executive Director or Chairman of the Executive Board of a joint stock company and a limited liability company.

(2) Persons who are legal representatives of a company shall register, in accordance with this Law.

Other Representatives

Article 25

In addition to its legal representative, a company's representatives for the purpose of this Law, shall also be persons authorised to represent the company under a decision of the company's competent body and registered with the CRPS.

Scope of Powers and Responsibility of Representative

Article 26

(1) A person entrusted with performing certain affairs within the company's activities may take all actions and conclude all legal transactions that are normally performed or arise with the affairs entrusted to him.

(2) If the authorization for representation determined by law or other act is not explicitly established as a joint one, each representative shall act individually on behalf and on the account of the company.

(3) A company representative shall represent the company within the limits of the powers of representation established by law, the instrument of incorporation, the Articles of Association or other company act and shall be liable for damage incurred by exceeding the authority, in accordance with law.

Definition and Main Characteristics of Procura

Article 27

(1) A procura is power of attorney in which a company authorises one or more natural persons to conduct company business, to enter into legal transactions and act in other legal matters in its name and on its behalf.

(2) A procura for companies shall be issued by the company’s competent body.

(3) An entrepreneur shall issue procura personally and procura may not be transferred to another person.

(4) A procura may not be issued to a legal entity.

(5) Unless provided otherwise by the instrument of incorporation or the Articles of Association, a procura shall be issued by a decision of general partners in general partnership, decision of general partners in limited partnerships, decision of the General Meeting of limited liability company or of the Board of Directors or the Supervisory Board in joint stock companies and limited liability companies, which have a joint stock company’s structure of management bodies.

(6) A procura shall be issued in the form of notary act and must be registered with the CRPS.

(7) A procura shall not be transferable to another person.

(8) The procurator shall sign on behalf and on the account of the company and shall put the mark "procurator" alongside his signature.

Types of Procura

Article 28

(1) A procura may be an individual or a joint procura.

(2) If a procura is issued for two or more persons without indication of the fact that it is a joint procura, each procurator shall act independently.

(3) If a procura is issued as a joint procura, legal transactions entered into or legal actions taken by procurators shall be valid only with the explicit consent of all procurators.

(4) The consent referred to in paragraph 3 herein may be given as prior or subsequent consent.

Powers of Procurator and its Limits

Article 29

(1) A procurator my conclude contracts and take legal actions on behalf and on the account of the company, but may not do any of the following without special authorisation:

1) enter into transactions and take actions in connection with the acquisition, disposal or encumbrance of immovable assets or of equity interests and shares held by the company in other companies;

2) enter into borrowing and lending agreements;

3) commit to bonds and surety liabilities;

4) act as counsel for the company in administrative and court proceedings or before arbitration or mediator;

5) to give power of attorney to other persons.

(2) Limitations of a procura not specifically provided for in this Law shall have no legal effect against third parties, unless registered with CRPS.

Revocation and Termination of Procura

Article 30

(1) A procura may be revoked at any time, regardless of legal transactions it has been issued for.

(2) A procura issuer may not waive the right to revoke a procura nor the right to limit or to condition it.

(3) A procurator may terminate a procura, provided that, upon the receipt of written request by issuer, he shall enter into legal transactions and take other legal actions in the period of 30 days from the date of service of cancellation notice on the company.

(4) A procura revocation and termination shall be issued in writing and registered with the CRPS.

Title V

SPECIAL DUTIES OWED TO COMPANY

SUBTITLE A

PERSONS OWING SPECIAL DUTIES TO COMPANY AND RELATED PARTIES

Persons Owing Special Duties to Company

Article 31

(1) The following persons have a duty of care, reporting of personal interest, avoiding conflict of interest, keeping the trade secrets and of respecting non-competition:

1) partners and general partners;

2) members of a limited liability company with a significant holding in its share capital or a member of a limited liability company deemed to be the controlling member pursuant to Article 32 of this Law;

3) shareholders with a significant holding in a company's share capital or a shareholder deemed to be the controlling shareholder pursuant to Article 32 of this Law;

4) Executive Director, Board of Directors' members, Executive Board's members, Supervisory Board members, representatives and procurators;

5) auditor;

6) liquidator.

(2) The instrument of incorporation or Articles of Association may also specify other persons as persons owing special duties to a company.

Related Persons

Article 32

(1) For the purposes of this Law, a related person with regard to a certain natural person is deemed to be:

1) a blood relative in a straight line, a blood relative in a lateral line up to the third degree of kinship, the spouse or the *de facto* partner of such persons;

2) the spouse or *de facto* partner and their blood relative up to the first degree of kinship;

3) adoptive parents or children, as well as descendants of adoptive children;

4) Other persons who live in shared household with the person concerned.

(2) For the purposes of this Law, a related party with regard to a certain legal entity is deemed to be:

1) a legal entity in which that legal entity holds a significant equity interest;

2) a legal entity (controlled company) of which that legal entity is a controlling member (controlling company);

3) a legal entity controlled by a third party together with that legal entity;

4) a person that holds a significant equity interest in that legal entity;

5) a person who is a controlling member of that legal entity;

6) a person who is an Executive Director, a Board of Directors' member, an Executive Board's member or a Supervisory Board member.

(3) Significant equity interest in share capital shall exist if a single person, independently or acting in concert with other persons, holds more than 20% of voting rights in a company.

(4) Majority equity interest in share capital shall exist if a single person, independently or acting in concert with other persons, holds more than 50% of voting rights in a company.

(5) Control within the meaning of paragraph 2 herein shall imply the right or possibility of one person, acting either independently or in concert with other persons, to exert controlling influence on the operations of another person through an equity interest in share capital, an agreement or a right to appoint the majority of Board of Directors' members or majority of Supervisory Board members.

(6) A person shall be deemed to be a controlling member whenever such person independently or with its related persons holds a majority equity interest in a company's share capital.

(7) Acting in concert shall exist whenever two or more persons, on the basis of an agreement, use their voting rights in an entity or take other actions aimed at exerting joint influence on the management or operations of that entity.

SUBTITLE B

DUTY OF CARE

Concept of Duty of Care

Article 33

(1) In carrying out their duties, Executive Director, Board of Directors' members, Executive Board's members, Supervisory Board members, representatives, procurators, auditor and liquidator shall act in good faith, with due diligence and in best interest of the company as a whole.

(2) Due diligence shall be deemed to be the heightened level of care, knowledge, skills and experience needed for carrying out the activities within a person's duties in a company.

(3) If, in addition to knowledge, skills and experience referred to in paragraph 2 herein, the person referred to in Article 31, paragraph 1, items 4 and 5 herein has additional specific knowledge, skills or experience, it shall also be taken into account for the purpose of evaluation of the level of care a person needed to show (a good expert care).

Legal Action for Breach of Duty of Care

Article 34

A company may bring legal action against a person referred to in Article 31, paragraph 1, items 4, 5 and 6 herein for indemnification of any damage caused to it by such person through a breach of the duty of care.

The Business Judgment Rule

Article 35

A person referred to in Article 31, paragraph 1, items 4, 5 and 6 herein who proves he acted with care of due diligence or good expert and in the best interest of the company shall not be liable for any damage incurred as a result of his erroneous business decisions.

SUBTITLE C

DUTY TO REPORT PERSONAL INTEREST

Manner of Reporting Personal Interest

Article 36

(1) A person referred to in Article 31 herein shall notify partners, general partners, company members, the Board of Directors or the Supervisory Board of the existence of a personal interest or an interest of that person's related persons in any transaction the company enters into or any action company takes.

(2) Personal interest referred to in Article 31 herein shall exist in the event of:

1) entering into a legal transaction between a company and such person or a related person of such person;

2) taking legal actions (actions in judicial and other proceedings, waver of rights etc.) taken by a company in relation to such person or a related person of such person;

3) entering into a legal transaction between a company and a third party or taking a legal action by a company in relation to a third party, if such third party has a financial relationship with such person or a related person of such person and it can reasonably be expected that the existence of such a relationship affects the person's conduct..

(3) The financial relations referred to in paragraph 2, item 3 herein shall be those between debtor and creditor, as well as other relations in which the connection of economic interests between persons can be determined.

Authorisation of Legal Transaction Involving Personal Interest

Article 37

(1) Entering into a legal transaction referred to in Article 36, paragraph 2 herein shall be authorised as follows:

1) in case of general partnerships or limited partnerships, by a majority of votes of all partners or general partners not having a personal interest;

2) in case of limited liability company by the General Meeting simple majority of votes of present shareholders not having a personal interest;

3) in case of limited liability company that has the Board of Directors, by majority of votes of all members of the Board of Directors or Supervisory Board not having a personal interest;

4) In case of joint-stock company by a simple majority of votes of all members of the Board of Directors (if it is one-tier management company), or of the Supervisory Board (if it is a two-tier management company) not having personal interest.

(2) In cases referred to in paragraph 1, item 3 and 4 herein, if all the members of the Board of Directors or Supervisory Board have a personal interests or the number of disinterested members is not enough for voting quorum or due to the equal division of votes between disinterested members of these bodies and when the chair of Board of Directors or Supervisory Board is absent, the transaction concerned shall be approved by the General Meeting of limited liability company members or General Meeting of shareholders by a simple majority of votes of present members of General Meeting not having personal interest

(3) The instrument of incorporation and/or Articles of Association may stipulate that the authorisation referred to in paragraph 1, items 2 and 3 herein is to be given by the General Meeting.

(4) If the Board of Directors or the Supervisory Board should approve a legal transaction in accordance with paragraph 1, item 3 and 4 herein, the Board of Directors or the Supervisory Board shall notify the General Meeting on the details of the approval issued in the first succeeding session within the separate item on the agenda.

(5) The approval referred to in paragraph 1 herein shall not be required in the event of:

1) existence of personal interest of a sole company member or all members of the company;

2) subscription or purchase of equity interest or shares on the basis of a preferential subscription right or pre-emption right of company members;

3) acquisition of own equity interests or shares by a company, if such acquisition is done in accordance with the provisions of this Law.

Legal Action for Breach of Rules of Authorisation of Transactions involving Personal Interest

Article 38

(1) If persons referred to in Article 31 herein enter into legal transaction without authorisation in accordance with Article 37 herein or in submitting the request for issuing the authorisation have not stated all the fact important for decision making, a company may bring legal action for annulment of such legal transactions entered or

actions taken in the event of personal interest existence and for indemnification by such persons.

(2) In the event referred to in paragraph 1 herein, in addition to a person referred to in Article 31 herein, a third party referred to in Article 36, paragraph 2, items 3 and 4 shall bear unlimited joint and several liability for any damage incurred by a company if such person was or should have been aware of the existence of personal interest at the time of entering into the transaction or taking of the action concerned.

Exemption from the Breech of Rules of Authorisation of Transactions Involving Personal Interest

Article 39

It shall be deemed that no breach of rules of authorisation of transactions involving personal interest occurred if it is established in judicial proceedings pursuant to the legal action referred to in Article 38 herein that the legal transactions entered or actions taken were in the company's interest, and if persons referred to in Article 31 herein prove they did not know nor they should not have known about entering into the legal transaction or taking actions involving personal interest, pursuant to the legal action.

SUBTITLE D

DUTY TO AVOID CONFLICT OF INTEREST

Violation of Conflict of Interest

Article 40

(1) Persons referred to in Article 31 herein may not, for their own benefit or for the benefit of their related persons:

1) use the company's assets;

2) use any information they obtained in that capacity, if such information is not publicly available;

3) use opportunities for entering into transactions that arise for the company.

(2) Conflict of interest shall exist also in cases when a company did not have an opportunity to use the assets or information or to enter into the transactions referred to in paragraph 1 herein.

(3) Provisions of paragraph 1, item 1 herein shall not apply to company auditor and experts referred to in Article 125 herein.

Legal Action for Violation of Conflict of Interest

Article 41

(1) A company may bring legal action against persons referred to in Article 40 herein for breaching the duty to avoid conflict of interest with their related person referred to in Article 32, paragraph 1 herein.

(2) By bringing legal action referred to in paragraph 1 herein, it could be requested:

1) indemnification;

2) transfer to the company of benefits gained by such person or related person as a result of such breach of duty.

Exemption from Breach of Duty to Avoid Conflict of Interest

Article 42

A person referred to in Article 31 herein and an expert referred to in Article 125 herein shall not breach the duty to avoid conflict of interest if they obtain prior or subsequent authorisation in accordance with Article 37 herein, unless it is established that all the facts important for decision making have not been represented during submission of request to issue approval.

SUBTITLE E

DUTY TO KEEP TRADE SECRET

Keeping Trade Secret

Article 43

(1) Persons referred to in Article 31 herein, as well as other persons employed at a company and expert referred to in Article 125, shall have a duty to keep the company's trade secret.

(2) Persons referred to in paragraph 1 herein shall keep trade secret even after the termination of performing the duty, for a period of two years of the date of termination. The instrument of incorporation, the Articles of Association, a decision of the company or a contract entered into with such persons may prolong this period, but it shall not be longer than five years.

(3) Notwithstanding paragraph 2 herein, en expert referred to in Article 125 herein shall keep a trade secret for indefinite time period.

(4) A trade secret is a piece of data or data set, the whole or part of which is not generally known or available to persons from circles normally working with such kind of data, that have economic value because it is not generally known and is protected by appropriate safeguards based on which the company that own it lawfully maintains its secrecy.

(5) A trade secret is also any data identified as a trade secret by law or other regulation.

Exemptions from Duty to Keep Trade Secret

Article 44

Disclosure of data referred to in 43 herein shall not be deemed as breach of trade secret if disclosure of data was:

1) obligatory under law or a decision by the competent state authority;

2) necessary to protect the company interest.

Consequences of Breach of Duty to keep Trade Secret

Article 45

(1) A company may bring legal action against a person referred to in Article 43 herein in the event of breach of the duty to keep trade secret.

(2) Legal action referred to in paragraph 1 herein may claim:

1) indemnification;

2) expulsion of person referred to in Article 43 herein from the company, if that person is a company member.

(3) A company shall give total protection to a person who, acting conscientiously and in good faith, alerts public authorities to the existence of information referred to in Article 44, paragraph 1, item 2 herein.

SUBTITLE F

DUTY TO RESPECT NON-COMPETITION

Non-Competition

Article 46

(1) A person referred to in Article 31, paragraph 1, items 1 through 4 herein, save for a member of a limited liability company and a member of a joint stock company that have material interest in share capital, may not, without obtaining authorisation in accordance with Article 37 herein:

1) have a capacity of a person referred to in Article 31, paragraph 1, items 1 through 4 herein in another company with the same or similar scope of business activities (competing company);

2) be an entrepreneur or a manager employed with entrepreneur with the same or similar scope of business activities;

3) be employed at a competing company;

4) be otherwise engaged at a competing company;

5) be a member or founder of another legal entity with the same or similar scope of business activities.

(2) The instrument of incorporation and/or the Articles of Association may:

1) extend the ban provided for in paragraph 1 herein to other persons, but in doing so may not impinge on acquired rights of those persons;

2) Stipulate that the ban provided for in paragraph 1 herein continues to apply even after the termination of the capacity provided for in Article 31, paragraph 1, items 1 through 4 herein, but not longer than for two years;

3) Specify activities and the manner or place of their performance that are not deemed to be a breach of the duty of non-competition.

(3) The ban provided for in paragraph 1 herein shall not apply to a sole company member.

Legal Action for Breach of Non-competition Rule

Article 47

A company may bring legal action against a person referred to in Article 31, paragraph 1, items 1 through 4 herein for the breach of the non-competition rule referred to in Article 46 herein, claiming:

1) indemnification;

2) transfer to the company of any benefits that person or a competing company referred to in Article 46 herein gained as a result of such breach;

3) expulsion of such person as a company member, if the person is a company member.

SUBTITLE G

FILING LEGAL ACTION FOR BREACHES OF SPECIAL DUTIES

Time Limits for Filing Legal Action

Article 48

Legal action referred to in Articles 34, 38, 41, 45 and 47 herein may be filed within six months from the date of learning of a breach committed, but no later than five years from the date of a breach committed.

Waiving Rights

Article 49

A company may waive rights to bring all or some of the legal actions referred to in Articles 34, 38, 41, 45 and 47 herein against members of Board of Directors, Supervisory Board, Executive Board and Executive Director only after expiration of the period of 18 months from the date of a breach committed, based on unanimous decision by the General Meeting or company members.

Direct Action

Article 50

(1) A company member may bring legal action against persons referred to in Article 31 of this Law for compensation of damage caused to him by such person through a breach of special duties owed to a company (individual direct action), within six months from the date of learning of a breach committed, but no later than three years from the date of a breach committed.

(2) In the event referred to in paragraph 1 herein, it shall be deemed that the claimant represents not only his own interest, but also all the company members whose interests are jeopardized in the same manner (collective direct action).

(3) In the event referred to in paragraph 2 herein, the court shall allow other company members whose interests are jeopardized to enter the lawsuit as interveners on claimant's behalf, upon their request.

(4) In the event that the competent court in a judgment should accept the claim referred to in paragraph 1 herein, it may also annul the company's body decision that produced the damage determined by the judgment.

Derivative Action

Article 51

(1) Any company member, regardless of whether reasons for bringing legal action occurred prior or after acquiring the capacity of a company member, may bring the legal action referred to in Articles 34, 38, 41, 45 and 47 herein for compensation of damage caused to the company, in his name but on company's account (derivative action), if before filing derivative action he requested from the company in writing to file legal action on the same basis (prior request), but the request was denied or was not acted upon within 30 days of submission.

(2) Notwithstanding paragraph 1 herein, any member of controlling company has the right to bring legal action in his name and on behalf of the controlled company (derivative action for the controlled company), if:

   1) the controlling company owns at least 90% of share capital of the controlled company;

   2) before bringing derivative action he requested in writing from the controlling company to bring derivative action on the same bases (prior request to controlling company), or from the controlled company to bring legal action against persons liable or damage (prior request to the controlled company), and both requests were denied or were not acted upon within 30 days of submission;

   3) the controlled company is a controlled joint stock company or limited liability company.

(3) In the case of companies referred to in paragraphs 1 and 2 herein bringing legal action upon prior request, the court shall allow the person who filed prior request to enter the lawsuit as an intervener on claimant's behalf.

(4) Persons who filed prior request may bring legal action referred to in paragraphs 1 and 2 herein, if more than six months had not passed from the date of learning of the breach committed to the date of filing the prior request, or if more than three years had not passed from the date of the breach committed to the date of filing the prior request.

(5) In an event that the claim referred to in paragraphs 1 or 2 herein are accepted, the competent court may annul the company's body decision that produced the damage determined by the judgment, taking into account protection of interests of conscientious third parties.

Title VI

COMPANY ASSETS AND CAPITAL

Company Assets and Net Assets

Article 52

(1) A company's assets shall comprise of ownership and other property rights that represent the contributions of its members or the assets the company acquired by conducting business activities.

(2) A company's net assets (capital), for the purpose of this Law, shall be the difference in value between a company's assets and its liabilities.

Company's Equity Capital

Article 53

(1) Equity capital of a company shall be the pecuniary value of contributions subscribed by members in a company registered in accordance with this Law.

(2) Equity capital of a company shale be divided by contributions, or shares of certain par values.

Types of Contributions

Article 54

(1) Contributions in a company may be in money and in kind.

(2) Contributions in kind may be only in assets and in rights, unless provided otherwise by law.

Commitment to Pay In or Make Contribution

Article 55

(1) Shareholders, or limited liability company members and limited partners must make a contribution in a company before the shares are subscribed to shareholders, or before the membership interests are registered to their owners, in accordance with this Law.

(2) Contributions of partners and general partners may be paid in or made in a company within a period provided in the instrument of incorporation or the decision on making additional contributions, provided that the period may not be longer than two years from the date of the instrument of incorporation or the decision on making additional contributions.

(3) Persons who committed under the instrument of incorporation or otherwise to pay in or make a certain contribution shall be liable to the company for any damage caused by a delay in keeping their commitment, in accordance with law.

No Recovery of Contributions

Article 56

(1) Company members may not receive back the contributions they paid in or made, nor shall they be paid interest on what they contributed to the company.

(2) Payment when acquiring own equity interest or shares, as well as other payment to company members, made in accordance with this Law, shall not be deemed as recovery of contributions to company members.

Method of Valuation of Contributions in Kind

Article 57

(1) The value of a contribution in kind shall be determined:

1) by agreement between all company members;

2) by appraisal, as provided for in Articles 58, 59 and 60 herein.

(2) In joint-stock companies, limited liability companies and in limited partnership regarding the limited partners' contribution, the value of a contribution in kind shall be determined solely by appraisal in accordance with paragraph 1, item 2 herein.

Appraisal of a Contribution in Kind

Article 58

(1) A contributions in kind shall be appraised by authorised appraisers who meet conditions provided by the law that regulates accounting.

(2) Appraisal shall be conducted before a company accepts a contribution in kind.

(3) A company decision to accept a contribution in kind shall determine:

1) number and par value or carrying amount of shares being issued for the contribution, name of the person making contribution and kind of assets being contributed, in the case of joint stock company;

2) nominal value of a contribution, name of the person making contribution and kind of assets being contributed, in the case of limited liability company, limited or general partnership.

Content of Contribution in Kind Appraisal Report

Article 59

A contribution in kind appraisal report shall contain:

1) name or registered name of the assets owner;
2) a description of each asset being appraised;
3) a description of appraisal method used;
4) statement whether the value of assets proposed in the report corresponds to number and par value of shares acquired in a joint stock company or to carrying amount of shares without par value, plus premium paid for such shares if any, or to par value of equity interest acquired in limited liability company, limited or general partnership.

Publishing of Contribution in Kind Appraisal Report and Equity Interest Registration

Article 60

(1) The report of the authorized appraiser and the company's decisions on accepting the contribution in kind shall be submitted to the CRPS for registration within seven days from the date of receipt of the decision of the commission for the capital market on recording the issue of shares on the basis of the contribution in kind for a joint-stock company or minutes recording the making of the contribution in kind in a limited liability company, limited partnership or general partnership.

(2) If a partner or a general partner is given a further deadline to make a contribution in a company, the acquisition of an interest in the company shall be registered with the CRPS on the basis of an incorporation contract or a decision on make additional contributions.

(3) The record referred to in paragraph 1 herein shall be signed by a person who made a contribution in kind and the company’s authorized representative.

(4) The competent authority for registration shall submit the decision on accepting a contribution in kind to the Official Gazette of Montenegro for publication within two working days from the date of registration referred to in paragraph 1 herein.

PART TWO

ENTREPRENEUR

Definition of Entrepreneur

Article 61

An entrepreneur is a natural person who carries on a business activity and who is not performing this activity on another person's account.

Registration of Entrepreneur

Article 62

(1) A natural person shall acquire the status of entrepreneur by registering with the CRPS with submitting registration application.

(2) An entrepreneur shall not have the status of a legal entity.

(3) Registration application shall contain details on registered name, registered office and predominant business activity of an entrepreneur, name of the entrepreneur and a manager, if appointed, date and place of their birth, unique identification number, permanent or temporary residency and either data significant for informing other participants in legal transactions.

(4) With regard to registered name, registered office and predominant business activity, provisions of Articles 13 through 23 herein shall apply *mutatis mutandis*.

Manager

Article 63

(1) An entrepreneur may entrust business management to a natural person with legal capacity (hereinafter: manager), who is not convicted for criminal offences against labour rights, against intellectual property, against payment transactions and business activity, against property and against official duty and who has not been subject of an injunction barring him from carrying on activities of entrepreneur.

(2) A manager shall be registered with CRPS and shall acquire the status of the entrepreneur's representative on the date of registration.

(3) A manager must be employed by an entrepreneur.

Liability of Entrepreneur

Article 64

An entrepreneur shall be liable for all obligations incurred in connection with the pursuit of his business activity with his entire assets.

Termination of Entrepreneur Status

Article 65

(1) Entrepreneur status shall terminate with cessation of performing the activities and in the following case:

1) upon death or permanent incapacitation;

2) if he fails to obtain the licence to carry on business activities;

3) if his registration is declared null and void by a final court judgement;

4) if an injunction from carrying on a business activity is imposed on him by a final court judgement;

5) in other cases prescribed by law.

(2) An entrepreneur who ceases to carry on activity shall submit a cessation of activity application to the registering authority for deletion from the CRPS.

PART THREE

GENERAL PARTNERSHIP

Title I

GENERAL PARTNERSHIP INCORPORATION AND REGISTRATION

General Partnership and Partners

Article 66

(1) A general partnership shall be a company established by two or more partners, for pursuing an activity under joint registered name.

(2) A partner may be a natural person or a legal entity.

Memorandum of Association

Article 67

(1) A general partnership shall be established by partners concluding a written Memorandum of Association.

(2) The partners' signatures on Memorandum of Association of general partnership must be authenticated in accordance with law.

(3) The Memorandum of Association of a general partnership shall include:

1) Name, personal identification number and place of residence of a partner who is a domestic natural person, or name, passport number or other identification number and place of residence of a partner who is a foreign natural person, or registered name, company number and registered office of a partner that is domestic legal entity, or registered name, registration number or other identification number and registered office of a partner that is a foreign legal entity;

2) company's registered name and registered office;

3) company's predominant business activity;

4) type and value of contributions of each partner;

5) a period company is incorporated for, unless it is incorporated for unlimited duration;

6) other elements of relevance for a company and partners.

(4) Amendments and modifications to a company's Memorandum of Association shall be made by a unanimous decision of all partners, unless provided otherwise by the Memorandum of Association.

Registration of General Partnership

Article 68

(1) A general partnership registration with the CRPS shall be carried out on the bases of the registration application, which is submitted with the Memorandum of Association of general partnership.

(2) An application referred to in paragraph 1 herein, is accompanied by:

1) proof of identity of each founder, which need not be authenticated;

2) names of company representatives and his or their signatures authenticated in accordance with law;

3) address for receiving electronic mail and special address for receiving mail, if there are any.

Title II

CONTRIBUTIONS IN GENERAL PARTNERSHIP AND PARTNERS' EQUITY INTERESTS

Contribution and Equity Interest

Article 69

(1) Partners in a company shall make contributions of equal value, unless provided otherwise by the Memorandum of Association.

(2) A partner's contribution in general partnership may be in money, assets and rights, as well as in work and services rendered or need to be rendered.

(3) Partners shall determine the value of a contribution in kind expressed in money by agreement, unless provided otherwise in the Memorandum of Association.

(4) Partners shall acquire equity interests in a company commensurate to their contributions, unless partners agree otherwise.

Effects of Delay

Article 70

(1) A partner who should not pay in a contribution within the agreed period or who should not hand over the money received to the company in a timely manner, or unjustifiably should take money from the company or be late to make other contributions, shall pay a legal default interest, if higher interest is not provided for in the Memorandum of Association, from the date the contribution was due to be paid or entered, or money had to be handed over or money had been taken unjustifiably.

(2) The provision of paragraph 1 herein does not exclude the right of the general partnership to claim compensation for damage.

Transfer of Equity Interest

Article 71

(1) Partners' equity interest may be transferred to another natural person or legal entity by a written agreement entered into between a partner who transfers equity interest and a person equity interest is transferred to, with the consent of all partners, unless provided otherwise by the Memorandum of Association.

(2) Signatures affixed to an agreement referred to in paragraph 1 herein shall be authenticated in accordance with law.

(3) Transfer of equity interests between partners shall be free, unless provided otherwise by the Memorandum of Association.

(4) Equity interest transferred to another person shall be acquired on the date of the transfer registration with the CRPS.

Liability in case of Transfer of Equity Interests and Other Forms of Entering into General Partnership

Article 72

(1) A person that equity interest of a partner was transferred to or who entered into general partnership in a different manner after its incorporation, shall be liable for company's obligations regardless of when they incurred.

(2) A partner leaving general partnership shall be liable for company's obligations incurred before he left the company.

(3) A partner leaving general partnership may be released from the obligation incurred on the bases of written agreement entered into with other partners and creditors.

(4) Provisions of paragraphs 2 and 3 herein shall also apply in the event referred to in Article 89 herein.

Title III

MANAGEMENT OF GENERAL PARTNERS BUSINESS

Partners' Right to Manage Company's Business

Article 73

(1) Each partner may manage the business of a general partnership.

(2) If the Memorandum of Association or the written agreement of all partners stipulates that one or more partners have business management authority, the remaining partners may not manage business activities.

(3) Managing the business referred to in paragraph 2 herein shall include all actions in the course of a company's regular operations.

(4) The consent of all partners shall be required to conduct actions outside the scope of a company's regular operations.

(5) The transfer of authorization to manage business shall require the consent of all partners authorized to manage business of the company, provided there is no risk of a delay in carrying on the business.

(6) Each partner authorized to manage business may deny authorisation referred to in paragraph 5 herein.

Manner of Managing Activities

Article 74

(1) Each partner shall be authorised to independently manage company's business.

(2) If one of the partners with management authority should oppose taking a certain actions, such action cannot be taken.

(3) If the Memorandum of Association or written agreement of all partners stipulates that partners with management authority in a company may do that only jointly, taking each action shall require the consent of all partners, except where failure to act due to unavailability of remaining partners authorized to manage company's business might cause damage to the company.

Resignation from Management Authority

Article 75

(1) A partner with management authority may resign from authorisation given to him where justified reasons pertain.

(2) In the event referred to in paragraph 1 herein, the partner shall notify all other partners in writing of his intention to resign from management responsibilities.

(3) If a partner resigns from management responsibilities contrary to paragraphs 1 and 2 herein, he shall indemnify the company for any damage thus caused.

Right to Reimbursement of Expenses

Article 76

A partner shall be entitled to reimbursement from the company of all expenses he incurred in connection with the operations of a general partnership.

Distribution of Profit

Article 77

A company's profit or loss shall be distributed or covered equally between each partner, unless provided otherwise by the Memorandum of Association of general partnership or written agreement between partners.

Right to Information

Article 78

(1) A partner with management authority shall provide information on all matters related to the general partnership's operations and his work on request from other partners.

(2) Each partner shall have the right to access and make copies of books of accounts and any other company documents at his own cost.

(3) If a partner is not allowed to view the books of accounts referred to in paragraph 2 herein, a partner may ask the court within eight days from submitting such a request to order the company in a non-litigation procedure to comply with his request.

(4) The proceedings referred to in paragraph 3 herein shall be expedited and the court shall decide within eight days from the date of receiving the request.

Decision-making by Company's Partners

Article 79

(1) Partners shall make their decisions unanimously, unless provided otherwise by the Memorandum of Association.

(2) A decision on company's restructuring, a decision on accepting a new partner in the company and decisions on other issues not related to company's regular operations, shall be made unanimously.

(3) Provisions of the Memorandum on Association of a general partnership contrary to provision referred to in paragraph 2 herein are null and void.

Registration of Changes

Article 80

Within seven days from the date of a change occur, general partnership shall submit to the CRPS details on the changes that occurred in the company related to:

1) company's registered name;
2) company's registered office;
3) company's predominant activity;
4) company's duration;
5) company's existing structure of members or details on them;
6) the profit distribution method, if it is determined by the Memorandum of Association;
7) type and value of members' contributions;

8) partners' equity interest in the company;

9) amount of company's capital;

10) address for receiving electronic mail and special address for receiving mail, if there are any;

11) other details from the company's memorandum of association.

Title IV

LEGAL RELATIONS OF PARTNERS AND COMPANY WITH THIRD PARTIES

Representation

Article 81

(1) Each partner shall be the company's legal representative and shall have the authority to independently represent the company, unless provided otherwise by the Memorandum of Association

(2) If two or more partners are authorised to jointly represent a company they may authorise one or more partners to represent the company in specific transactions.

(3) Any declaration of will of third parties made to any of the partners authorised to jointly represent the company shall be deemed to be made to the company.

Resignation from Representation Authority

Article 82

(1) A partner may resign from representation authority and shall continue to enter legal transactions and take other actions upon the other partners' request in the 30 days period from the date of submitting the resignation to the company, if a justified reason pertains.

(2) U In cases referred to in paragraph 1 herein, the partner concerned shall notify in writing other partners in the company of his intention to resign from representation authority.

(3) If a partner resigns from representation authority contrary to paragraphs 1 and 2 herein, he shall indemnify the company for any damage caused.

Revoking of Representation Authority

Article 83

(1) A representation authority may be revoked by a decision of the competent court pursuant to legal action filed by one or more partners, if it is established that justified reasons pertain.

(2) Gross misconduct towards the company or incapacity of a partner to represent the company shall be deemed to be justified reasons referred to in paragraph 1 herein.

Representation of Company in Dispute with Partner with Representation Authority

Article 84

(1) A partner with representation authority may not issue a power of attorney for representation or represent the company in a dispute where he is the counterparty.

(2) If the company has no other partner with representation authority such power of attorney shall be issued jointly by all other partners.

Title V

DISSOLUTION OF GENERAL PARTNERSHIP AND TERMINATION OF PARTNER STATUS

Manner of Dissolution

Article 85

A general partnership shall be dissolved by deletion from the CRPS in the event of:

1) liquidation of the solvent general partnership due to:
   a) expiration of its term it was incorporated for;
   b) competition of transaction it was incorporated for;
   c) a decision of all partners, unless provided otherwise by their agreement;
   d) a court decision;
   e) death or cessation of partner status, unless provided otherwise by the Memorandum of Association of the general partnership;
   f) initiation of bankruptcy proceedings against a partner;
   g) the fact that only one partner remained in the company and no new partners accede the company within three months of the date when the single partner remained in the company;
   h) occurrence of any reason provided for in the Memorandum of Association.
2) closing of the company's bankruptcy;
3) Status changes.

Cessation of Partner's Status

Article 86

The status of a partner in a general partnership shall cease in the event of:

1) death of a partner;
2) deletion of a partner which is a legal entity from the CRPS as a result of liquidation or closing of bankruptcy;
3) exit of a partner from the company;
4) expulsion of a partner from the company;

5) In other cases provided for in the Memorandum of Association.

Continuation of Company with Heirs

Article 87

(1) In the event of death of a partner, his equity interest shall not be inherited, but distributed proportionally to the remaining partners, unless provided otherwise by the Memorandum of Association of general partnership or other agreement.

(2) If in the event referred to in paragraph 1, the Memorandum of Association or subsequent agreement stipulates that a general partnership is to continue operating with the heirs of a deceased partner, but such heirs do not agree to that, a deceased partner's equity shall be distributed proportionally to the remaining partners.

(3) The heirs may agree to inherit a deceased partner by taking his place or request that the general partnership change its form of carrying activities to a limited partnership, in which they would acquire the status of limited partners.

(4) If the heirs request that the general partnership change its form of carrying activities to a limited partnership in accordance with paragraph 3 herein, and the remaining partners in the company refuse to do so, the heirs shall take the place of the deceased partner and may exit the company in accordance with Article 86 herein.

(5) If heirs exit a company in accordance with paragraph 4 herein, they shall be liable for the company's obligations incurred up to that time in accordance with law.

(6) In the event referred to in paragraph 3 herein, the Memorandum of Association may specify the amount of share in profit for limited partners, which may be different from the amount of share in profit to which the testator had as a partner.

Expulsion of Partner

Article 88

(1) A partner may be expelled from a general partnership pursuant to a judgment of the competent court, upon legal action brought by one or more partners, if such partner due to negligence has not fulfilled an obligation towards the company or other partners, which impacted company's operations.

(2) In the event referred to in paragraph 1 herein, equity interest of a partner to be expelled, shall be distributed between partners remaining in the company, commensurate to the values of their equity interest in the company, unless provided otherwise by the Memorandum of Association.

(3) Within six months from the date of final court judgment, a general partnership shall reimburse the expelled partner the amount of funds he would receive had the company been dissolved on the date of bringing legal action to expel the partner.

(4) The provision of Article 72, paragraph 2 herein shall be applied on the case of expulsion of a partner from a general partnership.

Exit of Partner

Article 89

(1) A partner may exit a company by serving a written notice of exit on other partners.

(2) A written notice referred to in paragraph 1 of this Article shall be served minimum two months before the expiration of an accounting year, unless provided otherwise by the Memorandum of Association.

(3) A partner who serves notice referred to in paragraph 2 herein shall exit a company upon expiration of the accounting year in which such notice was given, if the notice was served in that accounting year for the purpose of registration with the CRPS.

(4) A partner's right referred to in paragraphs 1, 2 and 3 herein may not be restricted or excluded.

Consequences of Partner Exit

Article 90

(1) The equity interest of a partner who exits a company shall be distributed to the remaining partners, commensurate to their equity interest in the company, unless provided otherwise by the Memorandum of Association.

(2) A general partnership shall, within six months of the exit date, unless provided for otherwise by the Memorandum of Association, pay to an exiting partner funds he would received in case of liquidation of the company until the exit date, regardless of current and unfinished transactions.

(3) If the value of a company's assets on the exit date is not sufficient to settle company's liabilities, the exiting partner shall pay to the company a portion of the unsettled amount commensurate to his equity interest in the company within six months from exit date, unless a different period is provided for by the Memorandum of Association.

(4) The provision of Article 72, paragraph 2 herein shall apply on a partner exiting the company with regard to his liability for company's obligations.

Protection of Partner's Creditors

Article 91

(1) A creditor that has a mature claim against a partner on the basis of a final and enforceable judgement, shall be entitled to demand from a company in writing to receive in cash the amount such partner would be receive in case of liquidation of the company, but only up to the amount of such creditor's claim.

(2) As of the date of settlement of a creditor's claim in accordance with paragraph 1 herein, a partner shall forfeit partner status and his equity interest shall be distributed among other partners, commensurate to their equity interests in the company.

(3) A partner who forfeits the status of a partner in accordance with paragraph 2 herein shall be entitled to receive in cash the amount he would receive in case of liquidation of the company, minus any amounts paid to his creditor.

(4) If a company fails to pay off a partner's creditor within six months from the date of service of a claim referred to in paragraph 1 herein, the partner's creditor may initiate court proceedings of (enforced) liquidation of the company.

(5) In liquidation proceedings referred to in paragraph 4 herein, a partner's creditor shall be entitled to receive any liquidation surplus of assets that would otherwise be assigned to the partner, but only up to the amount of its claim, while the partner retains the right to receive payment of any liquidation residue in excess of such creditor's claims.

PART FOUR

LIMITED PARTNERSHIP

Title I

INCORPORATION OF LIMITED PARTNERSHIP

Limited Partnership and Company Members

Article 92

(1) A limited partnership is a company of one or more persons called general partners and one or more persons called limited partners.

(2) General partners shall bear unlimited joint and several liability with their personal assets for all the company's obligations, while limited partners shall not be liable for the company's obligations.

Memorandum of Association

Article 93

Limited partnership shall be incorporated by a Memorandum of Association containing details referred to in Article 67 herein and indication " Limited partnership", persons who are general partner and limited partner and details on type and value of contributions in the company of all limited partners.

Registration of Limited Partnership

Article 94

(1) A limited partnership is registered with the CRPS by submitting registration application accompanied with:

1) Memorandum of Association of limited partnership;

2) proof of identity of each founder;

3) certificate of entering contributions in the company, individually for each limited partner;

4) an appraisal of authorized appraiser with regard to contributions in kind of limited partners;

5) an act on nominating a company representative with his authenticated signature, in accordance with law;

6) address for receiving electronic mail and special address for receiving mail, if there are any.

(2) Registration application with the CRPS shall be submitted in the manner provided by Article 320 of this Law.

Application of Provisions on General Partnership

Article 95

(1) Provisions of this Law governing in a general partnership shall apply to limited partnership, unless otherwise provided for in this Law.

(2) General partners shall have the status of a partner in general partnership, in accordance with this Law.

Contribution and Equity Interest

Article 96

(1) Provisions of this Law related to partner's contributions and equity interests shall apply to contributions and equity interests of general partners in a company, including entitlement of a general partner to a contribution in work and services, and the manner of equity interest transfer.

(2) Provisions of this Law related to equity interest transfer form a partner to third parties shall apply to equity interest transfer from a general partner to a limited partner.

(3) A limited partner may freely transfer his equity interest, provided that transfer agreement is concluded in writing and certified in accordance with law.

Profit and Loss

Article 97

Limited partners and general partners shall participate in the sharing of profit and covering of loss of their company commensurate to their equity interests in the company, unless provided otherwise by the Memorandum of Association.

Title II

MANAGEMENT OF COMPANY RIGHTS AND DUTIES OF LIMITED PARTNERS

Management of Company Operations

Article 98

(1) General partners shall manage the operations and represent the company.

(2) Limited partners shall not participate in management of the company and has no authority to represent the company.

Registration of Changes

Article 99

Limited partnership shall register changes with the CRPS of details from the Memorandum on Association and other details referred to in Article 94, as well as change on status of a member from a general partner to a limited partner or from a limited partner to a general partner, within seven days from the date of change occurring.

Limited Partner's Rights

Article 100

(1) A limited partner shall have a right to inspect the company's annual financial statements and the company's books of accounts at any time.

(2) If a limited partner is not allowed access referred to in paragraph 1 herein within eight days from the date he filed the request, limited partner may request from the competent court to order the company in non-litigious proceedings to comply with his request.

(3) The proceedings referred to in paragraph 2 herein shall be expedited and the court shall pass a decision on a request within eight days from the date of receipt of request

(4) A limited partner shall be entitled to a share in company's profit in proportion to the amount of his contribution, unless provided otherwise by the Memorandum of Association, and the period for payment of profit may not be longer than 90 days from the date of adoption of company's annual financial statements.

Liability of Limited Partner

Article 101

(1) A limited partner shall not be liable for a company's obligations, except in the events referred to in Article 12 paragraph 2 herein.

(2) In the event referred to in paragraph 1 herein, a limited partner shall be liable also for obligations occurred before he entered the company.

Termination of General Partner and Limited Partner Status

Article 102

(1) In the event of death of a limited partner who is a natural person, or dissolution of a limited partner who is a legal entity, heirs or legal successors shall take their place.

(2) If a limited partner's equity interest became subject of court or other legal proceedings with regard to his separate debt, the remaining company members shall not be entitled to dissolve the company.

(3) If all general partners exit from a limited partnership and the company does not admit a new general partner within six months of the date of exit of the last general partner, limited partners may pass a unanimous decision to change the company's legal form to limited liability company or joint-stock company, in accordance with this Law.

(4) If in the event referred to in paragraph 3 herein, limited partners do not pass a decision to change a company's legal form within the prescribed period, the competent registration authority shall initiate *ex oficio* court liquidation proceedings of the company.

(5) If all limited partners exit from a limited partnership and the company does not admit a new limited partner within three months of the date of exit of the last limited partner, general partners may pass a unanimous decision to change the company's legal form to general partnership, in accordance with this Law.

(6) If general partners fail to pass a decision referred to in paragraph 5 herein within the prescribed period, the competent registration authority shall initiate *ex oficio* court liquidation proceedings of the company.

Dissolution of Limited Partnership

Article 103

Provisions of this Law on dissolution of general partnership shall apply to dissolution of limited partnership.

PART FIVE

JOINT STOCK COMPANY

Title I

GENERAL PROVISIONS

Definition of Joint Stock Company

Article 104

A joint stock company is a company established by one or more natural persons or legal entities in order to pursue business activity, whose equity capital is divided into shares (share capital).

Joint Stock Company Characteristics

Article 105

(1) A joint-stock company shall be a legal entity, separated in its assets and liabilities from that of its shareholders.

(2) A joint stock company may be established for a period of limited or unlimited duration.

(3) The minimum initial capital of a joint-stock company, payable in cash, shall be EUR 25,000.

(4) In addition to obligatory cash contribution referred to in paragraph 3 of this article, joint stock company may issue shares for contributions in kind, in accordance with this Law.

Founders of Joint Stock Company

Article 106

Domestic and foreign natural person and legal entities may incorporate joint stock companies by concluding foundation agreement, or by instrument on incorporation.

Obligations Undertaken by Company

Article 107

(1) Publication and registration in accordance with this Law of the name of the Executive Director or of chairperson of the Executive Board as well as publication of the names of persons explicitly authorized to represent the company by company acts, shall be binding on the company and the company may not invoke irregularities with the appointment in relation to third parties, unless when it proves that third parties knew or could have known for existence of such irregularities.

(2) The actions of the company's bodies are binding on the company, unless such actions have exceeded the powers that they have, or may have, pursuant to this Law.

(3) Restrictions on the authority of the company’s body determined by the Articles of Association or decisions of the bodies may not be protested against third parties even if published in a timely manner.

Sole Member Joint Stock Company

Article 108

(1) A sole member joint stock company is joint stock company established by a single natural person or legal entity by a decision on incorporation, where a single natural person or legal entity shall acquire all the shares upon incorporation.

(2) If after incorporation a single natural person or legal entity acquires all the shares, the company shall register the change occurred with CRPS, as well as the name and permanent residence of the sole shareholder within eight days from the date of registering the change with CKDD.

(3) A shareholder of a sole member joint stock company shall have the powers of the General Meeting of a joint stock company and shall make all decisions in writing and shall keep the record of the decision passed in the book of decisions of the company.

(4) In addition to decisions referred to in paragraph 3 herein, all contracts entered between a sole member and the company he represents shall be recorded in the company books.

(5) A founder or a shareholder of sole member company may himself perform duties of the Executive Director or member of a managing bodies or he may designate another person.

Title II

JOINT STOCK COMPANY INCORPORATION

Manner of Joint Stock Company Incorporation

Article 109

A joint stock company may be a public (successive incorporation) and private joint stock company (simultaneous incorporation.

Public Joint Stock Company Incorporation

Article 110

(1) A public joint stock company shall be incorporated by:

1) Signing of an incorporation agreement or passing the incorporation decision, with obligatory authentication of signatures of the founders or their representatives, in accordance with law;

2) obtaining the approval for the initial issue of shares from the commission for capital market;

3) issuing the public call for subscription and payment of shares;

4) subscription and payment of shares by founders;

5) obtaining the decision from the commission for capital market on successfulness of the initial issue of shares;

6) adoption of the Articles of Association at the statutory General Meeting of shareholders, signed by the General Meeting chairperson, in accordance with law;

7) registration with the CRPS, in accordance with this Law.

(2) Upon the signing of the incorporation agreement, the founders shall open an account with a bank registered in Montenegro, where investors pay the money in the amount of issuing value of shares offered for sale on the bases of public call for subscription and payment of shares.

(3) If, during the subscription and payment period, a number of shares determined by the prospectus is not subscribed and paid for, it shall be deemed that the initial issue of

shares was not successful and consequently nor was the company incorporation procedure.

(4) In the event referred to in paragraph 3 herein, the contributions of the subscribers shall be recovered to them without any deduction, and the founders shall be severally and jointly liable without limit for the recovery, in accordance with law regulating capital market.

(5) In the event of successful issue of shares, the money received shall be deposited in the account referred to in paragraph 2 herein until the registration procedure of the company is completed.

(6) In the event of successful issue of shares, the statutory General Meeting shall be held within 30 days from the day of expiration of the deadline for subscription and payment of shares. If, without justifiable reason, the statutory General Meeting is not held within that period, all the subscribers shall be relieved of their obligations to the company and shall have the right to full recovery of their contributions within 8 days from the day of the request submission.

(7) The statutory General Meeting of shareholders may be attended by the founders and the persons who had acquired shares in the procedure of public issue of shares or their authorized representatives, and quorum for a valid General Meeting shall consist of owners attending in person, by authorised persons or voting by proxy, representing two thirds of the shares carrying voting rights.

(8) If a quorum cannot be established, the provisions of Article 142 herein shall apply.

(9) The statutory General Meeting shall adopt the decisions on issues within the its competence by simple majority of shareholders' votes represented in person or by authorized person or voting by proxy, unless otherwise determined by this Law or the incorporation agreement.

(10) Notwithstanding paragraph 9 herein, the statutory General Meeting shall decide by two thirds majority of attending shareholders on:

1) electing the managing bodies of the company and the auditor;

2) approval of contracts and other obligations undertaken in the company incorporation procedure and for its purpose by the founders or other persons;

3) adopting the company's Articles of Association.

(11) The provisions of this Law related to the General Meeting shall apply also to the statutory General Meeting.

Private Joint Stock Company Incorporation

Article 111

(1) Private joint stock company shall be incorporated by:

1) signing the incorporation agreement, or by adopting the decision on incorporation of a single-member joint stock company with obligatory certification of signatures of the founders or their representatives, in accordance with law;

2) purchasing all shares by the founder at the moment of incorporation without issuing a public call for subscription and payment of shares;

3) obtaining the decision from the commission for capital market on registering the initial issue of shares;

4) adoption of the Articles of Association at the statutory General Meeting of shareholders, signed by the General Meeting chairperson, in accordance with law;

5) registration with the CRPS, in accordance with this Law.

(2) Upon the signing of the incorporation agreement or the incorporation decision, the founders shall open an account in the incorporating company name with a bank registered in Montenegro, where the money paid for company's shares by its founders remain until the procedure of company's registration is completed.

(3) The founders shall pay for shares or to make contributions in kind within the period determined by the instrument of incorporation.

(4) In the event of one or more founders should not pay for shares or should not make contributions in kind, the founders who paid for shares or made contributions in kind may change the incorporation agreement of a joint stock company in the part regarding founders and their shares, provided that the total cash amounts paid in time is 25,000 euro or higher.

(5) The founders shall record the issue of shares with the commission for capital market.

(6) The company's statutory General Meeting need not be convened, if all founders of a company sign decision on accepting the Articles on Association, appraisal of contributions in kind, electing of management bodies and auditor and other decisions that should be adopted at the statutory General Meeting.

(7) All signatures on the decisions referred to in paragraph 6 herein shall be authenticated in accordance with law.

(8) If the decision is not reached in accordance with paragraph 6 herein, the statutory General Meeting must be held within 30 days from the date of expiration of deadline to pay the shares from the instrument of incorporation.

Joint Stock Company Registration Costs

Article 112

(1) The company's instrument of incorporation may provide for the company's obligation to reimburse costs regarding company's incorporation to the founders, providing that:

1) instrument of incorporation determined the maximum amount of these costs;

2) reimbursement of costs is made from the part of money paid in excess of the minimum of initial capital and that amount of incorporation costs is not treated as founders' contribution;

3) founders submit the adequate proofs of costs incurred;

4) the statutory General Meeting should not refuse reimbursement of costs from justified reasons.

(2) If a permit, approval or licence is required to commence business activity (hereinafter: licence) by separate law, the founders shall be jointly and severally liable without limit for all liabilities of the company incurred until such licence is granted, save for liabilities under contracts concluded by the company after registration with CRPS and which shall be realized after the licence to conduct business activity is granted.

(3) The shareholders shall be entitled to request from founders the reimbursement of costs by the company for any liabilities incurred prior to the registration with CRPS due to the founders' failure to fulfill their obligations or the founders' unconscientious conduct during company's incorporation.

(4) The entitlement referred to in paragraph 3 herein has no statute of limitation and shareholders may not waive that entitlement.

Instrument of Incorporation

Article 113

(1) The instrument of incorporation of a joint stock company is the incorporation decision when a single person establishes the company, or incorporation agreement, when more persons establish the company.

(2) The instrument of incorporation shall contain the following:

1) Name, personal identification number and place of residence of a founder who is a domestic natural person, or name, passport number or other identification number and place of residence of a founder who is a foreign natural person, or registered name, company number and registered office of a founder that is a domestic legal entity, or registered name, registration number or other identification number and registered office of a founder that is a foreign legal entity;

2) registered name of the company being incorporated;

3) indication that it is joint stock company (abbreviated indication "JSC");

4) founders' rights and obligation, determined during incorporating or obtaining licences to commence business activity against founder or third party who participated in the procedure of company's incorporation or obtaining licences to commence business activity;

5) number of shares hold by each founder;

6) names or registered names of founders who make contributions in kind, contributions description, number and type of shares received in exchange for contributions and a specified deadline for making of contribution in kind in the company;

7) par value of shares;

8) procedure and deadlines for offering shares when incorporating public joint stock company;

9) estimated incorporation costs and manner of its reimbursement, if costs reimbursement is provided for;

10) procedure for resolution of disputes between founders;

11) authorisation of one or more founders to represent founders in the company's incorporation procedure; and

12) other issues relevant for company's incorporation.

Joint Stock Company Articles of Association

Article 114

(1) Joint stock company Articles of Association (hereinafter: Articles of Association) shall contain:

1) company's registered name and indication that it is a joint stock company;

2) company's registered office;

3) company's predominant and other activities;

4) amount of share capital determined as initial capital and amount of approved capital, if determined;

5) the method of change of increase or decrease of equity capital;

6) procedure of replacing one class of securities with another;

7) restriction on issuing bonds or other kind of borrowing;

8) special rights of founders and conditions for transfer of shares, if they exist;

9) manner and procedure of convening and conducting General Meeting and voting method;

10) manner of appointing and dismissing Board of Directors members and Executive Director of joint stock company or Managing and Supervisory Board of joint stock company, their rights, obligations and competencies;

11) duration of company, if it is not incorporated for indefinite period;

12) Articles of Association amending procedure.

(2) In addition to details referred to in paragraph 1 herein, the Articles of Association may also contain:

1) number of shares by classes;

2) structure of share capital by share classes;

3) number of shares by each class, their initial price and the rights they give to shareholders;

4) number of shares issued for contributions in kind, together with type of assets that constitutes contribution and names of persons who made those contributions.

Joint Stock Company Registration

Article 115

(1) A joint stock company shall be registered with CRPS based on submitted registration application accompanied by:

1) the instrument of incorporation;

2) the Article of Association and a separate act, if the Article of Association does not contain the data referred to in Article 112, paragraph 2 herein;

3) A list of members of the Board of Directors of a joint stock company, or the Supervisory Board and Executive Board of a joint stock company and decisions on their appointment;

4) names in case of change of name, any former name of the member of the Board of Directors, or the Supervisory Board and Executive Board, dates and places of their birth, their personal identification numbers, permanent or temporary residence;

5) statements of the members of the Board of Directors or the Supervisory Board and Executive Board indicating their citizenship;

6) data on business occupation of the members of the Board of Directors or the Supervisory Board and Executive Board, as well as data on membership in other boards, positions held, as well as on place of registration of such companies if not in Montenegro;

7) name and address of the auditor, name and address of the Executive Director, Company Secretary, if they exists in the company, and the decisions on appointment of such persons;

8) name and address of Auditing Board members, if it is established in the company in accordance with regulations of the auditing field, as well as the decisions on their appointment;

9) signed statements of accepting appointments by the members of the Board of Directors and the Executive Director of a joint stock company or the Supervisory Board and Executive Board members of a joint stock company, auditor and the Company Secretary, if it exist in the company;

10) the decision of the commission for capital market confirming the successfulness of the public issue of shares in the case of incorporation of public joint stock companies, or the decision of the commission for capital market on recording the initial issue of shares in the case of incorporation of private joint stock company;

11) address for receiving electronic mail;

12) address for receiving mail, if any;

13) data on persons authorised to represent the company indicating scope of authorisation for representation (individual or collective);

14) the proof of the payment of the registration fee.

(2) Registration application shall be submitted to the CRPS in accordance with Article 320 herein.

(3) The company's registration with the CRPS shall be made on the bases of a decision on registration

(4) Data on the company's registered name and the registered office, names of managing bodies' members and members of other company's bodies registered with the CRPS, of auditor and Company Secretary if any in the company, the date of passing the instrument of incorporation, of adoption of Article of Association and registration of a joint stock company shall be published in the Official Gazette of Montenegro.

ANNULMENT OF JOINT STOCK COMPANY INCORPORATION

Article 116

(1) Upon request of an interested party, the competent court shall declare the nullity of joint stock company incorporation on the following grounds:

1) if requirements, determined by this Law, for adoption and the content of the instrument of incorporation and Articles of Association had not been met;

2) if it pursues business activity contrary to the law;

3) if the instrument of incorporation and Articles of Association does not specify the name of the company, the amount of the share capital or the business activity of the company;

4) if the provisions concerning the minimum amount of capital have not been applied;

5) if founders do not have legal capacity.

(2) The legal action for annulment of a joint stock company incorporation may be submitted within three years from the day of completion of the company's initial registration procedure referred to in Article 113 herein.

(3) The competent court shall submit the final decision determining the nullity of the joint stock company incorporation to the CRPS within 15 days from the date the decision has become final, for the purpose of registration and initiating a court liquidation proceedings.

(4) By nullifying company incorporation, the shareholders of the company shall become jointly and severally liable without limit for the obligations of the company, and contracts concluded and other obligations taken prior to nullification, shall remain in force, unless it contravenes the court liquidation proceedings.

(5) The provision referred to in Article 120, paragraph 7 herein shall apply to the decision referred to in paragraph 4 herein against the third parties.

Title III

KEEPING BUSINESS RECORDS AND TRANSPARENCY OF BUSINESS

Keeping Business Records

Article 117

(1) A joint stock company shall keep the following documents at its registered office:

1) agreement or decision on incorporation;
2) Articles of Association;
3) financial statements, reports on operations of the company and reports of the auditor of the company;
4) book of minutes containing:
   a) the minutes of all meetings of the Board of Directors or Supervisory Board or bodies formed by the Board of Directors or Supervisory Board;
   b) the minutes of all General Meetings of shareholders;
5) bookkeeping records, kept in accordance with law;
6) on creating encumbrance over the company's property;

(2) A joint stock company shall keep the records at its registered office on:

1) shares, equity interests the company has in other companies;
2) members of the Board of Directors or Supervisory Board and Executive Board;
3) shares of the company owned by members of the managing bodies;
4) contracts that the members of the managing bodies concluded with the company, namely contracts in which they have interests.

(3) The joint stock company shall provide a shareholder or a former shareholder, upon his request, with the access to the documents and records referred to in paragraph 1, items 1 through 4 and paragraph 2, item 1, 2 and 3 herein, for the period he was a shareholder in the company, at the latest within seven days from the day of submitting a written request.

(4) Shareholders owning at least 5% of shares shall have the right to inspect the documentation and records referred to in paragraph 1, item 5 and 6 and paragraph 2, item 4 herein, in accordance with the Article 124, paragraph 1 herein.

Company's Business Correspondence

Article 118

(1) Joint-stock company shall indicate the following in business letters and other company's business documents:

1) the name of the body that made registration with CRPS;
2) the number the company was registered under with the CRPS;
3) tax identification number;
4) indication of the form of business activity of the company;
5) registered name of the company;
6) registered office;
7) the note if the company is in liquidation or bankruptcy procedure;

8) amount of company's equity capital, if business documents contain company's equity capital.

(2) Data referred in paragraph 1 herein shall be published on the company's internet page.

Registration of Changes, Liquidation Procedure and Financial Reports

Article 119

(1) Within seven days from the date of change occurring, joint-stock company shall submit for registration with the CRPS documentation and information about changes related to:

1) Articles of Association and a special act if Articles of Association does not contain data referred to in Article 114, paragraph 2 herein, or the instrument of incorporation if changes relate to the instrument of incorporation;

2) the appointment, dismissal and other data changes on members of the Board of Directors and Executive Director, or the Supervisory Board and the Executive Board;

3) the appointment, dismissal and data of the auditor, the Auditing Board and Company Secretary, if there is one in the company;

4) the appointment, dismissal and other data on the persons who are authorized to represent the company with the scope of authorisations for representation (individually or collectively);

5) the appointment, dismissal and other data changes on persons who are members of the Auditing Board, when there is one in the company.

(2) In the event of initiated liquidation or bankruptcy procedure, joint stock company shall submit to the CRPS within the period referred to in paragraph 1 herein the following:

1) the decision on initiating procedure in the events of liquidation or bankruptcy procedure;

2) the decision on appointment of a liquidator or bankruptcy administrator, his identity, qualifications and powers, other than those set out in the company's Articles of Association or the law;

3) the decision on completion of the liquidation procedure or bankruptcy procedure, with obligatory indication of all the legal effects of the company's deletion from the registry.

(3) Joint-stock company shall submit for registration with the CRPS the financial reports, or auditor's report, within seven days from their preparation or receipt.

Informing and Publishing of Data

Article 120

(1) Data referred to in Article 119 herein shall be published in the Official Gazette of Montenegro, by indicating documentation on which bases the registration was made with CRPS.

(2) The data referred to in paragraph 1 herein shall be published within 21 days from the date of submitting registration application to CRPS.

(3) The documentation referred to in paragraph 1 herein may be published in the Official Gazette of Montenegro in whole or in part or by referring to a document registered with the CRPS.

(4) In relations with third parties, joint stock company may invoke data referred to in Article 119 herein, after their registration and publishing in the Official Gazette of Montenegro.

(5) The data registered with CRPS in accordance with Article 119 herein shall not be binding conscientio**us** third parties regarding transactions executed within 15 days from the day of their publication on the CRPS website, provided they did not know or could not have known about their publication.

(6) The data referred to in Article 119 herein published in the Official Gazette of Montenegro must be identical with the data filed with the CRPS for registration, and if there is any discrepancy:

1) the company may not protest the data published in the Official Gazette of Montenegro as authentic against third parties relying on the data registered with the CRPS.

2) third parties may protest the data published in the Official Gazette of Montenegro, unless the company could prove that third parties had knowledge of data registered with the CRPS.

(7) Third parties may protest in relation with the company all company acts and other data for which the publishing procedure in accordance with this Law had not been finished, unless the publishing is the condition for legal effect.

(8) In addition to obligatory publishing of documents and data referred to in paragraph 1 herein and Article 115 herein in Montenegrin language, the competent registration authority shall allow publication of the certified translation into any of the languages in official use in the European Union.

(9) If there is discrepancy between the documents and data published in Montenegrin language and their voluntarily published translation referred to in paragraph 8 herein, the company may not protest voluntarily published translation against third parties, while third parties may protest voluntarily published translation, unless when the company proves that those parties knew the content of the version published in Montenegrin language.

Title IV

RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

Rights of Shareholders

Article 121

(1) The company's shareholders have such rights as are attached to the shares they own, providing that same share class owners have equal rights.

(2) The shareholders shall not be liable for the company's liabilities.

(3) All shareholders shall be treated equally in the same circumstances.

(4) A decision of the General Meeting of shareholders which binds all or just some of the shareholders shall be pass unanimously.

Property Rights of Shareholders

Article 122

(1) A shareholder shall be entitled to:

1) participate in the company's profit distribution in the form of a dividend, when a decision on profit distribution to shareholders has been adopted;

2) receive a portion of remaining assets of the company after liquidation procedure is completed;

3) receive shares without payment in the event of capital increase from the company's financial resources, subject to limitations provided for by this Law;

4) have a pre-emptive right in the new issue of shares and convertible bonds, subject to limitation provided for in this Law;

5) dispose of their shares in accordance with law.

(2) A shareholder referred to in paragraph 1 herein have other property rights in accordance with law and the company's Articles of Association.

Non-Property Rights of the Shareholders

Article 123

(1) A shareholder shall have the right to attend all General Meetings of shareholder and to vote, unless this Law or the Articles of Association provides otherwise.

(2) Each share shall carry one vote at the General Meeting of shareholders, except in the event provided in Article 158, paragraph 2 of this Law.

(3) A shareholder directly interested for issues in relation to the appraisal of any contribution in kind or the purchase of property from the company's founder or majority shareholder shall have no right vote at the General Meeting of shareholders on such issues within two years of registration of the company.

Right to Information

Article 124

(1) Copies of the financial reports including the auditor's reports must be available for the shareholder's inspection at the company registered office during regular business

hours at least 20 days prior to holding of the General Meeting of shareholders, as well as at the General Meeting of shareholders.

(2) Any shareholder shall be entitled to request from the company's competent body to be made available for inspection at the company registered office without charge during business hours and to be allowed copying at shareholder's expense, of the following:

1) balance sheet, income statement, tax returns and reports on paid taxes for the three previous accounting years;

2) minutes from the General Meetings of shareholders;

3) list of persons authorised to represent joint stock company;

4) list of members of the Board of Directors or the Supervisory and Executive Board, with data on address, date of election or appointment and the term of office of each elected or appointed member, as well as on positions they hold in other legal entities; and

5) other documents the company is obliged to submit to the General Meeting of shareholders for inspection.

(3) A shareholder who is not allowed inspection and copying referred to in paragraph 2 herein, may request from the competent court within 30 days from expiration of a deadline for deciding on the request order the company to allow inspection an copying of the documentation referred to in paragraph 2 herein.

(4) The proceedings referred to in paragraph 3 herein is expedited and court shall pass the decision within eight days from the date of receiving the claim.

Right to Hire Expert

Article 125

(1) Shareholders holding at least 5% of the share capital may appoint an expert to inspect the company activities or accounting at the expense of shareholders who appointed the expert, and if during the inspection illegality or significant irregularity in the company's activities, the company shall bear the expenses.

(2) If the expert is not allowed inspection referred to in paragraph 1 herein, shareholders who appointed the expert are entitled to request from the competent court to be allowed inspection of activities referred to in paragraph 1 herein.

(3) The court shall pass the decision referred to in paragraph 2 herein within 30 days from the date of receiving the request.

(4) The joint stock company shall allow expert referred to in paragraph 1 herein the inspection of documents and other company's acts.

(5) Notwithstanding paragraph 4 herein, expert may be denied inspection of some acts and documents by a decision of Board of Directors or Supervisory Board, if there is justified reason that inspection of company's documentation and acts could be used contrary to the company's interest or if this could cause significant damage to the company or its related company, on which the Board of Directors or the Supervisory

Board shall furnish the expert with the written reasoning within 15 days from the date he was denied inspection.

(6) If shareholders referred to in paragraph 1 herein are not satisfied with the decision referred to in paragraph 5 herein, they may request from the competent court to pass a decision allowing the expert to inspect the acts and documents of which inspection was denied.

(7) The expert referred to in paragraph 1 herein shall draft a report on the conducted inspection of the company's operations, which he shall deliver to the company's shareholders within three months from the date of commencing the inspection.

(8) The shareholders referred to in paragraph 1 herein shall not publish or report on acts or documents or data from the documents referred to in paragraph 4 herein to third parties, if such publishing would cause damage to the company, unless otherwise provided by the law.

(9) If the shareholders act contrary to paragraph 8 herein, they shall be liable for damage incurred to the company.

Right to Answer Questions

Article 126

(1) A shareholder shall have the right to request in advance, by letter or at the General Meeting of shareholders when it considers specific items of the agenda, explanation and information from the Board of Directors or the Supervisory Board related to the material and proposed decisions being considered at the General Meeting, and representative of the Board of Directors or the Supervisory Board shall answer the question asked fully and truly, at the General Meeting during discussion on the relevant item of the agenda.

(2) A representative of the Board of Director or the Supervisory Board may publish answers to the questions asked before holding the General Meeting on the company's web site.

(3) Notwithstanding paragraphs 1 and 2 herein, the answer may be denied if:

1) answering the question may cause damage to the company or the person related to it;

2) a criminal offence would be committed by answering the question.

(4) If a shareholder is denied the answer to the question put in accordance to paragraph 1 herein, and the General Meeting adopts the decision on the agenda item related to the question asked, a shareholder who is denied the answer has the right to ask the competent court within eight days from holding the session of the General Meeting to order the company in non-litigation procedure to submit the answer to the question asked to him.

(5) The proceedings upon request referred to in paragraph 4 herein is expedited, thus the court should pass the decision within eight days from receiving the request.

Right of Dissenting Shareholders to Share Redemption

Article 127

(1) A shareholder may ask the company to buy back his shares at the average market value that the company's shares had in the six months prior to the date the decision was adopted at the General Meeting of shareholders, or in the amount of commensurate portion of net value of the company's assets on the date the General Meeting of shareholders adopted the decision, if at the General Meeting the shareholder voted against the following:

1) a change in the incorporation agreement or the Articles of Association of the company, violating his rights;

2) the division of joint stock company, when the distribution of shares of the company resulting from the division is not conducted in proportion to the ownership structure of the company being divided;

3) when in a restructuring process proportional exchange of shares and cash compensation for annulled shares is made cumulatively;

4) when the General Meeting limits or cancels the priority right of shareholders to subscribe for shares or acquire convertible bonds;

5) adoption of the decision by the company on disposition (purchase, sale, lease, exchange, acquisition or another disposition) of the assets of great value.

(2) A shareholder may exercise the right referred to in paragraph 1 herein, if he sent to the company, until the day of holding a General Meeting of shareholders, a written notice of the intent to use that right if the General Meeting of shareholders adopts the decision he does not agree with, and submits a written request for redemption of shares within 30 days from the day of holding the General Meeting of shareholders.

(3) The company shall pay the shareholder the value of shares referred to in paragraph 1 herein within 30 days from the date of receiving the written request.

(4) The shareholder may initiate a proceeding before a competent court within 30 days from the date of payment of funds by the company or from the date of payment default, if:

1) the paid amount of value of shares referred to in paragraph 3 herein does not correspond to the average market value the company's shares had in the six months prior to the date the decision referred to in paragraph 1 was adopted;

2) the paid amount of value of shares referred to in paragraph 3 herein does not correspond to commensurate portion of net value of the company's assets on the date the decision referred to in paragraph 1 herein was adopted;

3) the company does not pay the compensation whose amount is not contested within the deadline referred to in paragraph 3 herein;

4) the average market value could not be determined due to the lack of trade in shares.

(5) The court shall determine:

1) average market price of shares, in the event referred to in paragraph 4, item 1 herein;

2) net value of the company's assets, in the event referred to in paragraph 4, item 2 herein;

3) market value of shares, in the event referred to in paragraph 4, item 4 herein.

(6) The decision of the court referred to in paragraph 5 herein shall relate also to other shareholders who submitted the written request for redemption of shares within the deadline referred to in paragraph 2 herein, if the adjudicated value is higher than the value the company paid to them.

Title V

JOINT STOCK COMPANY'S BODIES, ADMINISTRATION AND AUDITOR

SUBTITLE A

JOINT STOCK COMPANY'S MANAGEMENT BODIES

Joint Stock Company's Management

Article 128

The management of a company may be organised as a single-tier or a two-tier system

Joint Stock Company's Bodies in Single-Tier Management

Article 129

Joint stock company's bodies in single-tier management system shall include:

1) General Meeting;

2) Board of Directors;

3) Executive Director.

Joint Stock Company's Bodies in Two-Tier Management

Article 130

Joint stock company's bodies in a two-tier management system shall include:

1) General Meeting;

2) Supervisory Board;

3) Executive Board.

Joint Stock Company's Management Bodies

Article 131

For the purpose of this Law, joint stock company's management bodies shall be the company's bodies referred to in Article 129, paragraph 1, items 2 and 3 herein, or the company's bodies referred to in Article 130, paragraph 1, items 2 and 3 herein.

SUBTITLE B

JOINT STOCK COMPANY GENERAL MEETING

Composition of Joint Stock Company General Meeting

Article 132

(1) The General Meeting of a joint stock company (hereinafter: General Meeting) shall include all shareholders, regardless of the number and class of shares they hold.

(2) Members of the Board of Directors and the Executive Director in the case of single-tier joint stock company or members of the Supervisory Board and the Executive Board in the case of two-tier joint stock company shall attend the General Meeting of joint stock company, as a rule.

(3) The joint stock company's Executive Director or the President of the Executive Board and the Company Secretary, if appointed, must attend the General Meetings of shareholders, unless prevented to attend the General Meeting due to justified reasons.

Powers of General Meeting

Article 133

(1) General Meeting shall:

1) adopt company's Articles of Association;
2) amend company's Articles of Association;
3) elect the members of the Board of Directors or members of the Supervisory Board and appoint the auditor;
4) dismiss the members of the Board of Directors or members of the Supervisory Board and auditor, who are elected by the General Meeting of shareholders;
5) appoint and revoke a liquidator;
6) decide on remuneration policy, and on remuneration amount for members of the Board of Directors or members of the Supervisory Board and Executive Board, at every ordinary annual session;
7) adopt the annual financial statements and report on operations of the company;
8) pass a decision on disposition of the company's assets (purchase, sale, lease, exchange, acquisition or another disposition), whose value is greater than 20% of the carrying amount of the company's assets (assets of great value), unless a lower share is determined by the Articles of Association;
9) adopt a decision on the distribution of profit;
10) increase or reduce the company's capital determined by the Articles of Association, exchange shares of one class for shares of another class;
11) make a decision on voluntary liquidation of the company, restructuring of the company or submission of the petition for initiation of bankruptcy proceedings;

12) approve the appraisal of contributions in kind;

13) consider issues in the competence of Board of Directors, or the Supervisory Board pertaining to the company's operations;

14) approve concluding of contracts on assets acquisition from a founder or a majority shareholder of the company, when a payment exceeds one tenth of the company's capital determined by the Articles of Association, and when such a contract is to be concluded within a period of 2 years from registration of the company;

15) adopt decisions on issuing bonds or convertible bonds or other convertible securities;

16) limit or cancel a priority right of shareholders to subscribe for shares or acquire convertible bonds, with consent of the two thirds majority vote of affected shareholders;

17) adopt a decision on incorporation of another company independently or jointly or a decision authorising company's management bodies to adopt a decision on incorporation of one, several or indefinite number of companies, independently or jointly;

18) adopts Rules of Procedure; and

19) adopts other decisions in accordance with the Article of Association.

(2) An integral part of the report on operations of the company referred to in paragraph 1, item 7 herein shall be the report on relations with the parent company and companies where its parent company has the status of parent company or subsidiary.

(3) The report referred to in paragraph 2 herein shall include all legal transactions and transactions that the company concluded with its parent company and companies where its parent company has the status of parent company or subsidiary, with the statement of the Board of Directors or the Supervisory Board, whether the company suffered the damage from these legal transactions and transactions, and whether the company was compensated for damage incurred by such legal transactions and transactions.

(4) If the company was not compensated for the damage, members of the Board of Directors or the Supervisory Board shall be liable for damage incurred to shareholders, in accordance with this Law.

(5) If remuneration policy referred to in paragraph 1, item 6 herein should not be adopted by the General Meeting of shareholders, and previously adopted remuneration policy does not exist, a revised proposal shall be submitted to the next General Meeting.

(6) The remuneration policy must be clear and comprehensible, and with the public joint stock companies it is obligatory to also include the following data:

1) information on fixed and floating part of remuneration, including all bonuses and other payments that might be allocated to the members of managing bodies in any form, with the proportional share in their total earnings;

2) the manner of determining remuneration policy taking into account the company employees' salaries and working conditions;

3) clear, comprehensive and varied criteria for allocating the floating part of remuneration;

4) criteria for valuation of financial and non-financial business results, including, as needed, criteria related to the socially responsible business, with reasoning on how application of the criteria shall contribute to realization of the company's business strategy, long-term interest and sustainability, as well as the methods for applying the criteria;

5) on postponing payment of remunerations and the right of the company to redemption of the floating part of the remuneration;

6) on the period of time that must pass before acquisition of ownership on allocated shares, if the remuneration is also given in company's shares, as well as the duration of the prohibition on disposing of allocated shares after acquisition of ownership, where such prohibitions exist;

7) on the term of contracts with the members of managing bodies and notice periods, main features of supplementary retirement insurance or early retirement programs, conditions for contract termination with obligations arising from termination, if applicable;

8) on audit and its conducting, including the measures on avoiding conflict of interest;

9) on changes in the event of amending the existing remuneration policy with views of shareholders on the policy, as well as the report on the last voting on remuneration policy at the General Meeting of shareholders.

(7) The adopted remuneration policy shall be published on the company's website.

Sessions of General Meeting of Shareholders

Article 134

(1) Sessions of General Meeting of shareholders shall be ordinary and extraordinary.

(2) Joint stock company shall hold regular General Meeting once a year.

(3) The first annual General Meeting of a company must be held within 18 months of holding the company's statutory General Meeting; thereafter a General Meeting must be convened once a year.

Convening a General Meeting of shareholders

Article 135

(1) The right to convene a General Meeting shall be vested in the Board of Directors or the Supervisory Board and in the shareholders whose value of shares represent at least 5% of the share capital, unless the Articles of Association provide that shareholders holding a smaller portion of the share capital are entitled to convene a General Meeting.

(2) A General Meeting of shareholders shall be organized by the Company Secretary, based on the instructions of the Board of Directors or the Supervisory Board.

(3) Shareholders whose shares represent at least 5% of the share capital shall be entitled to convene a General Meeting of shareholders within 30 days from the day of publishing in the Official Gazette of Montenegro a final decision on canceling the decision of the General Meeting on merger or division of the company, where the existing bodies of the company perform their functions, within their authorizations, except to dispose of the assets.

(4) Shareholders referred to in paragraphs 1 and 3 herein shall submit to the Board of Directors or the Supervisory board the request to convene the General Meeting of shareholders, the agenda for the General Meeting and proposals of decisions to be adopted at the General Meeting.

(5) The Board of Directors or the Supervisory board shall convene the General Meeting of shareholders within 30 days from the day of receiving the request for convening the General Meeting of shareholders at the expense of the company.

(6) An ordinary annual General Meeting of shareholders shall be held within six months of the end of each financial year, notwithstanding the first year following the incorporation of a company.

Notice on Convening the General Meeting of Shareholders

Article 136

(1) Notice on convening the General Meeting of shareholders shall be submitted no later than 30 days prior to holding of the General Meeting.

(2) The notice shall be delivered by mail, save for companies with 100 or more shareholders, whose Board of Directors or the Supervisory Board shall publish the notice of convening the General Meeting of shareholders twice in at least one daily printed media outlet published in Montenegro and on its website.

(3) The notice on convening the General Meeting shall contain the following:

1) the location of holding the General Meeting;

2) the date and time of holding the General Meeting;

3) proposal of the agenda of the General Meeting with indication for which items in the agenda adoption of a decision is proposed and stating the class and total number of shares voting on such decision and majority required for adoption of such decision, with the information of where the shareholders may inspect the materials and proposals of decisions to be considered at the General Meeting of shareholders;

4) the company's website address where information referred to in paragraphs 1 and 2 will be available;

5) instruction on rights and manner of exercising shareholders' rights to participate and vote at the General Meeting, in accordance with this Law and the company's Articles of Association.

(4) The company shall publish on its website notification on convening the General Meeting of shareholders, on the day of publication or sending of the notification on convening the General Meeting, in accordance with paragraphs 1, 2 and 3 herein, as

well as the manner of voting by an authorized person electronically with the forms of the authorisation and ballot paper.

(5) If the company is not able to publish forms referred to in paragraph 4 herein on its website, the company shall indicate on its website in which manner such forms can be obtained in paper form.

Manner of Determining Shareholders with Right to Participate in Work of Joint Stock Company's General Meeting

Article 137

(1) The shareholders with right to participate in work of the joint stock company's General Meeting shall be determined based on the list of shareholders from the CKDD, which the joint stock company shall obtain two days before holding the session at the earliest.

(2) The shareholders who are in the list of shareholders from the CKDD on the day the list of shareholders is obtained may participate at the General Meeting and exercise shareholders' rights.

(3) The company shall inform shareholders at the General Meeting of shareholders of the date on which the list of shareholders was determined.

(4) The company is entitled to verify the identity of its shareholders who represent more than 0.5% of share capital of a custody account, in accordance with specific regulation.

Materials **for Session of General Meetings of Shareholders**

Article 138

(1) The materials with proposals of decisions to be considered at the General Meeting of shareholders must be available for inspection to shareholders of the company at the company's registered office or at the company's premises outside the registered office, if the activity is performed in several locations, at least 20 days prior to holding the General Meeting of shareholders.

(2) Upon the request of a shareholder, the company shall deliver the notice of convening the General Meeting and materials to be considered at the General Meeting with proposals of decisions, by electronic mail to the address determined by a shareholder.

(3) The company shall bear costs of publication and delivery of the notice on convening the General Meeting referred to in article 136 herein.

Agenda of the General Meeting of Shareholders

Article 139

(1) The General Meeting of shareholders may not adopt decisions on issues that are not on the agenda unless all shareholders who have voting rights attend the General Meeting of shareholders, and unanimously accept the amended agenda.

(2) In the event that the agenda is revised or expanded, the shareholders shall be informed of the changes in the agenda in the same manner in which they are informed on holding the General Meeting of shareholders and no later than ten days prior to date of holding the General Meeting.

(3) Shareholders holding minimum 5% of the share capital shall be entitled to request from the Board of Directors or the Supervisory Board the expanding of the agenda of the General Meeting of shareholder no later than 15 days prior to the date of holding the General Meeting of shareholders.

(4) With the written request for extending the agenda of the General Meeting of shareholders, shareholders shall also submit the proposals of decisions, proposed as the items of the agenda.

(5) In the event referred to in paragraph 4 herein the Board of Directors or the Supervisory Board shall extend the agenda of the General Meeting.

(6) The company shall publish forthwith a proposal of the expanded agenda with proposed decisions on its website.

(7) If the General Meeting of shareholders is not held, the repeated General Meeting of shareholders may be held only with the same agenda planned for the General Meeting which was not held.

Proceedings at General Meeting of Shareholders

Article 140

(1) The attendance of shareholders or their authorized persons at the General Meeting of shareholders shall be proved by signing the attendance list, which shall indicate also the number of votes held by each shareholder.

(2) The attendance list shall be signed by the chairperson of the General Meeting of shareholders and the Company Secretary.

(3) The Executive Director or the President of the Executive Board shall chair the General Meeting of shareholders unless otherwise decided by majority of the shareholders present or represented, and the Company Secretary shall be the secretary of the session of the General Meeting of shareholders.

(4) In the absence of the Company Secretary, the chair of the General Meeting of shareholders shall appoint another person as secretary of the session of the General Meeting of shareholders.

Minutes

Article 141

(1) The minutes of the General Meeting of shareholders shall be signed by the chair of the General Meeting, secretary of the session of the General Meeting of shareholders and at least one shareholder authorized by the General Meeting of shareholders.

(2) Copies of powers of attorney and ballot papers of participants in the General Meeting of shareholders who voted in advance and at the General Meeting of shareholders shall be attached to the minutes.

(3) The minutes from the General Meeting of shareholders shall be prepared within three days from the date of holding the General Meeting of shareholders.

(4) The minutes from the General Meeting of shareholders must contain: date, place and time of holding the General Meeting of shareholders, the names of chairperson, secretary of the General Meeting, person who authenticates the minutes, members of working bodies of the General Meeting if they were formed, quorum, agenda, data on the manner and results of voting, adopted decisions at the General Meeting of shareholders.

Quorum

Article 142

(1) A quorum at a General Meeting of shareholders shall consist of shareholders who hold more than half of the total voting shares, present in person or represented by authorized person or who voted by ballot papers.

(2) If the required quorum is not attained at the General Meeting of shareholders, the General Meeting of shareholders may be reconvened having the same agenda, provided that the notice of convening the repeated General Meeting of shareholders must be published at least twice in at least one daily printed media published in Montenegro, at least ten days prior to holding the repeated General Meeting of shareholders, where the quorum shall be made of shareholders holding at least 33% of the total number of voting shares, which are present either in person or represented by an authorized person or who voted by ballot papers.

(3) The repeated General Meeting of shareholders may be held at the latest 30 days from the day of holding the General Meeting of shareholders at which the quorum was not attained.

(4) If the repeated General Meeting of shareholders does not attain the required quorum, a third General Meeting of shareholders may be convened in the manner and within the deadlines as for the repeated meeting, but no quorum is required, and the General Meeting of shareholders shall adopt decisions on all the items on the agenda irrespective of the number of shares represented.

(5) If the consent of shareholders holding shares of a certain class is necessary for the adoption of a decision, the decision may be adopted by the shareholders of the respective class, only if the session is attended by shareholders who hold more than half of the shares of that class.

Adoption of Decisions

Article 143

(1) Upon voting on every individual decision, a chair of the session shall inform the General Meeting on voting “for” or “against” by the present shareholders who have a

voting right at the General Meeting and on voting of shareholders who voted in writing.

(2) Upon a request of shareholder, a chairperson of the session shall establish at the session an exact number of votes for adoption or against adoption of a specific decision.

(3) The company shall publish on its website correct voting results by specific decisions within 15 days following the date of holding the General Meeting.

(4) The company shall determine the form of a ballot paper for voting in absence that must be accessible to shareholders.

(5) The company cannot annul a written voting of a shareholder who did not use the form of a prescribed ballot paper, if the identity of a shareholder and how this shareholder voted on individual issues can be determined from voting.

(6) Voting through ballot papers shall be mandatory when members of the Board of Directors or members of the Supervisory Board are to be elected and when required so by shareholders or their authorized persons holding at least 5% of voting rights at the General Meeting.

(7) The General Meeting shall adopt a decision by majority votes of the shareholders present in person or represented by authorized persons or voting though ballot papers, except in the cases when another majority is required for adoption of decisions.

(8) A ballot paper must contain the data on the company's registered name, date and place of holding the General Meeting of shareholders, issues to be voted on, name or registered name of a shareholder, number of votes of a shareholder, the possibility to vote "for", or "against" on every issue to be voted, and if members of the Board of Directors or members of the Supervisory Board are voted on, the name of every candidate to be voted on.

(9) A ballot paper must also contain the instruction on the manner of voting and conditions for proclaiming voting valid or invalid.

(10) Present or represented shareholders who do not have a voting right on a certain agenda item shall be counted for determining the quorum at the General Meeting of shareholders, but they shall not be taken into account when decisions are adopted.

Agreement of Shareholders on Voting

Article 144

(1) Agreement of shareholders on voting shall be the contract/agreement among certain number of shareholders of the company with the aim to determine in advance the way of voting based on their shares in a certain manner and on certain issues at the General Meeting of shareholders, whether it is concluded with the support of the body of the company, association of shareholders or by self-organization of shareholders.

(2) The agreement referred to in paragraph 1 herein shall bind only shareholders that have signed it.

(3) The agreement on voting may be concluded for a single General Meeting and repeated session of the General Meeting or for a specific period of time that cannot exceed five years.

(4) When the agreement on voting is made, the shareholders shall attend the session of the General Meeting in order to vote as agreed or shall appoint a joint authorized person with the certified power of attorney in accordance with law.

(5) If the agreement is concluded for a longer period of time, the agreement shall envisage the manner for reaching the agreement or reconciling the shareholders in advance on voting for forthcoming General Meetings, as well as the resolution of possible disputes by selected arbitration or by a designating third party.

(6) Copy of the agreement on voting shall be submitted to the company to be entered in the records, and if such company's shares are being traded on organized market the agreement shall be submitted to the commission for capital market.

Electronic Participation at General Meeting

Article 145

(1) Participation in the in the work of the General Meeting via electronic form is possible in the following manner:

1) by live broadcast of the General Meeting;

2) by two-way communication enabling shareholders to address the General Meeting from another location;

3) electronic voting, before or during the session.

(2) In events referred to in paragraph 1 herein, the company may check the identity of a shareholder and verification of security of electronic communications necessary for participation of the shareholder in the work of the General Meeting through electronic means.

(3) If there are disruptions of the links during electronic communications referred to in paragraph 1 herein, the chairperson shall interrupt the General Meeting and continue with it after the cause of disruption is removed.

(4) In the event of electronic voting before holding the session of the General Meeting, the person who voted shall be sent the same day an electronic certificate of the receipt of electronic message used for voting.

Power of Attorney

Article 146

(1) A shareholder shall have the right to authorize another person to vote for him as his authorized person at the General Meeting or perform other legal acts.

(2) Power of attorney must be authenticated and the signatures on the power of attorney shall be authenticated in accordance with law.

(3) The authorized person shall present one copy of his power of attorney to the person responsible for recording the power of attorneys immediately before the holding of

the General Meeting in order for power of attorneys to be recorded in the registration list of shareholders present or represented at the General Meeting.

(4) One natural person or a legal entity may be an authorized person of several shareholders at the General Meeting of shareholders.

(5) If it is not explicitly stated in the power of attorney that it is given for one session and repeated sessions of the General Meeting, it shall be considered that the power of attorney is given for all General Meetings sessions held until the moment of power of attorney revocation.

(6) The authorized person shall act in accordance with the given instruction in the power of attorney, and if the power of attorney does not contain the instruction, the authorized person shall vote conscientiously, at his own discretion and in the best interest of the shareholder who gave the power of attorney.

(7) Voting of the authorized person shall be binding on the shareholder as if he voted himself.

(8) A power of attorney may be revoked at any time and it shall be considered that a power of attorney is revoked also in the case when a shareholder later gives another power of attorney or votes in person at a session of the General Meeting of shareholders.

(9) The authorized person shall have the right to ask questions in accordance with Article 124 herein.

Giving Power of Attorney Electronically

Article 147

(1) A public joint stock company may also give power of attorney through the electronic means.

(2) If power of attorney is given through the electronic means, it must be signed with the electronic signature in accordance with law regulating the electronic signature.

Restrictions for Appointing Authorized Person

Article 148

(1) Authorised person referred to in Article 146 herein may be any person with legal capacity.

(2) In the public joint stock company, the authorised person may not be the company's controlling shareholder or the auditor.

Extraordinary General Meeting

Article 149

An Extraordinary General Meeting of Shareholders shall be convened if:

1) shareholders, holding at least 5% of the voting rights, submit a written request for holding a General Meeting;
2) the Board of Directors, or members of the Supervisory Board or shareholders propose to:
    a) alter the company's business activity;
    b) alter the company's share capital;
    c) replace the auditor before his term of office expires;
    d) a member of the Board of Directors or a member of the Supervisory Board before their term of office expires.
3) there are serious losses of the company or to authorize the company to purchase its own shares;
4) reorganization, merger, voluntary liquidation or submission of the petition for initiation of bankruptcy procedure of the company needs to be approved;
5) it is the request of an auditor who has resigned;
6) the membership of a member of the Board of Directors or of a member of the Supervisory Board terminates;
7) the Board of Directors or the Supervisory Board is of the opinion that a certain matter should be considered in an Extraordinary General Meeting of Shareholders.

Publishing Decisions of General Meeting of Shareholders

Article 150

(1) Joint stock company shall publish adopted decisions and voting results by all items on the agenda on its website within three days from the date of ending the General Meeting of shareholders.

(2) Information referred to in paragraph 1 herein must be available on the company's website at least 30 days following the date of their publishing.

(3) The public joint stock company who does not act in accordance with paragraphs 1 and 2 herein, shall submit information referred to in paragraph 2 herein to each shareholder upon his request within eight days from receiving the request.

(4) If the public joint stock company does not act in accordance with paragraph 3, the submitter of the request may request within 30 days from a competent court to order the company in the non-litigious proceedings to submit information concerned.

Manner of Convening and Holding Extraordinary General Meeting

Article 151

(1) The Extraordinary General Meeting shall be convened and held in accordance with Articles 135 through 143 herein, provided that the notification on convening the

Extraordinary General Meeting shall contain proposals of decisions to be considered at such General Meeting.

(2) The Company Secretary, in the name of the Board of Directors or the Supervisory Board, shall submit a notice of convening the Extraordinary General Meeting of Shareholders according to the procedure established by this Law and the Articles of Association, but no later than 30 days prior to the date of holding the General Meeting.

(3) When the net assets of a company decrease to half or less of the amount of the company's share capital, the Board of Directors or the Supervisory Board shall convene the company's Extraordinary General Meeting no later than 14 days from the day of learning about that fact by a member of the Board of Directors or a member of the Supervisory Board.

(4) In the event referred to in paragraph 3, the Extraordinary General Meeting of Shareholders shall be held within 30 days from the date of adopting the decision on convening the General Meeting, and decisions proposed may not be adopted unless they have been included as a specific item in the notice of convening the General Meeting.

(5) If a repeated General Meeting shall be convened, the shareholder must be informed about that no later than ten days before the date of holding the General Meeting.

(6) the Extraordinary General Meeting of Shareholders may be convened without compliance with stated deadlines, provided that all the shareholders with the right to vote or their authorised persons agree with it.

Convening General Meeting of Joint Stock Company by Court

Article 152

(1) A competent court shall adopt the decision on convening a General Meeting of shareholders or extraordinary General Meeting of shareholders, if:

1) a General Meeting has not been convened within six months from the end of the financial year and a shareholder has brought the matter to a competent court;

2) the person entitled to request the convening of a General Meeting has turned to a competent court because the Board of Directors, or the Supervisory Board has rejected his request or it failed to schedule the session of the General Meeting within the prescribed deadline upon his request;

3) the company's creditors have requested it from a competent court on the grounds of failure to convene an extraordinary General Meeting in cases referred to in Article 149 herein.

(2) The decision referred to in paragraph 1 of this Article shall be implemented by the Board of Directors, or the Supervisory Board at the expense of a joint stock company, and an appeal against the court decision shall not stay its execution.

(3) If the Board of Directors, or the Supervisory Board should not act on the court order, the shareholder who proposed holding the General Meeting shall be entitled to

convene the General Meeting at the expense of a joint stock company, in accordance with articles 135 through 143 herein.

Establishing Nullity of General Meeting Decisions

Article 153

(1) A competent court may declare the General Meeting decision null and void upon an application of a shareholder who held such capacity at the moment of adopting the decision, the members of the Board of Directors, the Executive Director, or the members of Supervisory Board and the members of the Executive Board if:

1) convening and holding the General Meeting of shareholders is contrary to this Law, unless all shareholders voted for that decision;

2) the decision has not been entered in minutes in accordance with Article 141 paragraph 4 herein;

3) the decision is not in accordance with regulation which exclusively or substantially protect the interests of the company's creditors or regulation which protect the public interest and moral of the society.

(2) Decisions of the General Meeting recorded with the CRPS, may not be declared null and void on the grounds stipulated in paragraph 1, item 2 herein.

(3) If the application for establishing nullity of the General Meeting's decision was submitted by a member of a managing body, upon request of one or more shareholders or some of the other management members for the purpose of justified protection of the shareholders interests, a competent court itself may appoint the company's representative in proceedings upon the application referred to in paragraph 1 herein.

(4) A competent court may appoint some of the persons indicated in the application for establishing nullity of the decision as the company representatives referred to in paragraph 3 herein.

(5) Based on application referred to in paragraph 1 herein, if the court established existence of damage to the company and conscientious third parties:

1) a competent court may impose an injunction to stay the execution or registration of the contested decision;

2) a competent registration authority shall register the entry of litigation in accordance with the registration regulation.

(6) If the General Meeting's decision is null and void on the grounds specified in paragraph 1, items 1 and 3 herein, nullity may not be invoked upon the expiration of the three year period from the date of its entry with the CRPS.

(7) If at the time of expiration of the deadline referred to in paragraph 6 herein, a litigation based on application to establish nullity of the decision referred to in paragraph 1 herein is still ongoing, the deadline shall be extended until the final decision on application.

(8) Proceedings upon application referred to in paragraph 1 herein shall be expedited.

Invalidation of Decisions of General Meeting of Shareholders

Article 154

(1) Shareholders, members of the Board of Directors, members of the Supervisory Board, members of the Executive Board or the Executive Director shall submit a complaint with the court against the General Meeting's decision if:

1) the decision is adopted contrary to this Law or the Articles of Associations;

2) a shareholder by voting for the contested decision has tried to gain benefit to himself or a third party to the detriment of the company or other shareholders, unless the contested decision provides adequate compensation for the damage to other shareholders.

(2) The complaint referred to in paragraph 1 herein may be lodged to a competent court within 30 days from the day when the person who lodges the complaint learned or could have learned about this decision, but no later than six months after the adoption of the decision.

(3) The General Meeting decision may not be contested if the General Meeting adopted a new decision replacing the contested decision.

(4) The court decision on annulment of the General Meeting's decision shall annul the legal effect already resulted from the decision, unless *restitutio in integrum* is impossible or would cause excessive difficulties for conscientious third person, provided that conscientious third person retain the right to compensation for the damage from the company and persons responsible for the annulment.

(5) The proceedings pursuant to the complaint referred to in paragraph 1 herein shall be expedited.

SUBTITLE C

BOARD OF DIRECTORS

Members of Board of Directors

Article 155

(1) A Board of Directors shall have at least three members.

(2) Notwithstanding paragraph 1 herein, the Board of Directors of public joint stock company shall have at least five members.

(3) The number of members of the Board of Directors shall be determined by the company's Articles of Association and must be odd.

(4) A Board of Directors must have at least one third of independent members, and the Board of Directors of a public joint stock company must have at least two fifths of independent members.

(5) Members of the Board of Directors shall be recorded with the CRPS in accordance with this Law.

Independent Members of Board of Directors

Article 156

(1) Independent member of the Board of Directors (hereinafter: independent director) shall be a person who is not a blood relative in a straight line, a blood relative in a lateral line up to the second degree of kinship, the spouse or the de facto partner of other members of the company's managing bodies, or shareholders who have significant or majority interest in the equity capital and a person who in the period of at least two years prior to elections as a member of the Board of Directors:

1) was not a majority owner, owner with the significant interest in the capital, member of a managing body except the elected body, procurator, a person employed in the company whose body he is being elected into or in another company related to that company, within the meaning of this Law;

2) did not receive or claim from the company whose bodies he is being elected into or from the company related to that company, within the meaning of this Law, a fee in an amount the total value of which exceeded 10% of the person's annual income.

(2) The fees received on the grounds of membership in the Board of Directors of the companies referred to in paragraph 1, item 2 herein shall not be considered in the calculation referred to in paragraph 1, item 2 herein.

(3) The director's mandate of the independent director shall be terminated when he cease to meet conditions referred to in paragraph 1 herein.

Requirements for Electing Board of Directors Member

Article 157

(1) Only a natural person with legal capacity may be elected as a member of the Board of Directors.

(2) A member of the Board of Directors cannot be:

1) a person convicted for criminal offences against labour rights, against intellectual property, against payment transactions and business activity, against property and against official duty within three years from the date of the finality of the judgment, provided that the time spent in serving the jail sentence does not count in this period;

2) company's auditor or a person who was hired in conducting the audit of company's financial statements;

3) a person subject to an injunction barring him from carrying on a business activity that is the predominant business activity of the company, for as long as such injunction is in effect;

4) company's Executive Director, except in the case of single-member company.

(3) The company's Articles of Association may impose other requirements for election of a member of the Board of Directors.

Election of Members of Board of Directors

Article 158

(1) Members of the Board of Directors shall be elected by the General Meeting of shareholders.

(2) When electing members of the Board of Directors, each share with voting rights shall have a number of votes equal to the number of members of the Board of Directors established by the company's Article of Association.

(3) A shareholder or his authorized person may give all votes to one candidate or distribute them to several candidates.

(4) Shareholder or shareholders holding together no less than 5% of the share capital shall be entitled to nominate candidates for members of the Board of Directors.

(5) Voting for members of the Board of Directors shall be successful if:

1) all the members of the Board of Directors are elected in the same round of voting;

2) independent directors represented in the same or higher percentage than the percentage provided by Article 155 herein;

3) all and each of the elected members of the Board of Directors won more votes than other candidates.

(6) If conditions referred to in paragraph 5 herein were not met, voting for the election of members of the Board of Directors shall be repeated up to two times at the same session of the General Meeting, provided that the proponents referred to in paragraph 4 herein may change their proposals before the repeated voting, in accordance with the General Meeting's Rules of Procedure.

Terms of Office of Members of the Board of Directors

Article 159

(1) The members of the Board of Directors shall be elected for a term set by the Articles of Association, which shall not be longer than four years.

(2) If the Articles of Association or a decision of the General Meeting on appointment of members of the Board of Directors does not specify the duration of a term of office, the term of office shall expire at the company's first annual General Meeting.

(3) A member of the Board of Directors may be reappointed upon expiration of the term of office.

Members of the Board of Directors Participation in Profit

Article 160

(1) The members of the Board of Directors may be entitled to a portion in company's profit.

(2) The portion of the profit of the current year for the members of the Board of Directors entitled to it shall be calculated against the profit minus uncovered loss from previous years and for amounts that are paid into company's reserves.

(3) In public joint stock companies the amounts referred to in paragraph 2 herein shall be presented separately within the framework of the company's annual financial statements.

Powers of Board of Directors

Article 161

(1) The Board of Directors shall:

1) manage the company and give instructions to the Executive Director with regard to conducting operations of the company;
2) adopt the decision on the company's internal organization and systematization act;
3) appoint the Executive Director and the Secretary of the company, as needed;
4) determine business strategy in accordance with the General Meeting's guidelines;
5) supervise the company's operations;
6) determine the company's accounting and risk management policies;
7) appoint persons responsible for conducting internal audit in the company, upon the proposal of the Auditing Board, if it is formed in the company;
8) convene the sessions of the General Meeting and establish a draft agenda with proposals of decisions;
9) determine the amounts of dividends to which specific classes of shareholders are entitled in accordance with this Law, the Articles of Association and a decision of the General Meeting, as well as the manner and procedure of their payment;
10) execute decisions of the General Meeting;
11) propose a policy of remuneration for the members of the managing bodies;
12) Issue and revoke a procura;
13) adopt the Executive Director's quarterly reports on company's business operations;
14) carry out other duties in accordance with this Law and the company's Articles of Association.

(2) The Board of Directors may not transfer duties from its competence to other persons, except in cases provided for in the company's Articles of Association.

Duty of Reporting to General Meeting

Article 162

The Board of Directors shall submit reports at the session of ordinary General Meeting on the following:

1) The accounting and financial state of the public joint stock company and its related companies, if there are any;
2) compliance of the company's operations with law and other regulations;
3) qualifications and independence of the company's auditors in relation to the company, if the company's financial statements were subject to an audit;
4) contracts entered into between the company and its directors and their related parties within the meaning of this Law;
5) acquiring the company's own shares;
6) company's business results, and overall financial position the company finds itself in, with the description of main risks the company is exposed to, including all significant business events appearing at the financial year-end;
7) expected development of the company in the future.

Chairperson of Board of Directors

Article 163

(1) The chairperson of the Board of Directors shall be elected from among the members of the Board of Directors.

(2) The chairperson of the Board of Directors shall conclude the employment contract with the Executive Director and the Company Secretary.

(3) The chairperson of the Board of Directors shall convene and chair Board of Directors' meetings, propose the agenda and is responsible for minute-keeping in Board meetings.

(4) The Board of Directors may remove a chairperson and appoint a new chairperson of the Board of Directors at any time, without stating reasons.

(5) The chairperson of the Board of Directors shall be registered with the CRPS.

Functioning of Board of Directors

Article 164

(1) The Board of Directors shall adopt its Rules of Procedures.

(2) The Board of Director's meeting may be convened by the chairperson of the Board of Directors personally or upon the request of a member of the Board of Directors.

(3) If the chairperson of the Board of Directors does not convene a Board of Director's meeting upon request referred to in paragraph 2 herein, any member may convene the Board of Director's meeting within 30 days from the date of submitting request.

(4) A member of the Board of Directors who convenes the meeting in accordance with the paragraph 3 herein shall indicate reasons for convening the meeting and propose the agenda in the request.

(5) In case of absence of the Board chairperson, any of the Board of Directors' members may convene a Board meeting and one of them shall be elected to chair the meeting at its beginning, by a majority of votes of the attending members. .

(6) The Board of Directors' meeting may be held if attended by more than half of the members, and decisions shall be passed if at least half of the present Board of Directors' members vote for them.

(7) The Board of Directors' members shall have equal right to vote, and in the event of a tie in the voting, the Board of Directors chairperson's or the chair's vote shall be deciding.

(8) The Board of Directors' member shall not have the right to vote when the Board is deciding on his liability and work in the company.

(9) The Board of Directors' meeting may be held by electronic means, telephone, telegraph, and fax or by using other means of audio-visual communication, unless otherwise prescribed by the Articles of Association or the Rules of Procedure of the Board of Directors.

Liability of Board of Directors' members

Article 165

(1) The Board of Directors' members shall be liable for any damage they cause to the company.

(2) Notwithstanding paragraph 1 herein, the Board of Directors' members shall not be liable for damage to the company caused as a result of executing the decisions of the company's General Meeting.

(3) If it is established during the procedure for damage compensation that several Board of Directors members are responsible for damage, the members who are responsible shall be liable jointly and severally for the damage incurred.

(4) If the damage occurs as a result of a decision of the Board of Directors, the members of the Board of Directors who voted in favour of such decision shall be liable for the damage, as well as the Board of Directors' members who abstained from voting.

(5) In cases referred to in paragraph 4 herein, a member of the Board of Directors who did not attend a meeting of the Board of Directors in which the decision was passed and did not vote in favour of such decision by other means shall be liable for the damage occurred, unless he submits an objection to the decision in writing within eight days of learning of its passing.

Committees of Board of Directors

Article 166

(1) The Board of Directors may form committees for nomination, remuneration policy and other committees for performing certain expert duties within the competence of the Board of Directors.

(2) Members of committees may be the managing bodies' members and other natural persons with adequate knowledge and work experience relevant for the work of a committee.

(3) Committees may not decide on issues within the competence of the Board of Directors...

(4) Committees shall regularly report on their work to the Board of Directors, in accordance with the decision on their formation...

Composition of Committees

Article 167

(1) Committees shall have odd number of members and at least there members of the Board of Directors shall have minimum three members and in public joint-stock companies one of them must always be an independent director. Committees have odd number of members and at least three members.

(2) One member of the committees must be an independent director.

Committees' Manner of Deciding

Article 168

(1) Committees may pass a decision when majority of the total number of members participate in voting.

(2) In the event of a tie vote, the vote of chair of the committee shall be deciding.

Nominating Committee

Article 169

The Nominating Committee shall:

1) prepare nomination of the candidate for the Executive Director, giving its opinion and recommendation for appointment;

2) give opinion on nominated candidates for members of the managing bodies, when required from it;

3) at least once a year draw up a report on appropriateness of the composition and the number of members of the managing bodies and give opinion;

4) give opinion on the company's human resources policy with regard to the appointment of its top officials and perform other duties in connection with the human resources policy entrusted to it by the Board of Directors.

Remuneration Committee

Article 170

The Remuneration Committee shall:

1) prepare a draft decision on company's managing bodies remuneration policy;
2) give proposal on the amount and structure of remuneration of each member of the company's managing bodies and other bodies;
3) give recommendations to managing bodies on the amount and structure of remuneration of top company officials and perform other duties in connection with the remuneration policy entrusted to it by the Board of Directors.

Termination of Membership of Board of Directors

Article 171

(1) The term of office of the Board of Directors' members shall terminate:
   1) upon expiration of the period for which he was appointed;
   2) when he cease to meet the conditions for membership in the Board of Directors referred to in Article 157 herein;
   3) by submitting resignation;
   4) by dismissal by the General Meeting of shareholders.

(2) The Board of Directors member may submit a written resignation before expiration of his term of office, by notifying the Board of Directors about that, 15 days prior to holding the meeting of the Board of Directors.

(3) The resignation referred to in paragraph 2 herein shall take effect on the date of submission, unless other date is indicated in it.

(4) The company's General Meeting may pass the decision on dismissal of the Board of Directors' member at any time, without indicating a special reason for dismissal.

(5) If an employment is terminated by the decision on dismissal referred to in paragraph 4 herein, that person shall be entitled for severance payment in accordance to the labour regulation, unless otherwise provided by the contract.

(6) The termination of membership in the Board of Directors shall be registered with the CRPS, within 15 days from the membership termination.

(7) In the event of the membership termination in the Board of Directors, a new member of the Board of Directors must be elected within 60 days from the date of registering the termination of the Board of Directors membership of the previous member of the Board of Directors.

SUBTITLE D

EXECUTIVE DIRECTOR

Appointing of Executive Director

Article 172

(1) The company's Board of Directors shall appoint the Executive Director.

(2) The person who meets conditions determined by the company's Article of Association and Article 157 herein may be appointed as the Executive Director.

(3) The Executive Director may not be the member of the Board of Directors, except in the case of a single-member company.

Executive Director Competencies

Article 173

(1) The Executive Director shall:

1) represent the company;
2) conclude contracts in the company's name;
3) organize and conduct the company's operations;
4) manage the company's assets;
5) execute the Board of Directors' decisions;
6) decide on disposition of the company's financial funds;
7) decide on employees' right and obligations related to work;
8) submit quarterly reports on the current operations of the company and other reports;
9) perform also other functions determined by the law and the company's Articles of Associations.

(2) The Executive Director performs the functions of the Company Secretary, if Company Secretary was not appointed.

(3) The Executive Director shall neither issue power of attorney for representation nor represent the company in a dispute in which he is the counterparty.

(4) The contract on establishing employment of the Executive Director in the company for a period until the expiration of the term of office shall be concluded between the chairperson of the Board of Directors and the Executive Director.

(5) Salary and other remunerations for the work of the Executive Director shall be determined by the Board of Directors, in accordance with the remuneration policy.

Termination of Office of Executive Director

Article 174

(1) The Executive Director's term of office shall terminate upon expiration of the period for which he was appointed, in accordance with the contract concluded with the chairperson of the Board of Directors.

(2) The Executive Director's term of office shall also terminate in the event of cessation of meeting the conditions determined by this Law.

(3) The Board of Directors Supervisory Board may remove an Executive Director before the expiration of his term of office without specifying a reason, and in that case the Executive Director may request payment of severance pay in accordance with the contract concluded with the chairperson of the Board of Directors.

(4) An Executive Director may resign before the expiration of his terms of office by giving written notice to the Board of Directors at least 15 days prior to resignation.

(5) A notice of resignation shall take effect in relation to the company as of the date of its service, unless a later date is stated in the notice of resignation.

(6) The termination of the Executive Director capacity shall be registered in the CRPS, within 15 days from the date of the termination of the term of office.

(7) If the term of office of the Executive Director is terminated, the Board of Directors shall appoint an acting Executive Director until appointment of the new Executive Director, in accordance with this Law.

Appointing of Temporary Representative

Article 175

(1) If the Executive Director should not be appointed in cases referred to in Article 174 herein within 60 days from the date of the registering termination of term of office of the Executive Director with the CRPS, a shareholder or another interested party may seek from a competent court the appointment of a temporary representative of the company with all rights and obligations of the Executive Director.

(2) A person referred to in paragraph 1 herein may propose to the court a person as the temporary representative.

(3) The temporary representative of the company must meet conditions referred to in Article 172 herein.

(4) The court shall pass the decision on appointing of the temporary representative no later than eight days from the date of receiving the request.

SUBTITLE E

Supervisory Board

Supervisory Board Members

Article 176

(1) The Supervisory Board shall have minimum three members.

(2) Notwithstanding paragraph 1 herein, the Supervisory Board of the public joint stock company shall have minimum five members.

(3) The number of Supervisory Board members shall be set by the Articles of Association and it must be odd.

(4) Supervisory Board members shall be registered with the RPS in accordance with this Law.

Requirements for Supervisory Board Members

Article 177

(1) Persons who meet requirements referred to in Article 157 of this Law may be appointed as members of the Supervisory Board.

(2) Members of the Supervisory Board may not be persons employed in the company, the company's Executive Board members, nor the company's procurators.

Independent Supervisory Board Member

Article 178

(1) A joint stock company must have at least one third of independent members of the Supervisory Board, and in the Supervisory Board of the public joint stock company, independent members must make at least two fifths of the members.

(2) Independent Supervisory Board members shall be governed *mutatis mutandis* by the provisions of Article 156 herein.

Appointment and Term of Office of Supervisory Board Members

Article 179

(1) The Supervisory Board members shall be appointed by the General Meeting.

(2) Candidates for Supervisory Board members may be nominated by shareholders who jointly hold minimum 5% of share capital.

(3) Election of the Supervisory Board members shall be carried on in accordance with Article 158 of this Law.

(4) The term of office of members and terminations of Supervisory Board term of office shall be governed *mutatis mutandis* by the provisions of Articles 159 and 160 herein.

Remuneration of Supervisory Board Members

Article 180

The Supervisory Board members shall be entitled to remuneration in accordance with Article 133, paragraph 1, item 6 herein.

Competences of Supervisory Board

Article 181

(1) The Supervisory Board shall:

1) determine a company's business strategy and oversee its realization;

2) give instructions for work of the Executive Board, establish the company's accounting and risk management policies;

3) appoint the Executive Board members and chairperson, as well as the Company Secretary, if it exists in the company;

4) adopts the Executive Board reports on company's business operations, endorse financial statements and submit them to the General Meeting for adoption;

5) issue and revoke a procura;

6) appoint the company's internal auditor;

7) convene General Meetings sessions and establish a draft agenda;

8) decide on acquisition of own shares in accordance with this Law;

9) propose policy of remuneration for the managing bodies to the General Meeting;

10) elects the Supervisory Board chairperson;

11) submit reports to the General Meetings in accordance with Article 162 herein;

12) also, carry out other duties in accordance with this Law and the Articles of Association.

(2) The Supervisory Board may not transfer duties within its competence, unless otherwise provided by the Articles of Association.

Chairperson of Supervisory Board

Article 182

(1) Electing the chairperson of the Supervisory Board shall be governed *mutatis mutandis* by the provision of Article 163 herein.

(2) The Supervisory Board chairperson shall conclude the employment contract with the Executive Board president and the Company Secretary.

Functioning of Supervisory Board and Liability of Members

Article 183

(1) The Supervisory Board shall pass the Rules of Procedure.

(2) The functioning and liability of the Supervisory Board shall be governed *mutatis mutandis* by the provisions of Articles 164 and 168 herein.

Committees of Supervisory Board

Article 184

The Supervisory Board may form committees for performing certain expert duties within its competences (nominating committee, remuneration policy committee and other committees).

SUBTITLE F

EXECUTIVE BOARD

Composition of Executive Board

Article 185

(1) The Executive Board shall have minimum three members.

(2) The number of the Executive Board members shall be set by the Articles of Association and it must be odd.

(3) The Executive Board members shall be registered with the CRPS in accordance with this Law.

Requirements for Executive Board Members

Article 186

(1) Persons who meet requirements referred to in Article 157 of this Law may be appointed as members of the Executive Board.

(2) Members of the Executive Board may not be persons who are the company's Supervisory Board members.

Appointment and Term of Office of Executive Board Members

Article 187

(1) The Executive Board members shall be appointed by the Supervisory Board, in accordance with the company's Articles of Association.

(2) The Executive Board members shall be appointed for a period determined by the Articles of Association, which may not be longer than four years.

(3) If the Articles of Association or Supervisory Board's decision on appointment of the Executive Board members did not determine the duration of term of office, the term of office shall run for one year.

(4) An Executive Board member may be appointed again upon expiration of term of office.

Remuneration of Executive Board Members

Article 188

(1) The Executive Board members shall be entitled to remuneration for their work.

(2) Remuneration for the work of the Executive Board members shall be determined in accordance with Article 133, paragraph 1, item 6 herein.

Competences of Executive Board

Article 189

(1) The Executive Board shall:

1) conduct the company's business;

2) determine the company's internal organisation, with the consent of the Supervisory Board;

3) oversee the keeping of the company's business books and drafting the company's financial statements;

4) propose the agenda of sessions of the General Meeting to the Supervisory Board;

5) calculate the level or the amount of dividends, determine the date, the manner and procedure of their payment, in accordance with decisions of the General Meeting;

6) execute decisions of the General Meeting and decisions of the Supervisory Board;

7) submit quarterly reports on the company's current business operations to the Supervisory Board;

8) carry out other duties and pass decisions in accordance with this Law, the Articles of Association, the decisions of the General Meeting and the decisions of the Supervisory Board.

(2) Competences of the Executive Board may not be transferred to the company's Supervisory Board.

Termination of Membership in Executive Board

Article 190

Termination of membership in the Executive Board shall be governed by provisions of Article 171 herein.

President of Executive Board

Article 191

(1) The President of the Executive Board shall represent the company.

(2) The President of Executive Board shall be nominated by the Supervisory Board.

(3) The President of the Executive Board shall coordinate the work of other members of the Executive Board, organize and conduct the company's business operations, convene and chair Executive Board meetings, shall be responsible for minute-keeping of the Board sessions and perform duties of the Company Secretary, if the Company Secretary was not appointed.

(4) The President of the Executive Board shall ensure legality of the company's operations, comply with instructions and execute decisions and orders of the Supervisory Board and the Executive Board with regard to managing the company's assets and internal organisations, or the company's business operations.

(5) The President of the Executive Board shall neither issue power of attorney for representation nor represent the company in a dispute in which he is the counterparty.

(6) The employment of the Executive Director shall be established by the contract, concluded with the Chairperson of the Supervisory Board for a period until the expiration of the term of office.

(7) The Supervisory Board may dismiss the President of the Executive Board, but his membership in the Executive Board shall not be terminated.

(8) Termination of terms of office shall be registered with the CRPS within 15 days from the termination date, and the President of the Executive Board whose term of office is terminated shall continue to work until appointment of the new President of the Executive Board or temporary representative.

Temporary Representative Appointment

Article 192

(1) If the Executive Board President should not be appointed and registered within 60 days from the date of the termination of term of office, a shareholder or another interested party may seek from a court in the non-litigious proceedings to appoint a person as temporary representative of the company with all rights and obligations of the Executive Board President.

(2) A person submitting request referred to in paragraph 1 herein may designate a person who will be appointed as the temporary representative.

(3) The temporary representative of the company must meet requirements referred to in Article 186 herein.

(4) The proceedings referred to in paragraph 1 herein shall be expedited and the court shall pass the decision on the request no later than eight days from the date of receiving the request.

Functioning of Executive Board

Article 193

The functioning of the Executive Board and the liability of the Executive Board members shall be governed *mutatis mutandis* by provisions of Articles 163 and 165 herein.

SUBTITLE G

COMPANY SECRETARY

Appointment and Term of Office of Company Secretary

Article 194

(1) A joint stock company may have a company secretary, appointed by the Board of Directors, or the Supervisory Board.

(2) The company's bodies referred to in paragraph 1 herein shall determine the salary or remuneration level of the Company Secretary in accordance with this Law.

(3) A company secretary need not be employed at the company.

Competences of Company Secretary

Article 195

Unless provided otherwise by the Articles of Association or a decision on appointment of a Company Secretary, a Company Secretary shall:

1) prepare sessions of the General Meeting and keep minutes;
2) prepare materials for meetings of the Board of Directors, the Executive Board and the Supervisory Board and keep minutes;
3) keep documentation, minutes and decisions from sessions referred to in items 1 and 2 herein;
4) enable inspection of acts and documents to company's shareholders and communicate directly with shareholders in the name of the company.

SUBTITLE H

AUDITOR

Auditing of Financial Statement

Article 196

(1) The company's financial report shall be audited upon the expiration of the financial year and prior to holding of the General Meeting of shareholders, in accordance with law.

(2) The audit of the report referred to in paragraph 1 herein shall be performed by an independent auditor, who meets the requirements determined by the law.

Appointment of Auditor

Article 197

(1) The auditor shall be appointed by the General Meeting of shareholders for a term specified in the Articles of Association, but not exceeding one year.

(2) Shareholders holding minimum 5% of the share capital shall be entitled to nominate candidate for the company's auditor.

Rights, Obligations and Responsibility of Auditor

Article 198

(1) During the audit, the auditor shall have the right of inspection at the agreed time of all business books of the company and shall be entitled to request from the members of the Board of Directors, or members of the Supervisory Board and the Executive Board,

the Executive Director and other company's employees explanations and data necessary to prepare the audit report.

(2) The auditor shall have the right to attend the General Meeting and to give explanations and answers to questions asked in relation to the qualifications and opinion given in the audit report.

(3) At the annual General Meeting, the summary of the audit report shall be read, which shall be available for inspection to all the shareholders at that General Meeting.

Termination of Contract with Auditor by Company

Article 199

(1) By a decision of the General Meeting adopted by the majority of votes, the auditor may be dismissed before the expiration of the term he was appointed for.

(2) The decision on dismissal shall be submitted to the CRPS for registration within seven days of the date of adopting the decision on termination of the contract with the auditor.

Termination of Contract with Company by Auditor

Article 200

(1) An auditor may terminate the contract prior to expiration of the agreed term by giving a written notice to the company of the contract termination, which shall include the statement that the contract is being terminated on grounds on which the company's shareholders or creditors need not be informed.

(2) The auditor shall deliver a copy of the notice to the CRPS for registration within 7 days from serving the notice on contract termination to the company.

(3) If the notice of termination of the contract contains a statement that the contract shall be terminated due to circumstances which require informing the shareholders or creditors, the company shall send a copy of the notice to every person who is entitled to receive copies of the financial reports within 7 days from receiving the notice.

(4) If the notice contains a statement on circumstances which require informing the shareholders or creditors, the auditor may request that the General Meeting of shareholders is convened to explain the circumstances, for the purpose of informing creditors and shareholders.

(5) In the event referred to in paragraph 4 herein, the Board of Directors or the Supervisory Board shall convene the General Meeting within 28 days from the date of receiving the notice on contract termination.

(6) The auditor may prepare a written statement, which shall be considered at the General Meeting referred to in paragraph 5 herein, or the next General Meeting.

Prohibition to Interfere with the Auditor's Work

Article 201

The company must not interfere with the work of auditor during performing audit.

Title VI

CAPITAL OF JOINT STOCK COMPANY

SUBTITLE A

SHARES

Definition of Shares

Article 202

(1) A share shall mean a security representing an equity interest in the ownership of its issuer.

(2) Shares shall be issued, acquired and transferred in dematerialized form and register in the registry of securities CKDD, in accordance with law governing the capital market.

(3) A share shall not be divisible.

(4) If a share is held by several persons, all its holders shall be considered as a single shareholder and the rights carried by the share shall be exercised by one of the holders with the consent of other holders.

(5) In the event referred in paragraph 4 herein, holders of a share shall be severally and jointly liable, without limit, for the obligations they have as shareholders.

(6) The par value as well as market value of a share shall be denominated in Euro.

(7) Shares of joint stock companies shall be issued in the name of the holder and must be recorded with the commission for capital market and registered with the CKDD.

(8) The shares of a company in bankruptcy proceedings may be acquired.

(9) Shares shall be classified by the rights they carry pursuant to the law, the Articles of Association or company's decision passed in their issuing procedure.

Par Value of Share

Article 203

(1) A company may issue shares with or without par value.

(2) Par value of share shall be the value designated by the decision on issuance of shares.

(3) All shares of the same class shall have the same par value.

(4) If a company should issue shares without par value, all the company shares must be without the par value.

(5) A company may not issue shares under the par value, and if shares do not have the par value, shares may not be issued under the carrying amount.

Preemptive Right to Purchase Shares

Article 204

(1) When the capital is increased by monetary contributions, the shares must be offered on a preemptive basis to present shareholders, commensurate to the number of shares they own.

(2) Only those shareholders that had such status on the day of the adoption of the decision for the increase in capital shall be deemed to be the shareholders referred to in paragraph 1 herein.

(3) If the shareholders referred to in paragraph 2 herein sell their shares, they shall lose the preemptive right and such right shall not be transferred to the buyer of shares.

(4) If the company capital has several classes of shares or other equity securities, the rights of these other classes must be represents by offering them shares so as to maintain commensurate equity in the company.

(5) A decision on preemptive purchase right may be adopted only at the General Meeting of shareholders, attended by shareholders holding at least two thirds of shares, by majority of present or represented shareholders with voting right.

(6) The terms of offer of shares made on a preemptive basis, including the period within which this right must be exercised, shall be published in the Official Gazette of Montenegro and at least twice in a daily printed media in Montenegro, within the period of minimum five and maximum ten days between publications.

(7) The right of preemption must be exercised within a period of at least 30 days from the date of publication of the offer or from the date of submission of notice to the shareholders, whichever is later.

(8) The right of preemption cannot be used upon the expiration of the deadline referred to in paragraph 7 herein.

(9) The right of preemption may be modified or withdrawn only by a decision of the General Meeting of shareholders, adopted in accordance with Article 131, paragraph 1, item 16 herein.

(10) In the event referred to in paragraph 9 herein, the Board of Directors, or the Supervisory Board shall submit to the General Meeting of shareholders a written report indicating the reasons for restriction or withdrawal of the right of preemption and explaining the proposed initial price of shares.

(11) The decision referred to in paragraph 9 herein shall be filed with the CRPS for registration within seven days from the day of its adoption.

Types of Shares

Article 205

A joint stock company may issue ordinary and preference shares, depending on the rights given to owners of the shares.

Ordinary Shares

Article 206

(1) Ordinary shares shall mean the shares giving its holder rights referred to in Articles 122 and 123 herein, as well as other rights prescribed by this Law and the company's Articles of Association.

(2) Ordinary shares may not be converted into preference shares or other securities.

Preference Shares

Article 207

(1) Preference shares shall be shares giving its holder the following:

1) the right to a dividend in a predetermined pecuniary amount or as a percentage of the par value of preference share, payable prior to payment of dividend to the holders of ordinary shares;

2) the right of priority in distributing residual assets upon liquidation, or bankruptcy of the company over the holders of ordinary shares;

3) property and non-property rights referred to in Articles 122, 123 and 208 herein;

4) other rights prescribed by this Law, the company's Articles of Association or the decision on their issuance.

(2) Preference shares may be cumulative and non-cumulative.

(3) The holder of a cumulative preference share shall have the right to dividend determined for that share, and if profit was not made or it is not enough to pay the amount of dividends, the unpaid portion shall be payable during following business years when the profit will be enough for payment.

(4) With a non-cumulative preference share, unpaid dividend may not be transferred as the company liability or a shareholder's right into the next business year.

(5) Preference shares may be converted into ordinary shares, provided that the company shall pay all outstanding liabilities to holders of preference shares prior to converting preference shares into ordinary shares.

(6) The total par value of preference shares issued may not be in excess of 50% of the company's equity capital.

Rights of Preference Shareholders

Article 208

(1) Shareholders who are owners of preference shares shall be entitled to participate in the General Meeting, without voting rights.

(2) Notwithstanding paragraph 1 herein, preference shareholders shall also have one vote per share in any General Meeting within their respective class of shares on the following:

1) increase or reduction of the total number of shares of that class;

2) change of any preferential right attached to shares of that class;

3) subdivision or consolidation of shares of that class or their exchange for shares of another class;

4) an issue of a new class of shares bringing greater rights than those attached to shares of that class, or change of rights attached to shares of another class so that they bring rights equal to or higher than those attached to shares of that class;

5) restriction or exclusion of an existing preferential subscription right for shares of that class;

6) restriction of exclusion of an existing voting right attached to shares of that class if that right is provided by the Articles of Association in accordance with paragraph 3 herein.

(3) The Articles of Association of a joint stock company may stipulate that holders of preference shares have the voting right together with holders of ordinary shares if the dividend to which they are entitled under a decision of the General Meeting has not been paid, until the payment of such dividend, commensurate to the share of preference shares in the company's equity capital.

SUBTITLE B

BONDS

Definition of Bond

Article 209

(1) A bond of a joint stock company is a fixed income security entitling its owner to receive interest and other rights specified by issuance of bond or in the agreement on bond redemption.

(2) A bondholder shall be repaid an amount of principle equal to the agreed upon bond's maturity value.

(3) A decision to issue bonds, except for convertible bonds, shall be adopted by the General Meeting of shareholders by a simple majority vote of shareholders present or represented or by the Board of Directors, or the Supervisory Board, if this is provided by the Articles of Association.

(4) A joint stock company shall redeem bonds on the date set by the agreement; unless it was determined bonds may be redeemed prior to their maturity when issuing bonds.

Convertible Bonds

Article 210

(1) A convertible bond shall be a bond that may be exchanged for share of the company.

(2) A decision to issue convertible bonds shall be adopted by a General Meeting of shareholders attended by two third of shareholders in person or represented by authorized persons or voting by ballot papers.

(3) The decision referred to in paragraph 1 herein must determine the number of shares being allocated on grounds of converted bonds.

(4) Shareholders shall have a pre-emptive right to acquire convertible bonds commensurate to the number of shares they hold in the joint stock company.

(5) The pre-emptive right to acquire convertible bonds referred to in paragraph 4 herein may be exercise in the period no less than 30 days from the day of the publication of the proposal to issue convertible bonds or the day of submitting the notice to shareholders, whichever is later.

(6) The pre-emptive right to purchase convertible bonds held by the existing shareholders may be limited or annulled by a decision of the General Meeting of shareholders in accordance with Article 133, paragraph 1, item 16 herein.

(7) The company's Board of Directors or Supervisory Board shall submit to the General Meeting of shareholders a written statement indicating the reasons for limitation or annulment of pre-emptive right to purchase convertible bonds.

(8) The decision referred to in paragraph 2 herein shall be published in the Official Gazette of Montenegro.

(9) Provisions of paragraph 1 through 8 herein shall apply to the issue of other securities that can be converted into shares or granting the right to acquire shares.

SUBTITLE C

INCREASE OF EQUITY CAPITAL OF JOINT STOCK COMPANY

Manner of Capital Increase

Article 211

Equity capital of a joint stock company may be increased:

1) by additional contributions of present or new shareholders;
2) conversion of receivables and convertible securities to shares;
3) from reserve funds and the company's retained profit;
4) by status change.

Capital Increase by Additional Contributions

Article 212

(1) A company may increase equity capital by additional contributions of its shareholders or other persons to whom it shall issue new shares.

(2) In the event of capital increase by contribution in kind, the appraisal of capital shall be made in accordance with Article 58 herein.

Conversion of Convertible Securities into Shares

Article 213

(1) If a company has issued convertible bonds, its equity capital may be increased by issuing new shares, for which convertible bondholders can exchange their bonds.

(2) Provision of paragraph 1 herein shall also apply to other securities convertible into shares or granting the right to acquire shares.

Capital Increase from Reserve Funds and Retained Earnings

Article 214

(1) Equity capital can be increased from the reserve funds and retained earnings of the company, provided that it is not contrary to the purpose of reserve funds and if the company does not have uncovered loss according to the last annual account.

(2) Shares issued in accordance with paragraph 1 herein shall be allocated to the shareholders that were shareholders on the day when the General Meeting of shareholders adopted the decision on the increase in equity capital of the company from the reserve funds of the company or retained earnings of the company, commensurate to their share in the total number of company's shares.

(3) The company may increase equity capital from retained earnings and reserves that remain after covering of loss.

Capital Increase Requirements

Article 215

(1) The company's capital may be increased pursuant to the decision on the new issue of shares, provided that a General Meeting of shareholders is attended by shareholders or their representatives holding at least two thirds of the shares.

(2) A decision on an increase of capital shall be passed separately for each class of shares, in order to protect the rights of shareholders.

Capital Increase Registration and Publication

Article 216

(1) If a decision on capital increase referred to in Article 215 herein is adopted, the Article of Association must be amended which is registered with CRPS, after shares have been subscribed and paid for within 15 days from the date of adopting the decision of the commission for capital market confirming the successfulness of the issue.

(2) The capital shall be considered increased on the date of registering amendments to the Articles of Association with the CRPS.

Level of Approved Capital Increase

Article 217

(1) The company's Articles of Association or a decision of the General Meeting adopted by the two thirds majority of the shareholders present in person or represented by authorized person or voting by ballot papers may authorize the Board of Directors, or the Supervisory Board to make a decision on issue of shares.

(2) The company's Articles of Association or a decision of the General Meeting shall determine the amount of approved capital increase and the deadline until which the authorization of the Board of Directors or the Supervisory Board is valid, which cannot exceed five years from the date of adoption or amendments of the Articles of Association based on which the decision on approved capital is made, or from the date of adoption of the decision on the General Meeting of shareholders.

(3) The approval for capital increase may be extended several times for the period not exceeding five years per every approval, by the decision of the General Meeting of shareholders.

(4) The level of the approved capital increase must be less than the level of the portion of share capital comprised of issued ordinary shares.

Dividend Distribution in Form of Shares

Article 218

(1) If the company is paying out dividends in the form of shares, shareholders shall have the right to receive these shares without payment, and their number must be proportionate to the total number of shares they hold.

(2) Shares issued in the event referred to in paragraph 1 herein shall carry the same rights as other shares of that class.

SUBTITLE D

REDUCTION OF EQUITY CAPITAL

Method of Capital Reduction

Article 219

A joint stock equity capital may be decreased by:

1) withdrawal and cancellation of shares;

2) reduction of par value of shares.

Adoption of Decision on Capital Reduction

Article 220

(1) The equity capital may be reduced by a decision of the General Meeting of shareholders adopted by at least a two thirds majority of the shareholders present in person or represented by authorized person or voting by ballot papers.

(2) If a company issued shares of different class, a decision of the General Meeting shall be passed separately for each class of shares, in order to protect the rights of shareholders.

(3) The notice of convening the General Meeting shall include the reasons for the reduction of capital, as well as the way it is to be carried out.

(4) The decision of the General Meeting of shareholders to reduce the equity capital shall be submitted to the CRPS for registration, within 15 days from the date of adopting decision.

(5) The capital shall be considered reduced when the Articles of Association amendments are registered with CRPS.

(6) Decision on equity capital reduction shall be published in the Official Gazette of Montenegro.

Protection of Creditors

Article 221

(1) Upon adopting the decision on capital reduction, the company shall notify in writing each creditor known to the company, whose individual claim amounts to 10,000 euro on the date of publication of decision.

(2) Creditors whose claims occurred until the day of publication of the decision on the company's capital reduction, regardless of due date, may request the additional guarantees of their claims within 60 days from the day of such notification or from the day of the delivering of the notification in the Official Gazette of Montenegro, whichever is later.

(3) Creditors may request the payment of their claims within the period referred to in paragraph 2 herein.

(4) If claims of creditors referred to in paragraphs 2 and 3 herein upon request were not given additional guarantees nor paid, the creditors may seek from a competent court to pass the decision on securing or payment of a claim, if they prove that payment of the claim is jeopardized by equity capital reduction.

(5) The company cannot pay funds to shareholders until the creditors are paid or until the court establishes that their claims are groundless.

Additional Guarantees to Creditors

Article 222

(1) The company shall not give additional guarantees for its liabilities to a creditor, if their claims are already fully and reliably secured.

(2) The company shall not give additional guarantees for its liabilities if aggregate claims of creditors exceed the net asset value of the company evaluated by an independent appraiser after the reduction of the company's capital.

(3) The company may not give additional guarantees to creditors when the purpose of the reduction of capital is to offset losses and in the event of equity capital reduction without change in the company's net assets.

Equity Capital Reduction without Change in Company Net Assets

Article 223

(1) The company's net assets shall not change in the event of equity capital reduction for the purpose of:

1) creating or increasing reserves to offset future company losses or to increase equity capital form the company's net assets;

2) covering of losses.

(2) Reserves referred to in paragraph 1, item 1 herein may not exceed 10% of the equity capital value, after capital reduction

(3) The company's equity capital reduction referred to in paragraph 1, item 2 herein, may be made only if the company does not have retained earnings and reserves that may be used for those purposes and in the amount not exceeding the amount of loss to be covered.

(4) Protection of creditors when reducing equity capital without change in the company's net assets shall be ensured in accordance with article 221 herein.

Highest Amount of Equity Capital Reduction

Article 224

The company's capital may not be reduced bellow the amount of the minimum of equity capital prescribed by this Law.

SUBTITLE E

ACQUISITION OF OWN SHARES

Manner of Acquisition of Own Shares

Article 225

(1) Own shares shall be shares acquired by a joint stock company from its shareholders.

(2) A company may not subscribe own shares.

(3) A company's shares may not be subscribed by its controlled company or by a third party acting on its behalf and on the account of a controlled company.

(4) If a company's shares are subscribed by a third party on its behalf and on the company's account, it shall be deemed as such third party subscribed the shares on its own account.

(5) If a controlled company acquired shares of a controlling company before establishing control, after establishing control these shares shall not be deemed as own shares, for the purpose of this Law.

(6) In the event referred to in paragraph 4 herein, shares shall cease to carry voting right, and shall be taken into account while determining requirements referred to in Article 226, paragraph 1, item 2.

(7) Founding shareholders, and in the case of share capital increase members of the Board of Directors, or the Supervisory Board shall be liable for the payment or making of contributions for shares subscribed contrary to paragraphs 1 and 2 herein.

Condition for Acquisition of Own Shares

Article 226

(1) A company may acquire own shares directly or through a third party acquiring the shares on its behalf and for the company's account, provided that:

1) the General Meeting passes a decision authorising the acquisition of own shares;

2) as a result of acquisition of own shares, the company's net assets do not decrease below the paid equity capital increased for reserves the company is required to maintain in accordance with law or the Articles of Association, if such reserves exist, other than reserves earmarked under the Articles of Association for acquisition of own shares;

3) shares that the company acquires, purchases and holds, as well as shares purchased by a person on its behalf but on the company's account, including previously acquired shares, may not exceed 10% of the company's equity capital;

4) shares acquired by the company are fully paid.

(2) Upon each acquisition of own shares, the Board of Directors or the Supervisory Board shall check if the requirements referred to in paragraph 1, item 2 herein have been met, and make written report on that.

Content of Decision on Acquisition of Own Shares

Article 227

A decision on acquisition own shares must include:

1) the maximum number of shares that may be acquired;

2) the minimum price and the maximum price of shares that may be paid;

3) the period for purchasing own shares, which may not be longer than two years.

Acquisition of Own Shares without General Meeting Decision

Article 228

(1) The Board of Directors, or the Supervisory Board may adopt a decision on acquisition of the company's own shares, if acquisition of own shares is envisaged by the Articles

of Association and if it is necessary to protect against serious and immediate damage to the company, provided the shares acquired cannot exceed 10% of the company's share capital.

(2) The Board of Directors or the Supervisory Board shall submit at the next session of the General Meeting of shareholders a report on reasons for acquisition of the company's own shares, number and par value of acquired shares, their participation in the total share capital of the company and the price at which those shares were purchased.

Exemptions for Acquisition of Own Shares

Article 229

Provisions of Article 226 herein shall not apply on own shares acquired:

1) by executing a decision of the General Meeting to reduce capital;
2) on the bases of universal legal succession;
3) unencumbered or commissioned by a bank or other financial institution;
4) by satisfying legal obligations or enforcing court ruling ordering purchase of shares of minority shareholders, especially in events of merger, change of business activity or company form, by transferring registered office abroad or introducing restrictions for transfer of shares;
5) by minority shareholders of related companies as a result of a right they exercise;
6) in the procedure of involuntary sale based on a court decision for paying a debt to the joint stock company by shareholders, if there are no other ways for collection;
7) by investment funds.

Disposal of Own shares

Article 230

(1) Own shares acquired by the company in accordance with Article 226 herein must be disposed of within 12 months from the date of the acquisition.

(2) Own shares acquired by the company in accordance with Article 229, paragraphs 2 through 7 of this law, whose par value exceeds 10% of the equity capital must be disposed within three years from the date of acquisition, so that total value of the acquired own shares does not exceed 10% of equity capital.

(3) The company shall cancel own shares not disposed in accordance with paragraphs 1 and 2 herein within three days from the date of expiration of the deadline referred to in paragraph 1 herein, without the decisions of the company's General Meeting and inform the commission for capital market and CKDD on cancellation of own shares within three days.

(4) In the event that the cancellation of shares referred to in paragraph 3 herein would result in net assets of the company being less than its equity capital, plus reserves that

can be used to pay shareholders, in accordance with this Law, the company shall execute the cancellation of shares by reducing equity capital of the company in accordance with this Law.

(5) The Board of Directors, or the Supervisory Board shall pass the decision referred to in paragraph 3 herein.

Status of Own Shares

Article 231

During holding of own shares by the company:

1) par value of such shares, or carrying amount in case of shares with no par value, may be included in the core capital of the company or excluded from such capital, providing that in such case reserves that cannot be paid to shareholders shall be increased by such amount;

2) own shares shall not bear voting right and shall not be counted in the General Meeting quorum;

3) own shares shall not bear the right to dividend or other emoluments.

Reporting on Own Shares

Article 232

A company that acquired or disposed of own shares during a year shall disclose the following in its annual financial statements for that accounting year:

1) Reasons for acquisition of own shares during financial year;

2) data on number and par value, or carrying amount in case of non-par shares, of own shares acquired and disposed of during the year, and their participation in the company's total number of shares;

3) the amount of funds the company gave for purchasing or received for selling own shares.

Giving Financial Help for Acquiring Own Shares

Article 233

(1) The company shall not give loans, guarantees or provide any other form of financial assistance to any person wishing to buy own shares of the company.

(2) The prohibition on giving loans, guarantees or provision of other financial support by the company referred to in paragraph 1 herein, shall not apply for financial organization and acquisition of shares in order to give them to the company's employees.

Registering Own Shares and Prohibition of Taking Own Shares as Pledge

Article 234

(1) The company shall register own shares with CRPS within 15 days from the date of balancing the change of ownership in the CKDD.

(2) A joint stock company may not take own shares as a pledge.

SUBTITLE F

ACQUISITION OF ASSETS FROM FOUNDER OR SHAREHOLDER

Conditions for Acquisition of Assets from Company's Founder or Shareholder

Article 235

(1) For acquisition of assets from a founder or a shareholder of the company within two years following the registration of a company, proposing payment of an amount greater than one tenth of the share capital, the following conditions must be met:

1) the acquisition must be examined in the manner provided in Article 58 herein;

2) the appraiser's report shall be submitted to the General Meeting of shareholders and the General Meeting of shareholders shall decide on accepting the transaction by a two thirds majority of shareholders present either in person or represented by authorized person or voting by ballot papers;

3) in case of a dispute, a shareholder whose assets is acquired by the company shall be entitled to a court protection, in accordance with this Law;

4) the appraiser's report shall be submitted to the CRPS for registering.

(2) The provision of paragraph 1 herein shall not apply if:

1) acquisition was executed within the company's regular business activity;

2) legal transaction was executed under supervision or based on the ruling of the court or administrative body;

3) acquisition was executed at a stock exchange.

SUBTITLE G

FINANCE AND PROFITE DISTRIBUTION

Financial Year

Article 236

(1) Financial year is a calendar year.

(2) If a company is registered after the beginning of the financial year, the end of the first financial year shall be considered as the date of the end of a financial year.

(3) If a company is deleted from the CRPS before the end of the financial year, the last financial year shall end on the date of the deletion of the company from the CRPS.

Restriction on Payments to Shareholders

Article 237

(1) If at the end of financial year, the net company's assets, according to the annual report, amounts to or would be lower than the value of the company's share capital following the distribution of the profit, plus reserves which may not be distributed under the law or the company's Articles of Association, the company may not distribute profit to shareholders.

(2) The amount intended for a distribution to shareholders may not exceed the amount of the profit generated at the end of the last fiscal year plus any profit brought forward from the previous year and available amount from reserves, less any losses brought forward from the previous year and sums placed to reserve, in accordance with law and the company's Articles of Association.

(3) If the company proves that shareholders knew or might have known that distribution of profit was not made in accordance to paragraph 2 herein, shareholders shall return the received profit.

Dividends

Article 238

(1) A dividend shall be a payment of part of company's profit to its shareholders.

(2) Dividends shall be paid in money as a rule, but it may also be paid in the form of company's shares or other securities.

(3) Dividends may only be paid to persons who were shareholders in the company on the date when the General Meeting of shareholders made a decision on dividend payment.

(4) A shareholder who is not paid a dividend shall have the right to dividend, even if he disposed of shares after the date of holding the General Meeting of shareholders at which the decision on dividend payment was made.

Title VII

RESTRUCTURING OF JOINT STOCK COMPANY

SUBTITLE A

TYPES AND RULES OF RESTRUCTURING

Restructuring Procedures

Article 239

(1) Joint stock company may be restructured trough the status change or change of the form of the company.

(2) The change of status of a joint stock company shall be a procedure where one or more companies restructure in the manner that the assets and obligations are transferred to

one or more other companies, and shareholders acquire shares in the company, or companies the assets and obligations were transferred to.

(3) Status change may be made by:

1) merger of two or more companies;

2) division into two or more companies;

3) separation to form one or more companies.

(4) Changing the form of a company is a procedure in which a company changes its existing form to another form of performing economic activity determined by this Law.

Restructuring Rules

Article 240

(1) The restructuring of a joint stock company may be carried out only if the assets of a company are greater than its liabilities.

(2) The company in which bankruptcy proceedings or the procedure of judicial or voluntary liquidation have been initiated in accordance with this Law, cannot participate in the restructuring procedure, unless otherwise provided by the law regulating bankruptcy.

(3) The companies taking over assets and liabilities may pay the amount of money as a fair compensation to the shareholders of the company whose assets they take over, in addition to the shares, provided that this amount does not exceed 10% of the par value of the shares issued for the acquired assets.

(4) The merger agreement, the decision on division into two or more companies, the decision on separation by forming one or more companies, the decision to change the form, and the decision on the issue of shares on the basis of the restructuring of the company shall be adopted by a two-thirds majority of shareholders present in person and represented through authorized persons or voting through ballot papers.

(5) Notwithstanding paragraph 4 herein, for the adoption of a decision on the restructuring of a joint stock company on the basis of which shareholders acquire the status of a member of a limited partnership or general partnership, consent of all shareholders of the company shall be required.

(6) Minutes from the General Meetings of companies where decisions referred to in paragraph 4 herein are made, shall be drown up in the form of a notary record.

(7) If there are several classes of shares in the company, the decision referred to in paragraph 4 herein must be adopted by a two thirds majority of shareholders present in person and represented through authorized persons or through ballot papers at the General Meeting of shareholders of the owners of each of these classes.

(8) The issue or cancellation of shares in the restructuring process shall be recorded with the commission for capital market.

(9) Shares in a company being dissolved shall not be exchanged for shares of a company that takes over assets and liabilities, if the owners of the shares to be exchanged are:

1) the company that takes over the assets and liabilities, or the persons who own them in their own name, and on the account of that company;

2) the company being dissolved or the persons who own them in their own name, and on the account of that company.

(10) The provisions of Articles 239 through 252 on the restructuring of joint stock companies, as well as the provision of Article 127, paragraph 1, items 2 and 3 herein shall apply *mutatis mutandis* to the restructuring of other companies, unless otherwise provided by this Law.

SUBTITLE B

MERGER

Types of Merger of Joint Stock Companies

Article 241

(1) Restructuring of a joint stock company by merger can be done when one or more companies join the existing company by transferring the entire assets and liabilities to that company which in exchange issues shares to the shareholders of the companies being merged (merger by acquisition), or two or more companies merge into a newly formed company that issues shares of the newly formed company to the shareholders of the companies being merged (merger by the formation of a new company).

(2) The company who did the acquisition, or the company that was formed by founding the new company, shall be known as the acquiring company, whereas the company transferring assets and liabilities shall be known as merged company.

Procedure of Merger of Joint Stock Companies

Article 242

(1) Boards of Directors or the Executive Board, with the prior consent of the Supervisory Board of companies involved in merger shall harmonize a draft contract of merger, which shall contain:

1) the name, form and registered office of each company involved in merger;

2) the share exchange ratio and the amount of a proposed cash payments in case those are additionally provided for the fair compensation;

3) the manner and deadline for assumption of specific liabilities;

4) the manner and conditions relating to the allotment of shares in the companies assuming assets and liabilities;

5) the date from which the holders of shares referred to in item 4 herein shall be entitled to participate in the profit of the acquiring company, as well as other conditions that may affect that entitlement;

6) the date from which the business transactions of the companies being merged shall be treated for accounting purposes as made by the acquiring company;

7) the rights conferred by the acquiring company on the shareholders of the merged company who have shares with special rights, as well as on holders of other securities carrying special rights, as well as the other measures to be taken towards these persons;

8) cash payments or other benefits, made to employees, members of bodies and members of committees of specific bodies of the companies involved in the merger or to independent expert who prepares the report on draft contract of merger, as well as reasons for such payments;

9) the precise description of the assets and liabilities to be transferred to the acquiring company, the form of organization and registered name of a new company, in case of merger through the formation of a new company;

10) amendments to the instrument of incorporation and Articles of Association of the existing acquiring company or the proposal of the instrument of incorporation and Articles of Association of the acquiring company, in case when merger through formation of the new company.

(2) Harmonized draft contract on merger, on behalf of every company participating in the merger, shall be signed by a member of the Board of Directors, or the Executive Board, designated by each company involved in the merger.

(3) For the General Meeting of shareholders at which the draft contract on merger shall be considered, the Board of Directors or the Executive Board of the company involved in the merger shall prepare a written report containing:

1) detailed legal and economic reasoning of the draft contract on merger;

2) reasoning of the share exchange ratio;

3) possible special difficulties in the assets appraisal of the companies being merged and determining the share exchange ratio;

4) additional explanation of the legal consequences;

5) notification on all changes in assets and liabilities occurred from the date of preparation of the draft contract on merger until the date of holding the General Meeting of shareholders which shall decide on the draft contract on merger.

(4) In addition to data contained in the report referred to in paragraph 3 herein, the Board of Directors, or the Executive Board shall submit to their own company's General Meeting of shareholders as well as to the Board of Directors, or the Executive Board of other companies involved in the merger, the supplement to the report referred to in paragraph 3 herein with regard to all significant changes on the company's assets and liabilities occurred from the date of preparation of the draft contract on merger until the date of holding the General Meeting of shareholders which shall decide on the draft contract on merger, unless agreed otherwise by shareholders or owners of other securities bearing voting rights of each company involved in the merger.

(5) Accompanying reports on the company's current operations made quarterly by the Executive Board, referred to in Article 189, paragraph 1, item 7 herein, the decision of the Supervisory Board on passing the Executive Board's decision shall be also submitted.

(6) The Boards of Directors or Executive Board of each company involved in the merger procedure shall appoint one or several independent experts to examine the draft contract of merger.

(7) The independent experts' reports on examining the draft contract of merger shall include:

1) methods used to determine the proposed share exchange ratio;

2) precise data on values that shall result from using each of the methods referred to in item 1 herein;

3) the independent experts' opinion on the relative significance of the methods referred to in item 1 herein in calculating the proposed share exchange ratios;

4) information and reasoning on possible special difficulties in the assets appraisal of the companies being merged and determining the appropriateness and the fairness of the proposed share exchange ratio.

(8) An auditor, court expert with economic background, certified appraiser selected by the Board of Directors (natural person), as well as an audit firm may be designated as an independent expert, providing that it cannot be a person employed in the company being merged, person who is a business partner of the company being merged, nor spouse or first degree relative of a member of the Board of Directors or of employee in the company being merged.

(9) Upon request by an independent expert, the companies participating in the merger shall submit to him all the data and documents necessary for the preparation of the report on examining the draft contract on the merger.

(10) Hiring independent experts shall not be needed in the merger procedure in accordance with this Law, if all shareholders or owners of other securities bearing voting right of each of the company involved in the merger have consented thereof.

(11) Companies involved in merger shall provide their shareholders, at the company's registered office, at least one month prior to the date of holding the General Meeting of shareholders at which the proposed manner of merger will be considered, as well as during the General Meeting of shareholders, with the following documents:

1) draft contract of merger;

2) report of the Board of Directors, or the Executive Board referred to in paragraph 3 herein;

3) annual financial statements for the last three years of each company involved in merger;

4) report of an independent expert, if hired;

5) special financial statement, disclosing the condition in the company on a day at the most three months prior to the date of preparing the draft contract of merger, if the draft is prepared after the expiration of six months from the date of completing the last business year, except in the case referred to in paragraph 4 herein.

(12) The special financial statement referred to in paragraph 11 item 5 herein need not be made available for inspection if the company published semi-annual financial

statement in accordance with regulation governing capital market for public joint stock companies.

(13) The special financial statement referred to in paragraph 12 herein shall present data in the same manner as in the annual financial statement, provided that changes in value estimations from the last annual financial disclosure shall be made only based on changes in bookkeeping relative to the condition stated in the last financial statement, without taking inventory of the assets, but with the obligation to take into account medium term depreciation, reservations of costs and losses, as well as material changes in real value which were not disclosed in the books.

(14) If the documentation referred to in paragraph 11 herein is published on the website of the company involved in the merger at least one month prior to holding the General Meeting of shareholders at which the draft contract on merger will be considered and if their unlimited download in electronic form is enabled free of charge, the company shall not copy the documentation free of charge and give it for inspection to shareholders.

(15) The companies involved in the merger shall submit the draft contract of merger to the competent registration authority for publishing in the Official Gazette of Montenegro, at least at least one month prior to holding the General Meeting of shareholders at which the draft contract on merger will be considered and the following data:

1) notification that the harmonised draft contract on merger submitted for registration with the CRPS;

2) registered name and registered office of each company participating in the merger;

3) information on how it is provided that creditors and minority shareholders of the companies involved in the merger may exercise their rights and on the place where one may obtain necessary information, free of charge.

(16) The contract on the merger is valid when adopted as the identical text by the General Meetings of companies being merged and if it is made in the form of notary record.

(17) Notwithstanding paragraph 16 herein, the Board of Directors or the Supervisory Board may adopt the decision on merger, or the decision on issue of shares on the grounds of merger, provided that:

1) the acquiring company published the draft contract on merger one month prior of the date of holding the General Meetings of the company or companies that are subject of acquisition, at which the draft contract on merger shall be deliberated;

2) at least one month prior to the deadline prescribed in point 1 herein, all the acquiring company's shareholders may inspect the documentation referred to in paragraph 11 herein at the registered office of the acquiring company, in accordance with this Article;

3) a shareholder or more shareholders of the acquiring company who jointly hold at least 5% shares of that company have not requested that the General Meeting of the acquiring company adopts the decision on merger;

4) minutes from the session of the managing body which adopted the decision instead of the General Meeting of shareholders made in the form of the notary record.

(18) The company shall submit to the CRPS for registration within 15 days from the day of publishing the decision of the commission for capital market on recording the issue of shares on the grounds of merger the following:

1) the contract of merger, signed and authenticated in accordance with paragraph 16 herein;

2) the minutes from the General Meeting of shareholders referred to in paragraph 16 herein or the minutes from the session of the acquiring company's body referred to in paragraph 17 herein at which the decision on merger was adopted;

3) the decision on the issue of shares on the grounds of merger;

4) statement that the creditors were informed on merger referred to in Article 243 herein.

(19) Upon obtaining the documentation referred to in paragraph 18 herein, the competent registration authority shall register the status changes in the CRPS and publish the contract on merger in the Official Gazette of Montenegro.

(20) The acquiring company may perform instead of the merged companies some or all actions in connection to registration and publishing related to the merged companies.

Protection of Creditors Rights

Article 243

(1) A company involved in merger shall submit written notification on conducting the merger procedure with documentation referred to in Article 242, paragraph 11 herein and the notification on the rights the creditors have in the merger procedure to each creditor whose claims amount to at least €5,000, including holders of convertible shares and other debt securities issued by the company, at the latest on the date of publishing the contract on merger in the Official Gazette of Montenegro in accordance with Article 242, paragraph 15 herein.

(2) The chairperson of the Board of Directors or the chairperson of the Supervisory Board shall prepare written statement that the creditors referred to in paragraph 1 herein were notified in a timely manner.

(3) Each creditor of the company participating in the merger procedure who considers that restructuring procedure participated in by is debtor endangers the satisfaction of his claim, may request additional protection of his claims from the company which is his debtor at the moment of submitting the request, no later than 60 days from the date of the publishing in the Official Gazette of Montenegro in accordance with Article 242, paragraph 15 herein.

(4) Additional protection of creditors referred to in paragraph 3 herein, the company shall provide in one or more following ways:

1) by giving additional means of security;

2) prepayment of the part or the whole debt;

3) taking other actions and measures that shall provide the creditor with the position which is not worse in relation to position he had before conducting the status change.

(5) The company participating in the restructuring process shall provide additional protection of claims to its creditors who demand it, when their claim is insufficiently secured and when the financial situation of the company is such that the merger procedure threatens the satisfaction of his claims, and the provision of additional protection is necessary so the creditor's position would not worsen by its implementation.

(6) The creditor who has not received additional protection referred to in paragraph 4 herein within 15 days from the date of submission of the request for additional protection, shall be entitled to file a lawsuit with the competent court for issuing a decision which will establish additional protection, as well as the imposition of an injunction of prohibition of conducting the merger procedure, if that procedure has not been completed at the time of the application for the imposition of an injunction.

(7) The acquiring company must provide holders of all other securities issued by merged companies the same protection as provided to other creditors of these companies, unless the merger or change of rights was approved by that holder of the security.

(8) Holders of securities issued by merged companies which have been granted special rights, other than the owner of the shares, acquire the rights in the acquiring company that are identical with the rights that they had in the merged company, unless the holders of these securities have differently agreed or if such persons are guaranteed the right to purchase securities by the acquiring company.

(9) Holders of securities who do not agree with the proposed method of redemption referred to in paragraph 8 herein shall have the right to request by a legal action from the competent court to determine the price for the purchase of securities, as well as imposing the injunction prohibiting the implementation of the merger procedure, within a period of 30 days from the date of publication of the draft contract on merger in accordance with Article 242 herein.

Legal Effects of Merger

Article 244

Merger of joint stock companies shall be deemed as completed as of the date of its registration, when:

1) assets and liabilities of the merged company shall become assets and liabilities of the acquiring company, in accordance with the adopted draft contract on merger;

2) shareholders of the merged company shall become shareholders of the acquiring company;

3) the merged company shall cease to exist without conducting a liquidation procedure, and shares of the merged company shall be cancelled;

4) employees of the merged company shall continue to work in the acquiring company in accordance with the labour regulations and contract of merger;

5) other legal effects shall occur, in accordance with law.

Cancelling the Decision on Merger

Article 245

(1) Provisions of Article 154 herein shall apply to the procedure of cancelling decision on merger.

(2) In the procedure upon application to cancel the decision referred to in paragraph 1 herein, the court shall leave a reasonable period of time to the defendant company to remedy the reasons for cancellation established in the procedure, if they are deficiencies that could be remedied.

(3) The court shall submit the final decision cancelling the merger to the CRPS for registration and publishing in the Official Gazette of Montenegro within 15 days from the date of finality.

(4) The decision referred to in paragraph 3 herein shall be published in the Official Gazette of Montenegro and the competent registration body shall execute the changes in the CRPS based on the final court ruling.

(5) In the event of merger cancelation, the companies involved in the merger shall be jointly and severally liable without limitation for the obligation that the acquiring company made in the period from the date of registration of status change in accordance with Article 242, paragraph 13 herein, until the date of publishing the court ruling on merger cancelation in accordance with paragraph 3 herein.

Liability of Managing Bodies Members and Independent Expert

Article 246

(1) Members of the managing bodies of the company being merged, as well as independent experts hired in accordance with Article 242, paragraph 6 herein, shall be liable for the damage they cause to the company or the company's shareholders in the merger procedure.

(2) Provisions of this Law governing the submission and proceedings upon legal action for the breach of the duty of care referred to in Article 34 herein shall apply to the legal action for indemnification of damage referred to in paragraph 1 herein.

Simplified Mergers

Article 247

(1) In the merger of a company with the acquiring company which holds at least 90% of shares but not all the shares and other securities bearing voting rights of the merged company, the Board of Directors, or the Supervisory Board of the acquiring company may adopt the decision on the company merger or on issue of shares on the grounds

of restructuring instead of the acquiring company's General Meeting of shareholders, provided that:

1) conditions referred to in Article 242, paragraphs 11 and 15 herein are met;

2) one or more shareholders of the acquiring company holding together at least 5% of the shares of that company have not requested that the decision on merger is adopted by the General Meeting of shareholders of the acquiring company.

(2) In the event of merger of the merged company with the acquiring company which holds at least 90% of shares but not all the shares and other securities bearing voting rights, when the acquiring company's General Meeting of shareholders adopts the decision, the provisions of Article 242, paragraph 3 and 6 through 11 herein shall not apply.

(3) In the event of merger of the merged company with the acquiring company which holds all the shares and other securities bearing voting rights of the merged company, the provisions of Article 242, paragraph 1 points 2, 4 and 5, paragraph 3 and 6 through 10 and paragraph 11 points 2 and 4, Article 244, paragraph 1 point 2 and Article 246 herein shall not apply.

(4) In the event referred to in paragraph 3 herein, the Boards of Directors or the Supervisory Boards of those companies may adopt decisions on merger, or on issue of shares on the grounds of restructuring, instead of General Meeting of companies participating in the merger procedure if:

1) conditions referred to in Article 242, paragraph 11, items 1, 3 and 5 and paragraphs 12, 13 and 15 herein are met;

2) one or more shareholders of the acquiring company holding together at least 5% of the shares of that company have not requested that the decision on merger is adopted by the General Meeting of shareholders of the acquiring company.

SUBTITLE C

DIVISION AND SEPARATION WITH FORMING ONE OR MORE COMAPANIES

Division

Article 248

(1) A joint stock company shall cease to exist by restructuring through division, by transferring entirely its assets and liabilities to two or more existing or newly formed companies (acquiring companies), which will in exchange issue shares that are distributed to shareholders of the dividing company.

(2) Provisions of this Law regarding merger of companies shall apply *mutatis mutandis* to division of a joint stock company.

(3) In the event of division of the company and transfer of assets and liabilities to two or more existing companies, Boards of Directors or Executive Boards of companies involved in division shall harmonize the draft contract of regulating mutual relations occurring by division of a joint stock company, which, in addition to the documents referred to in Article 242, paragraph 1 herein must contain:

1) description assets and liabilities to be transferred to companies taking over assets and liabilities;

2) plan of allocation of assets and liabilities that should be transferred to companies taking over assets and liabilities;

3) proposal for allocation of shares of the companies taking over assets and liabilities to shareholders of the dividing company;

4) criteria for allocation assets and shares referred to in items 2 and 3 herein.

(4) In the event of division of joint stock company to two or more newly founded companies, the Board of Directors or the Executive Board shall prepare for the General Meeting of shareholders a written proposal on terms and manner of division of the company's assets, liabilities and shares, proposals of the instruments of incorporation and the Articles of Association, as well as a proposal of a decision on issue of shares on the grounds of division.

(5) The companies who submit the Executive Board report shall also submit to the General Meeting the decision of the Supervisory Board on adopting the Executive Board report.

(6) Distribution of shares of companies formed by way of division shall be done proportionally to the ownership interest of the dividing company.

(7) Where a part of the assets is not, or cannot be, divided in accordance with the proposed terms of division, the part of the assets shall be allocated to the companies taking over assets and liabilities in proportion to the share of companies taking over assets and liabilities in distribution of net assets of the dividing company.

(8) If liabilities are not, or cannot be, allocated in accordance with the proposed terms of division, each company taking over assets and liabilities shall be jointly and severally liable for these liabilities.

(9) In the case of liabilities not settled by the acquiring company that assumed these liabilities in accordance with the contract referred to in paragraph 3 herein, other acquiring companies shall be jointly and severally liable, unless otherwise agreed with a specific creditor, and joint and several liability of the acquiring companies shall be limited up to the amount of net assets taken over by these companies in the restructuring procedure.

Separation with Forming One or More Companies

Article 249

(1) By restructuring of a joint stock company through separation with founding one or more companies, the existing company shall transfer a part of its assets and liabilities to one or more companies that are established (new company), which will in exchange issue shares that are distributed to the shareholders of the existing company whose capital is reduced by the value of the transferred assets, providing that the provisions of this Law, except for of Articles 219 and 224 herein, shall not apply to the reduction of capital of the existing company.

(2) The provisions of this Law on division of company shall apply to separation from a joint stock company.

(3) In the event referred to in paragraph 1 herein, the Board of Directors, or the Executive Board of the existing company shall prepare the proposal on terms and manner of separation for the General Meeting of shareholders, which includes:

1) precise description of the assets and liabilities to be transferred to the new company;

2) amount of reduction of capital of the existing company;

3) proposal for allocation of shares of the new company to the shareholders of the existing company;

4) name of the new company;

5) proposal of the decision on separation with incorporation;

6) proposal of the decision on issue of shares based on separation.

(4) Together with the Executive Board report, the decision of the Supervisory Board on adopting the Executive Board report shall also be submitted to the General Meeting.

(5) Distribution of shares of the new company to the shareholders of the existing company shall be done proportionally to the ownership structure of the existing company.

(6) Decision on a separation with incorporation shall represent the decision on the establishment of a new company.

(7) In the event of obligations not fulfilled by the new company that assumed these obligations, the existing company and the new company, i.e. all the new companies shall be jointly and severally liable, if more than one company is established by separation, unless otherwise agreed with a certain creditor.

(8) The new company and the existing company shall be jointly and severally liable for the obligations not fulfilled by the existing company, unless otherwise agreed with a certain creditor.

SUBTITLE D

CHANGE OF FORM OF JOINT STOCK COMPANY ORGANIZATION

Conditions for Conducting Procedure and Application of Provisions of this Law

Article 250

(1) A joint stock company may be restructured into a limited liability company, a limited partnership or a general partnership, under the following conditions:

1) the number of shareholders on the date of the company's General Meeting adopting decision on restructuring shall be no more than thirty;

2) the procedure of increasing or reducing the joint stock company's capital.

(2) A joint stock company ownership structure shall be expressed as interests which shall be allocated among the members commensurate to their ownership in shares, expressed in percentages, unless otherwise agreed to by all shareholders.

(3) The provisions of Articles 67, 68, 93 and 94 and Articles 268 through 273 herein, shall apply to the procedure of changing the form of a joint stock company to a limited liability company, a limited partnership or a general partnership.

Procedure of Change of Form of Company

Article 251

(1) Procedure of change of form of a company shall be conducted by the company's Board of Directors, or the Executive Board, which shall draft and submit for adoption to the General Meeting that will decide on the change of the company's form the following acts and documents:

1) draft decision on change of joint stock company's form, containing plan of shares conversion into equity interests in the company for each of the new company member individually;

2) draft decision on the company's incorporation in the new form;

3) draft decision on appointment of members of company bodies;

4) a certification confirming that request to suspend trade in the company's shares was submitted to the commission for capital market no later than seven days prior to the date of holding the General Meeting that will decide on the change of the company's form;

5) a report on the need for change of form, which shall include reasons and expected effects and data on consequences of change of company's form and rights of dissenting shareholders referred to in Articles 127 herein, in the event of change of form to a limited liability company.

(2) Together with the documentation referred to in paragraph 1 herein, the decision of the Supervisory Board on adoption of the documentation referred to in paragraph 1 herein shall also be submitted to the General Meeting that will decide on the change of the company's form.

(3) The commission for market capital shall adopt the decision on suspension of trade in the company's shares upon request referred to in paragraph 1 point 4 herein.

(4) If the decision on changing the company's form is not submitted to the commission for capital market within seven days from the date of holding the General Meeting referred to in paragraph 1 herein, or decision on dismissing proposal to change the company's form, the continuation of trade in company's shares shall be allowed.

(5) The company referred to in paragraph 1 herein shall submit the decision of the commission for capital market referred to in paragraph 3 herein and the adopted decisions referred to in paragraph 1 points 1 through 3 herein to the CRPS, within 15 days from the date of holding the General Meeting that adopted the change of the company's form, for registration of the conducted restructuring procedure and for publishing the decision on change of company' s form in the Official Gazette of Montenegro.

(6) The company's creditor whose claim incurred prior to the publishing of decision referred to in paragraph 5 herein, and who considers that the restructuring procedure

jeopardize satisfaction of his claims, may request protection of his claims in accordance with the article 43 paragraphs 4, 5 and 6 herein within three months from the date of registration of the change of the company's form.

(7) In the procedure of change of the company's form, the company shall provide to the holders of convertible bonds and other securities bearing special rights to retain the same rights they had prior to change of the company's form or the appropriate cash compensation.

(8) If the agreement on the cash compensation referred to in paragraph 7 herein is not reached, the holders of convertible bonds and other securities bearing special rights may bring the legal action before a competent court for determination of the compensation amount, no later than 30 days from the date of publishing the decision on the change of the company's form in the Official Gazette of Montenegro.

Legal Consequences of Change of Form Procedure

Article 252

(1) Following the change in form of joint stock company, the company shall continue its operation as a limited liability company, limited partnership or general partnership from the day of registration with CRPS, in accordance with this Law.

(2) In the event of change in form of joint stock company into limited partnership or general partnership, general partners or partners in such companies shall also be liable with their entire assets for the company's obligations incurred before the completion of the procedure of change of form.

(3) The joint stock company's shares shall be cancelled and deleted from the CKDD registry, in accordance with law.

Title VIII

DISSOLUTION OF JOINT STOCK COMPANY

SUBTITLE A

Grounds for Dissolution of Joint Stock Company

Article 253

(1) A joint stock company shall cease to exist by deletion from the CRPS, due to following reasons:

1) status change which resulted in termination of company;

2) conducting the liquidation procedure based on the General Meeting decision (voluntary liquidation);

3) conducting the liquidation procedure based on the court decision (court liquidation);

4) conducting the bankruptcy procedure in accordance with law governing bankruptcy.

(2) The liquidation procedure referred to in paragraph 1, item 2 and 3 herein shall be conducted only when the company has enough funds to pay all its obligations.

(3) If it should be established during the voluntary or court liquidation procedure that liquidation mass is not enough to fulfill all obligations of the company, a liquidator shall submit, within 30 days from the date of learning that fact, the proposal to initiate bankruptcy procedure in accordance with law governing bankruptcy.

SUBTITLE B

VOLUNTARY LIQUIDATION OF JOINT STOCK COMPANY

Initiating Voluntary Liquidation Procedure

Article 254

(1) A joint stock company voluntary liquidation may be conducted:

1) based on the decision of the company's Board of Directors, or the Supervisory Board, if the company's Articles of Association determined that liquidation of the company may be conducted following expiration of a certain period of time or a certain event occurrence, and that period expired or that event occurred;

2) if the extraordinary General Meeting of shareholders adopts a decision on voluntary liquidation of the company with at least three fourths of votes of shareholders present in person or by authorized person or voting by ballot papers, and if the notice of convening the extraordinary General Meeting of shareholders was not submitted to the shareholders at least 21 days prior to its holding;

3) if a joint stock company in General Meeting of shareholders by two thirds vote actually present in person or by authorized person or voting by ballot papers adopts a decision on termination of business and voluntary liquidation.

(2) The decision referred to in paragraph 1 point 2 herein shall be valid even if the twenty one day notice of convening the General Meeting of shareholders was not given, provided that shareholders holding at least nine tenths of the voting rights agree to hold the extraordinary General Meeting of shareholders.

(3) A liquidator shall also be appointed and registered with the CRPS by the decision on the voluntary liquidation of the company, in accordance with Article 119 herein.

(4) After adopting the decision referred to in paragraph 3 herein, the liquidation procedure may not be suspended.

Registration and Publication of Decision on Voluntary Liquidation

Article 255

(1) The decision on the voluntary liquidation of the company shall be submitted to the CRPS for registration by the company's Board of Directors or the Supervisory Board within five days from the day of adopting the decision.

(2) The decision on the voluntary liquidation of the company shall be submitted to the CRPS for publishing in the Official Gazette of Montenegro within five days from the day of adopting the decision.

(3) From the date of adopting the decision on voluntary liquidation:

1) the powers of the members of the managing bodies shall cease, except such managing bodies that liquidator decides it is necessary to continue their work until the completion of the company's current operations;

2) the company shall cease to carry on business and the employment contract that the company concluded with the employees shall be cancelled, except with the employees whose engagement is necessary to continue business operations and completion of the company's liquidation procedure;

3) the transfer of shares, disposal of assets, or borrowing without the liquidator's consent, shall be voidable, unless otherwise prescribed by the law;

4) notification that the company is being liquidated shall be indicated on business letters and invoices.

Protection of Creditors Rights in Voluntary Liquidation Procedure

Article 256

(1) The company for whom the decision was adopted on commencing the liquidation procedure shall solicit in writing all known creditors of the company to submit their claims.

(2) The company shall publish the notice of voluntary liquidation at least two times in one daily printed media published in Montenegro within the period of at least 15 days between the publications, but not exceeding 30 days between the publications.

(3) The notification referred to in paragraphs 1 and 2 herein must contain the deadline within which claims must be submitted, which cannot be shorter than 60 days from the date of publishing the notification referred to in paragraph 1 herein, or for creditors that have not received the notification in writing, from the day of publication of the last notice referred to in paragraph 2 herein.

(4) Claims of creditors that have submitted their claims upon the expiration of the deadline referred to in paragraph 3 herein shall be satisfied from the remaining assets until the completion of the voluntary liquidation procedure.

(5) Creditor whose claim is contested by the liquidator shall initiate the proceeding before the competent court for establishment of the claim within 30 days from the date of receiving the notice thereof.

(6) Voluntary liquidation procedure shall not be completed until the expiration of the period referred to in paragraph 5 herein or until the finality of the ruling, except in the event of the additional protection of the contested claim.

(7) The contested claim shall be deemed secured when the creditor notify the liquidator in writing or when it is confirmed, upon liquidators request, by the court conducting proceedings referred in the paragraph 5 herein.

Rights and Obligations of Liquidator

Article 257

(1) The liquidator appointed to carry out voluntary liquidation shall have all the rights and obligations of the Executive Director or the president of the Executive Board.

(2) The liquidator shall represent the company in liquidation in court proceedings, in its relations with the state bodies, and with third persons.

(3) The liquidator shall:

1) prepare an inventory of all assets and an accounting report on operations as of the beginning of the liquidation procedure, including a balance sheet;

2) complete obligations under existing contracts and, where necessary, enter into new contracts;

3) terminate contracts when it is justified;

4) convene and chair the company's General Meeting of shareholders;

5) distribute the remaining assets of the company among creditors and when possible, shareholders;

6) submit the petition for the initiation of the bankruptcy proceeding in accordance with law if he determines that the assets of the company in liquidation are not sufficient to satisfy all claims of the creditors;

7) take other actions necessary for the liquidation of the company.

Conduct in Case of Long Duration of Voluntary Liquidation Procedure

Article 258

(1) If the liquidation procedure of the company lasts for a period exceeding one year, the liquidator shall prepare an interim voluntary liquidation report within 3 months upon the expiration of the financial year.

(2) The interim report on voluntary liquidation must include:

1) balance sheet;

2) sources of revenues and the manner for using them;

3) the list of assets being divested of and proceeds generated from divestiture;

4) information on problems in carrying out the procedure and the proposal on how to solve them;

5) amount of liquidation costs and fee that the liquidator is entitled to;

6) other data on voluntary liquidation conducted in the previous period of time.

(3) The interim report shall be available for review by all the shareholders and interested persons at the registered office of the company, until the completion of the voluntary liquidation procedure.

Completion of Voluntary Liquidation Procedure

Article 259

(1) If the affairs of the company have been fully or substantially concluded the liquidator shall prepare a final report showing how the liquidation has been conducted and how the assets of the company has been disposed of.

(2) The final report on voluntary liquidation must include the data referred to in Article 258, paragraph 2 of this Law.

(3) Following the preparation of the final report on voluntary liquidation, the liquidator shall convene an extraordinary General Meeting of shareholders at which he shall present the content of the final report on voluntary liquidation to the shareholders present.

(4) Within seven days from the day of holding the extraordinary General Meeting of shareholders, the final report on voluntary liquidation shall be submitted to the CRPS for registering along with a request for deletion of the company from the CRPS.

(5) Upon receipt of the final report and the request for deletion, the competent registration body shall pass the decision on deletion from the CRPS, and submit it to the Official Gazette of Montenegro for publication.

Abridged Procedure of Voluntary Liquidation

Article 260

(1) Voluntary liquidation may be conducted based on abridged procedure, if upon the adoption of the decision on voluntary liquidation all shareholders present to the court authenticated statements that all liabilities of the company toward creditors have been settled, including liabilities toward the employees and that they consent to the abridged procedure of voluntary liquidation.

(2) Shareholders referred to in paragraph 1 herein shall be jointly and severally liable, without limit, for liabilities of the joint stock company for the period of three years after the deletion of the company from the CRPS.

(3) Creditors and other parties having legal interest may initiate the procedure for cancellation of the decision on the company's voluntary liquidation under the abridged procedure before the court, within 30 days from the date of the publishing the decision.

(4) The court shall annul the decision on voluntary liquidation of the company under the abridged procedure if it determines that shareholders or creditors have been caused damaged by such a decision, and it shall appoint the liquidator to carry out the voluntary liquidation procedure.

(5) The joint stock company that was voluntary liquidated under the abridged procedure shall be deleted from the CRPS.

(6) Upon the deletion the following shall be entered in the CRPS: personal name, unique personal identification number and the address of natural persons who are the shareholders, or registered name, registered office and unique registration number of

legal entities who are shareholders, with the note of their unlimited joint and several liability for the liabilities of the company deleted from the CRPS.

(7) Decision of deletion of the company from the CRPS shall be published in the Official Gazette of Montenegro.

SUBTITLE C

COURT LIQUIDATION OF JOINT STOCK COMPANY

Grounds for Initiation of Court Liquidation Procedure

Article 261

The court liquidation of joint stock company shall be conducted upon request by the interested party or *ex oficio*:

1) if the company should not register continuation of the company's business activities within 30 days from the expiration of period that company was incorporated for, or if in this period did not initiate the court liquidation procedure based on the decision of the company's General Meeting;
2) If a company's equity capital falls below the minimum amount of the minimum of the founding capital, and the company within six months does not:
   - increase its share capital at least up to the amount of the minimum of the founding capital; or
   - change its form to a form for which it is eligible; or
   - pass the decision on liquidation.
3) If the company's incorporation was cancelled in accordance with Article 116 herein by the final court ruling;
4) When the company following the imposition of a sanction in accordance with this Law or other regulation within the time allowed or in reasonable time fails to remedy finally and irreversibly established breach of the law and other regulation which jeopardize interests of the company members, creditors, employees and members of the company's bodies who are not liable for the established irregularities; and
5) in other cases provided for by the law.

Manner of Conducting Court Liquidation Procedure

Article 262

The court liquidation procedure shall be conducted in accordance with law governing bankruptcy, provided that reorganisations of the company and other proceedings which prevent termination of the company may not be conducted in the court liquidation procedure.

Application of Provisions on Joint Stock Company Liquidation

Article 263

Provisions of this law regarding the procedure of voluntary and court liquidation of a joint stock company shall also apply *mutatis mutandis* to the liquidation of other companies, unless prescribed otherwise by this Law.

PART SIX

LIMITED LIABILITY COMPANY

Title I

APPLICATION OF PROVISIONS ON JOINT STOCK COMPANY AND REPRESENTATION

Definition of Limited Liability Company

Article 264

(1) Limited liability company shall be a business company established by one or more natural persons or legal entities by contributing pecuniary or non-pecuniary funds in order to pursue business activity under a joint name, whose capital is divided by equity interests which shall not have the property of securities.

(2) A company may have maximum 30 members.

(3) The founders' contributions shall make the company's initial capital.

Freedom of Agreement Principle

Article 265

The limited liability company members shall regulate mutual relations in the company as well as with the company freely, unless otherwise provided by this Law.

Application of Provisions to Limited Liability Company

Article 266

(1) Provisions of this Law regarding the joint stock company shall apply *mutatis mutandis* to a limited liability company.

(2) Provisions of this Law regarding shares shall apply *mutatis mutandis* to contributions.

(3) When there is discrepancy between provisions regarding limited liability company and provision regarding the joint stock company, provisions regarding limited liability company shall apply.

Sole Member Company

Article 267

(1) Sole-member limited liability company is a company established by a single natural person or legal entity, or a company where one person shall acquire all the equity interests after incorporation, in accordance with this Law.

(2) Provisions of Article 108 of this Law shall apply *mutatis mutandis* to a sole-member limited liability company.

Title II

COMPANY INCORPORATION AND INFORMING PUBLIC

Manner of Incorporation of Limited Liability Company

Article 268

(1) The company shall be incorporated based on a contract concluded by founders.

(2) If the company is incorporated by one founder, the instrument of incorporation shall be the decision of the only founder on company's incorporation.

(3) Authorised persons of founders in the incorporation procedure must possess power of attorney authenticated in accordance with law.

Incorporation Costs of Limited Liability Company

Article 269

(1) The limited liability company's instrument of incorporation may provide for the costs of company's incorporation to be paid by the company or by founders.

(2) Article 112 herein shall apply mutatis mutandis to the limited liability company's incorporation costs.

Instrument of Incorporation

Article 270

The decision or the agreement the limited liability company's incorporation shall include:

1) Name, personal identification number and place of residence of a founder who is a domestic natural person, or name, passport number or other identification number and place of residence of a founder who is a foreign natural person, or registered name, company number and registered office of a founder that is a domestic legal entity, or registered name, registration number or other identification number and registered office of a founder that is a foreign legal entity;

2) registered name of the company being incorporated;

3) indication that it is limited liability company ("LLC");

4) founders' rights and obligation;

5) names or registered names of founders who make contributions in kind, contributions description, par value of equity interest in exchange for contribution and a deadline for making of contribution in kind in the company;
6) equity interest of each company member in the aggregate equity capital, expressed in percentages;
7) company's bodies;
8) estimated incorporation costs and manner of its reimbursement;
9) procedure for resolution of disputes between founders;
10) authorisation of one or more founders to represent founders in the company's incorporation procedure;
11) other issues relevant for company's incorporation.

Articles of Association of Limited Liability Company

Article 271

Articles of Association of a limited liability company shall contain:

1) company's registered name;
2) company's registered office;
3) company's predominant and other activities;
4) indication that the company is incorporated as a limited liability company and of the amount of capital;
5) requirements and manner of appointing the Executive Director;
6) the manner of appointing members of Board of Directors or Executive Board and Supervisory board, if elected in the company, their rights and obligations, the manner of dismissal and their competencies;
7) the method of change of amount of capital, unless determined by the incorporation agreement;
8) persons authorised for representation of the company, jointly or individually;
9) duration of company, unless incorporated for indefinite period;
10) Articles of Association amending procedure;
11) other issues relevant for company's functioning.

Limited liability Company's Registration

Article 272

(1) A limited liability company shall be registered with CRPS based on submitted registration application, accompanied by the following documentation and data:

1) company's instrument of incorporation;
2) company's Article of Association;

3) a list of members of the company's managing bodies, dates and places of birth, personal identification numbers, permanent or temporary residence, with decisions on the appointment of members of the company's managing bodies;

4) business occupation of the members of the company's managing bodies who are not employed with the company, as well as data on membership in other boards, positions held in Montenegro or beyond, as well as on place of registration of such companies, not registered in Montenegro;

5) name and address of the auditor and the Company Secretary and the decisions on their appointment;

6) name and address of Auditing Board members and the decisions on their appointment;

7) statements of accepting appointments by the members of the company's managing bodies, auditor and the Company Secretary, which need not be authenticated;

8) address for receiving mail and electronic mail;

9) proof of payment of the registration fee.

(2) The documentation submitted for the company's registration must also include the information on persons who represent the company whether they represent the company jointly or individually.

(3) The company's registration with the CRPS shall be made on the bases of a decision on registration.

(4) Data on the company's registered name and the registered office, names of managing bodies' members and members of other company's bodies registered with the CRPS, auditor and Company Secretary if any in the company, the date of passing the instrument of incorporation, adoption of Article of Association and registration of a limited liability company shall be published in the Official Gazette of Montenegro.

Registration of Changes, Informing Public and Legal Consequences

Article 273

(1) A limited liability company shall submit documentation and data on all changes occurred to the CRPS for registration as follows:

1) amendments to the Articles of Association, including extension of the period determined for continuation of company's operation;

2) change of registered name and registered office, as well as addresses for receiving mail;

3) data on persons elected as members of the managing bodies and their appointment and dismissal;

4) on persons who are authorised to jointly or individually represent the company in relations to third parties and their appointment and dismissal;

5) liquidation of the company;

6) annulling the company's incorporation by a competent court;

7) appointment of liquidator;

8) amount of capital, of capital increase does not warrant amending the Articles of Association.

(2) Data referred to in paragraph 1 herein shall be published on the company's website.

Title III

EQUITY CAPITAL

Minimum Equity Capital

Article 274

Founders of a limited liability company hall determine the amount of equity capital, which may not be less than 1 euro, unless higher amount of the minimum equity capital for companies carrying out certain activities was not prescribed by special law.

Increase of Equity Capital

Article 275

(1) Equity capital shall increase by:

1) new contributions of existing members or of a member who joins the company;

2) converting the company's reserves or profit to equity capital;

3) conversion of the company's receivables to equity capital;

4) status change that have as consequence equity capital increase.

(2) Equity capital shall increase based on the decision by the company's General Meeting.

Pre-emption Right of Contribution Subscription

Article 276

The company members have the preemptive right of contribution subscription when increasing equity capital by new contributions commensurate with their equity interests, unless otherwise provided by the instrument of incorporation.

Decrease of Equity Capital

Article 277

Limited liability company's equity capital may be decreased based on the decision by the General Meeting of members, but not below the minimum amount of equity capital prescribed by law.

Decrease of Equity Capital in Case of Loss

Article 278

If the company's net assets amounts to half or less of the value of the company's entered capital, the company may convene the company's General Meeting in accordance with the article 151 of this law.

Title IV

EQUITY INTERESTS

Acquisition of Equity Interests

Article 279

(1) The company member shall acquire equity interest in the company by paying in a contribution, commensurate to the value of the contribution entered, unless otherwise provided by the instrument of incorporation during the company's incorporation or by unanimous decision by the General Meeting in case of additional contribution.

(2) The company member may have only one equity interest in the company, which represent his percentage in the ownership of the company's capital.

(3) If one person simultaneously acquire ownership of several equity interests in the company, those equity interests shall merge and jointly make one equity interest.

Manner of Exercising Rights Based on Equity Interest

Article 280

(1) Equity interests shall not have a property of securities.

(2) Voting right of the limited liability company's members and their property rights against the company, shall be commensurate to the members' equity interests in the company's total capital.

Financial Help from Company

Article 281

(1) The company may not directly or indirectly give financial help of any kind for purchasing of own equity interest, unless by unanimous decision by all members of the company.

(2) Legal transaction concludes contrary to paragraph 1 herein shall be null and void.

Acquisition of Own Equity Interests

Article 282

(1) A limited liability company may acquire equity interest of one or more company members, if the company members whose equity interests make at least two thirds of total capital make such decision.

(2) A copy of the proposed contract on acquisition of own equity interests shall be delivered to all members at least 21 day prior to adoption of the decision.

(3) The company may pay the compensation for own equity interest only from:

1) company's reserve funds that can be used for these purposes;

2) funds generated by sale of the company's own equity interest acquired by exiting the company by that member.

(4) The company may not distribute profit to its members or acquire new own equity interests, until full amount of compensation for the equity interest is paid to the member who exited the company.

Transfer of Equity Interest between Company Members

Article 283

Equity interest may be transferred between the company members without limitations, unless otherwise provided by this Law or the company's Articles of Association.

Preemptive Equity Interest Purchase Right

Article 284

(1) If a company member intends to transfer his equity interest, the remaining members and the company, have preemptive right to purchase such interest, unless otherwise determined by the company's instrument of incorporation or Articles of Association.

(2) If there is no agreement on purchasing equity interests between a company member transferring equity interests and other company members, equity interest shall be distributed among the company members proportional to their equity interests, unless otherwise determined by the instrument of incorporation or Articles of Association.

(3) The company member transferring equity interest shall offer his interest to other company members and the company in writing, prior to transferring equity interest to third parties.

(4) An offer referred to in paragraph 3 herein shall contain: elements of agreement on transferring equity interest, address for submitting offer, deadline for concluding agreement on transferring equity interest, manner and deadline for payment of equity interest.

(5) An offer not containing elements referred to paragraph 4 herein shall be deemed as if not submitted.

(6) The company member who has preemptive right shall notify in writing the company member transferring equity interest on fully accepting the offer, within 30 days from the date of receiving the offer, unless the Articles of Association provided for different term, which may not be shorter than eight days nor longer than 180 days from the date of submitting the offer.

Breach of Preemptive Right

Article 285

(1) The company member with the preemptive right may bring the legal action for canceling an agreement on equity interest transfer, if the company member transferring the interest did not submit the offer to him in accordance to this Law.

(2) The legal action referred to in paragraph 1 herein shall be brought within 30 days from the date of learning about conclusion of the agreement on the interest transfer, but no later than the expiration of six months from the date of registration of transferring equity interest with the CRPS.

Transfer of Equity Interest to Third Party

Article 286

If the members and the company have refused the offer to purchase the equity interest referred to in Article 284 paragraph 3 herein within 30 days from the date of submitting the offer, the interest may be transferred to a third party under terms no more favorable than the terms offered to the company's members or the company.

Sale of Interest in Enforcement Procedure

Article 287

(1) The court shall notify the members of the company and the company on the sale of equity interest by enforcement procedure.

(2) If the company members and the company fail to express their interest to buy the interest within 15 days from the day of receiving the notice referred to in paragraph 1 herein, the interest in the company shall be sold in accordance with the provisions of the law governing the securing of enforcement.

Equity Interest Transfer by Succession

Article 288

(1) In the event of death of natural person or dissolution of a legal entity, the equity interest shall be transferred to his heirs or legal successors, unless otherwise provided by the company's Articles of Association.

(2) If the Articles of Association prohibits transfer of an equity interest, the company's members or the company hall purchase such equity interest in the manner and by the deadline provided for by the Articles of Association.

(3) If the company's members or the company do not buy the equity interest in accordance with paragraph 2 herein, the equity interest shall be withdrawn in accordance with Articles 219 through 224 herein.

Equity Interest Transfer by Agreement

Article 289

Equity interest in the company may be transferred on the bases of agreement concluded in writing, which is authenticated in accordance with law.

Consequences of Equity Interest Transfer

Article 290

In the event of an equity interest transfer, the transferor and transferee shall be, without limit, jointly and severally liable to the company for obligations due prior to the transfer of the interest in accordance with this Law.

Pledging Equity Interest

Article 291

(1) The company member may pledge equity interest or part therein, unless otherwise provided by the Articles of Association.

(2) The pledgee of equity interest shall have no voting right or managing right in the company until becoming the company member.

Title V

TERMINATION OF COMPANY'S MEMBER STATUS

Manners of Termination of Company's Member Status

Article 292

(1) The status of a member in a limited liability company shall cease in the event of:

1) death, or dissolution of a legal entity;
2) exiting the company;
3) transfer of equity interest;
4) expulsion from the company.

(2) Termination, procedure and consequences of termination of the status of company members, shall be regulated by the Articles of Association or the instrument of incorporation.

Exit of the Company Member

Article 293

(1) A member may exit the company at any time, if he does not ask for compensation for the equity interest in the company, unless his exiting in that case would cause damage to the company.

(2) The company member may not waive in advance the right to exit the company referred to in paragraph 1 herein, nor may this right may restricted by the company's acts.

(3) Exiting of the company member in accordance with paragraphs 1 and 2 herein shall not exclude the preemptive right of other company members referred to in Article 284 herein.

Exiting of Company Member in Case of Damage Caused

Article 294

(1) A member of a limited liability company may exit the company if other members or the company cause damage to him, if he is prevented from exercising his rights in the company or some members of the company or the company impose disproportionate obligations to him.

(2) A member of the company wishing to exit the company shall submit in writing to the company a request for exiting the company, stating the reasons for the exit and the amount of the required compensation for his equity interest in the company, within six months from the date of learning about the reason of exiting or two years after the reason of exiting occurred.

(3) The decision on accepting or rejecting the request for exiting shall be made by the company's General Meeting within 60 days from the date of receipt of the request and shall inform the applicant thereof within 15 days from the date of holding the General Meeting where the decision was made.

(4) The decision referred to in paragraph 3 herein, which accepts the request for exiting, shall contain a deadline for payment of the compensation for the interest, which cannot be longer than 120 days from the date of holding the General Meeting where the decision was made.

(5) If the General Meeting of the company fails to reach a decision within the deadline referred to in paragraph 3 herein, the request shall be deemed to be accepted in its entirety.

(6) In the event of adopting a decision rejecting the request, a member of a limited liability company has the right, within 30 days from the date of delivery of the decision rejecting his request, to initiate proceedings before the competent court to determine the justification of the reasons for the exiting the company and the determination of compensation in the amount of the market value of the interest.

(7) Article 282, paragraph 4 herein shall apply to the payment of the equity interest of a member of a company that has exited the company in accordance with paragraphs 1 and 2 herein, and the assets of the company's reserves may be used only for the purpose of paying the equity interest to the member who exited the company, until full payment.

(8) The court decision referred to in paragraph 6 herein may not determine the deadline for payment of the compensation for the equity interest exceeding 18 months from the date of finality of the judgment, taking into account the need to ensure the liquidity and viability of the company's operations.

(9) The decision on acceptance of the request to exit the company and proof of payment of the requested compensation, or the final court ruling on the exit shall be entered with the CRPS for registration of the termination of a member's status.

Right of Company in Event of Member Exiting Company

Article 295

(1) In the event of the exit of the company member contrary to the provisions of Articles 293 and 294 herein, the company is entitled to compensation for the damage caused by the exit of the company member.

(2) The company may not waive in advance the right referred to in paragraph 1 herein, nor may this right be excluded or restricted by the company's acts.

Expulsion of Company Member

Article 296

(1) A company member may bring legal action for the expulsion of a company member if:

1) a company member deliberately or through gross negligence causes significant damage to the company or to other company members;

2) a company member by his actions or omissions prevents or significantly impedes the company’s operations.

(2) For the equity interest of the company member expelled by a decision on expulsion, the court shall determine the compensation at the expense of the claimant in the amount of the value of the part of the liquidation residue that would have been paid to the expelled member, commensurate to his interest in the company's equity capital on the day of the passing the decision on his expulsion.

(3) When determining the compensation referred to in paragraph 2 herein, the court shall also determine the deadline for payment of the compensation, provided that period may not exceed two years from the date of the finality of the judgment.

(4) When determining the deadline for payment referred to in paragraph 3 herein, the court shall take into account the financial situation of the claimant and, at the request of the defendant, it may oblige the claimant to deposit the appropriate security means with regard to the enforcement of the judgment on the expulsion of a company member in the part of the payment of reimbursement for the contribution that is taken away.

(5) In the event of expulsion of a company member, the company reserves the right to compensation for damage caused to him by a company member with actions for which he was expelled from the company.

(6) A final and enforceable court ruling on the exclusion of a company member shall be submitted to the CRPS for registration of the termination of the status of member of the company.

Title VI

BODIES OF LIMITED LIABILITY COMPANY

Managing Bodies

Article 297

(1) A limited liability company's bodies are General Meeting and the Executive Director, and the Articles of Association of a limited liability company may also determine other managing bodies in accordance with this Law.

(2) Public limited liability companies must have managing bodies of a public joint stock company, in accordance with this Law.

(3) A limited liability company, deemed to be a large legal entity in accordance with law governing accounting, must have managing bodies as a joint stock company, in accordance with this Law.

(4) Companies referred to in paragraph 2 herein shall make adjustment of the managing bodies' structure, or the structure of members of such bodies within three months from passing of the decision by the commission for capital market determining successfulness of issue.

(5) Companies referred to in paragraph 3 herein shall make adjustment of the managing bodies' structure, or the structure of members of such bodies within six months from the end of financial year in which conditions for change of status were met.

General Meeting

Article 298

(1) The General Meeting of a limited liability company shall include all members of the company.

(2) Unless provided otherwise by the instrument of incorporation or the Articles of Association, the General Meeting of a limited liability company shall:

1) amend the company's instrument of incorporation and Articles of Association;

2) adopt the financial statements and auditor's reports if the financial statements were subject of an audit;

3) appoint and dismiss the Executive Director and determine remuneration for his work;

4) oversee the directors work;

5) decide on increase or reduction of the company's equity capital, as well as on each issue of securities;

6) decide on the distribution of profit and the manner of covering of losses, including the determination of the day of acquiring right to participate in profit distribution and the day of payment of share in profit to the company members;

7) decide on initiation of liquidation procedure, restructuring as well on submission of the petition for initiation of bankruptcy proceedings by the company;

8) appoint the liquidator;

9) decide on acquiring own equity interest;

10) decide on a request to exit company by a member;

11) decide on expulsion of the company member on the grounds of not paying or not entering a subscribed contribution;

12) decide on bringing a legal action for expulsion of a company member;

13) issue procura;

14) decide on initiating procedure and issue of power of attorney for representing the company in a dispute with procurator, as well as in a dispute with the Executive Director;

15) decide on initiating procedure an issue of power of attorney for representing the company in a dispute against a company member;

16) approve the agreement on entering a new member in the company and give consent to a transfer of equity interest to a third party;

17) decide on changes of the company's organisation form;

18) adopt the Rules of Procedure;

19) performs also other functions in accordance with this law, the company's instrument of incorporation or the Articles of Association.

(3) In limited liability companies referred to in Article 297, paragraph 2 herein, decisions referred to in paragraph 2 herein shall be in the exclusive competence of the general Meeting.

(4) The General Meeting session may be also held without convocation, if all the company members attend, unless otherwise provided by the instrument of incorporation or the Articles of Association.

Holding Sessions and Decision-Making

Article 299

(1) The General Meeting sessions can be held by using a conference link or other audio and visual communication equipment in such a way that all persons participating in the session can communicate with each other at the same time.

(2) Persons participating in the work of the session in the manner referred to in paragraph 1 herein shall be deemed to be personally present.

(3) A company member may vote by letter, unless otherwise stipulated by the foundation agreement, unless otherwise provided by the Articles of Association or General Meeting' Rules of Procedure.

(4) In the event of voting by letter, it shall be deemed for the purposes of determining the quorum that such company member is present at the session.

(5) Decisions of the General Meeting may also be adopted without a session, if all the company's members with voting right sign them.

Executive Director

Article 300

(1) The Executive Director shall be a mandatory body of a limited liability company.

(2) The Executive Director shall represent the company and conduct the company's operations in accordance with the instrument of incorporation, the Articles of Association and the company's General Meeting decisions.

(3) The Executive Director shall neither issue power of attorney for representation nor represent the company in a dispute in which he or his related person is the counterparty.

(4) In the event referred to in paragraph 3 herein, power of attorney shall be issued by the General Meeting, or other company body, in accordance with the company's the Articles of Association.

Requirements for Appointment of Executive Director

Article 301

(1) The Executive Director shall be named by the company's General Meeting in the manner determined by the company's instrument of incorporation or the Articles of Association.

(2) Only a natural person with legal capacity and person who established employment in the company may be appointed as the Executive Director.

(3) The requirements to be met by the Executive Director shall be determined by the company's Articles of Association.

Executive Director Term of Office Termination

Article 302

(1) The company's General Meeting may dismiss the Executive Director at any time, without indicating the reasons for dismissal, unless otherwise provided by the instrument for incorporation or the decision of the General Meeting.

(2) Article 174 herein shall apply *mutatis mutandis* to termination of a limited liability company's Executive Director term of office.

Title VII

KEEPING BUSINESS RECORDS AND PUBLICATION OF BUSINESS ACTIVITIY

Obligation of Keeping Acts and Documents

Article 303

(1) The company shall keep the following documentation:

1) instrument of incorporation and the Articles of Association;

2) decision on registration of company's incorporation;

3) company's general acts;

4) minutes from the sessions of General Meeting and the General Meeting decisions;

5) book of company's equity interest;

6) documentation based on which the ownership and other property rights of the company is proved;

7) contracts that the members of the managing bodies and the company members and persons related to them concluded with the company.

(2) The company shall keep the documentation referred to in paragraph 1 herein at its registered office or at other place known and accessible to all company members.

Access to Company Acts and Documents

Article 304

(1) A limited liability company members shall have the access to the company's acts and documentation in accordance to Articles 124, 125 and 126 herein.

(2) A limited liability company members who exited the company shall have right of access to the documents referred to in Article 124, paragraph 2 herein, that came to existence during their membership in the company.

Title VIII

RESTRUCTURING OF LIMITED LIABILITY COMPANY

Status Changes in Limited Liability Company

Article 305

Articles 239 through 252 herein with regard to joint stock company shall apply *mutatis mutandis* to the status changes procedures of a limited liability company.

Change of Form of Limited Liability Company

Article 306

(1) A limited liability company may change the form into joint stock company if:

1) the company's General Meeting of members adopts decision on change the form of a limited liability company into joint stock company;

2) company's capital is not less than EUR 25 000 at the moment of adopting the decision referred to in item 1 herein;

3) the company's Articles of Association determined that the company shall be organized as a joint stock company;

4) the members' equity interests in a limited liability company are annulled and if shares are being issued commensurate to the existing ownership structure, unless otherwise agreed by all interested members;

5) joint stock company's shares are registered in accordance with law governing capital market.

(2) A limited liability company that changed the form into joint stock company, limited or general partnership, shall continue operations in the new form from the date of registering the changes with the CRPS.

Title IX

DISSOLUTION OF LIMITED LIABILITY COMPANY

Grounds for Dissolution of Company

Article 307

A limited liability company shall cease to exist by deletion from the CRPS, due to following reasons:

1) status change which resulted in dissolution of company;

2) conducting the liquidation procedure based on the company's General Meeting decision;

3) conducting the liquidation procedure based on the court decision;

4) concluding the bankruptcy procedure in accordance with law governing bankruptcy.

PART SEVEN

CROSS-BORDER MERGER OF CORPORATIONS

Definition of Cross-Border Merger of Corporations

Article 308

(1) Cross-border merger of corporations shall be the merger of one or more companies (merged companies) that are registered in Montenegro by merging with the company (acquiring company) registered in another state, by transferring the entire assets and liabilities to that company, which in exchange either issues shares or issues equity interests to members of merged companies (cross-border merger by acquisition), or two or more companies (merged companies) are merged by forming a new company (acquiring company) that issues shares or issues shares of a newly formed company to the members of the merging companies (cross-border merger by forming a new company).

(2) The following entities may participate in cross-border mergers:

1) a joint-stock company or a limited liability company with a registered office in Montenegro;

2) a corporation registered in a Member State of the European Union or a State Party to the Treaty on the European Economic Area with its headquarters, administration or principal place of business in one of these States.

(3) The following entities may not participate in cross-border mergers:

1) cooperatives, which are registered in a Member State of the European Union or a State party to the Treaty on European Economic Area, as corporations;

2) investment fund management companies and investment funds.

(4) Cross-border merger may also be executed when one of the merged companies is incorporated and has a registered office in a non-member state of the European Union, or a State party to the Treaty on European Economic Area, when the acquiring company is established or already has a registered office in Montenegro.

(5) Provisions of Article 241 through 247 herein, which relate to the merger of joint stock companies, shall apply *mutatis mutandis* to cross-border merger procedures.

(6) In cases of cross-border mergers in which the law applicable to participants in a cross-border merger whose registered office is not in Montenegro allows payment in cash to members of merged companies exceeding 10% of the par value of shares or, if the par value does not exist, the carrying amount of the shares, or the equity interests representing the capital of the acquiring company.

Draft Agreement on Cross-Border Merger

Article 309

The managing bodies of companies participating in cross-border merger shall harmonize the draft cross-border merger agreement, which must contain the following information:

1) the form, registered name and registered office of the merged companies and the proposed form, the registered name and registered office of the acquiring company, if the cross-border merger procedure by forming a new company is being conducted;

2) value exchange ratio of shares or equity interests, and the proposed amount of compensation, if the cash amount is also additionally given for the fair amount;

3) conditions for the allocation of shares or equity interests representing the capital of the company arising from cross-border merger;

4) the consequences of merger on the status of employees in the companies participating in the merger procedure;

5) the date from which the persons who acquire shares or equity interests in the acquiring company are entitled to participate in the company's profit, as well as other conditions for acquiring that entitlement;

6) the date from which the actions of the merged companies shall be deemed and for accounting purposes shall be treated as actions undertaken by the acquiring company;

7) rights that the acquiring company gives to the company members that have special rights and to persons who own other securities bearing special rights, as well as the measures proposed in relation to them;

8) cash payments or other benefits for independent experts who examine cross-border merger agreements, as well as for members of the management and supervisory bodies of the merged companies;

9) the incorporation agreement and the acquiring company's Articles of Association;

10) information on how to involve employees when determining their rights to participate in the management of a company arising from cross-border merger;

11) appraisal of the assets and liabilities that are transferred to the acquiring company;

12) the date relating to the company's financial statements that are taken into account when determining the conditions of the merger.

Publication of Draft Agreement on Cross-Border Merger

Article 310

(1) The companies referred to in Article 308, paragraph 2, item 1 shall submit the draft cross-border merger agreement to the CRPS for registration and publication of data and information on cross-border merger in the Official Gazette of Montenegro.

(2) The data and information referred to in paragraph 1 herein must be published at least one month before the date of holding the company’s General Meeting at which decision on the cross-border merger is to be passes, as follows:

1) notice that the harmonized draft agreement on cross-border merger has been submitted for registration to the CRPS;

2) the form of company organization, the registered name and registered seat of each of the companies participating in the cross-border merger;

3) data on the registers in which the companies participating in the cross-border merger have been registered;

4) the manner in which creditors and minority members of companies participating in cross-border merger may exercise their rights, as well as the address where they can obtain the necessary information, free of charge.

Cross-Border Merger Report

Article 311

(1) The competent management bodies of each company participating in the cross-border merger procedure shall draft a written report on cross-border merger, for the purpose of informing the General Meeting of their companies or members.

(2) The report referred to in paragraph 1 herein shall contain a detailed reasoning of the harmonized draft agreement on cross-border merger, in particular the reasoning of

the legal consequences of the implementation of the cross-border merger procedure on members, creditors and employees of companies participating in cross-border merger.

(3) The company employees or their representatives must be given access to the report referred to in paragraph 1 herein at the latest one month prior to holding the General Meeting of the company on which the draft cross-border merger agreement will be deliberated.

(4) If the employees draft their opinion in writing on the report on the cross-border merger and submit it to the bodies referred to in paragraph 1 herein, this opinion must accompany the report on cross-border merger to be made available to the company's General Meeting at which the draft contract cross-border merger will be deliberated..

(5) An independent expert report on the proposed draft cross-border merger agreement shall be drawn up in accordance with Articles 242 and 246 herein.

Decisions of General Meeting of Participants in Cross-Border Merger

Article 312

(1) On the basis of the report referred to in Article 311, paragraphs 1 and 4 herein, the General Meeting of the merged company shall decide on the draft cross-border merger agreement, with the right to make a decision on accepting the draft cross-border merger agreement following the takeover of employees by the acquiring company, in accordance with law.

(2) The decision on cross-border merger and other decisions that shall be adopted at the acquiring company's general Meeting for the purpose of implementing the cross-border merger procedure, may be made by the Board of Directors or the Supervisory board instead of the General Meeting, if the conditions referred to in Article 242, paragraph 17 herein are met.

Simplified Cross-Border Mergers

Article 313

(1) The provisions of Article 309, paragraph 1, items 2, 3 and 5, Article 242, paragraphs 6 through 10 and Article 317, paragraph 3, item 3 herein shall not apply in the case of cross-border mergers by acquisition carried out by the acquiring company, which olds all shares and other securities bearing voting right of a merged company.

(2) In the event referred to in paragraph 1 herein, the provision of Article 312, paragraph 1 herein shall not apply to merged companies.

(3) If the cross-border merger by acquisition is carried out by the acquiring company, owning at least 90%, but not all shares and other securities bearing voting rights of the merged company, the provisions of Article 247 herein shall apply.

Special Rights of Company Members

Article 314

(1) Notwithstanding Article 308, paragraph 4 herein, the protection of the rights of dissatisfied members referred to in Article 127, paragraph 1 point 3 and the protection of the rights of creditors referred to in Article 243 herein shall apply to companies with a registered office in Montenegro participating in the cross-border merger procedure only when the remaining companies in the cross-border merger procedure, which are located in countries where there is no possibility of initiating such procedures, explicitly crept such possibility when deciding on the draft cross-border merger agreement, which the competent authority for the supervision of cross-border merger in Montenegro shall take into account *ex officio*.

(2) In the events referred to in paragraph 1 herein, the competent authority for supervision of the cross-border merger procedure may issue a certificate that all necessary actions in the cross-border merger procedure have been taken fully and in accordance with law and prior to the completion of the procedures referred to in paragraph 1 herein.

Registration Application of Cross-Border Merger and Issuance of Certificate of Eligibility for Cross-Border Mergers

Article 315

(1) The supervision of a company registered in Montenegro, involved in the cross-border merger procedure, shall be carried out by the competent registration authority.

(2) After the adoption of the harmonized draft cross-border merger agreement at the company's General Meeting, the Board of Directors, or the Executive Board of the merged company, or the Executive Director of a limited liability company in which there are no other management bodies, shall submit an application for the entry of a cross-border merger in the CRPS, specifying information referred to in Article 314 herein.

(3) When registering a cross-border merger, the competent registration authority shall enter a record of the validity of the merger with the CRPS after fulfilling the conditions determined by regulation of the country of the acquiring company.

(4) The competent registration authority shall publish the information on the cross-border merger in the Official Gazette of Montenegro with reference to the data on the duration of the procedures referred to in paragraph 2 herein and the existence of a record referred to in paragraph 3 herein.

(5) The decision on registration in the CRPS cross-border merger shall contain the data referred to in paragraph 4 herein.

(6) The merged company shall submit the decision referred to in paragraph 5 herein and the harmonized draft cross-border merger agreement passed by the General Meeting of the acquired company to the competent authority in the country where the acquiring company's registered office is located, no later than six months after the date of passing the decision.

(7) Upon receipt of the merger notification, the competent registration authority shall enter a record of the merger carried out in the CRPS, and shall submit a copy of the documentation of the acquired company at its possession to the competent authority referred to in paragraph 6 herein.

Registration Application of Cross-Border Merger of Acquiring Company Registered in Montenegro

Article 316

(1) The supervision over the implementation of the cross-border merger procedure for the acquiring company having a registered office in Montenegro shall be carried out by the competent registration authority.

(2) The competent registration authority shall determine whether the companies participating in the cross-border merger procedure harmonized adopted the draft cross-border merger agreement in accordance with law, and whether it contains provisions on the participation of the employees in managing the acquiring company.

(3) In the case of cross-border merger by acquiring, the application for the entry of a cross-border merger into the CRPS for the acquiring company shall be submitted by its Board of Directors, or the Executive Board, or the Executive Director for a limited liability company that does not have other management bodies, and if cross-border merger is carried out by forming a new company, the application for registration for the acquiring company is jointly filed by the authorized bodies of the merged companies.

(4) Together with the application for registration, the adopted cross-border merger agreement made in the form of a notary record shall be submitted as well as the decision referred to in Article 315, paragraph 5 of this Law for each of the merged companies, or equivalent documents of the states applying to those companies, which must not be older than six months.

(5) Following registration of the cross-border merger of companies, the competent registration authority shall publish the cross-border merger agreement in the Official Gazette of Montenegro and shall notify all registers in which the merged companies were registered through the system of interconnection of registers of companies referred to in Article 321 herein.

Legal Consequences of Cross-Border Merger

Article 317

(1) The legal consequences of the cross-border merger for the acquiring company registered in Montenegro shall occur on the date of registration with the CRPS, in accordance with Article 316 herein.

(2) The legal consequences of the cross-border merger for the merged company registered in Montenegro shall occur in accordance with the regulations of the country in which the registered office of the acquiring company is located.

(3) Cross-border merger of companies referred to in paragraphs 1 and 2 herein:

1) may not be declared null and void;

2) all assets and liabilities of the merged companies are transferred to the acquiring company;

3) members of the merged companies become members of the acquiring company;

4) merged companies cease to exist;

5) the rights and obligations of the merged companies from employment and legal relationships, which arose before the date of registration of the cross-border merger, shall be taken over by the acquiring company.

PART EIGHT

FOREIGN COMPANY BRANCH

Manner of Foreign Company Registration

Article 318

(1) A foreign company branch shall be a branch of a company established and registered outside Montenegro which performs business activity on the territory of Montenegro.

(2) Any foreign company performing economic activity through its branch on the territory of Montenegro shall perform business activity in accordance with regulations of Montenegro.

(3) Foreign companies which establish foreign company branches in Montenegro shall submit for registration to the CRPS within 30 days from the day of the establishment of the branch the following data:

1) the address of the registered office of the foreign company branch in Montenegro;

2) the business activity of the company;

3) the registered name and form of organization of the foreign company and the registered name of the foreign company branch if it is different from the registered name of the company;

4) an authenticated copy of the Articles of Association of the foreign company and a translation of the Articles of Association in Montenegrin language, authenticated by a court interpreter, unless adoption of the Articles of Association is mandatory in the state where the foreign company is registered;

5) a copy of the foreign company's registration certificate or a corresponding authenticated document confirming the validity of the company registration in its home state;

6) the names and addresses of the persons who are authorized to represent the company in Montenegro, or a company body or members of such body, permanent representatives of the company for the activities of the foreign company branch, and the authorizations for such persons to represent the company, jointly or individually;

7) the most recent balance sheet and income statement or similar financial documents prescribed by the law of the country where the company is registered.

(4) Foreign companies which established its branch on the territory of Montenegro shall submit within 20 days from the change in data referred to in paragraph 3 herein to the CRPS for registration as follows:

1) notice of liquidating the company, the appointment of liquidator, data on opening of bankruptcy proceedings or other proceedings conducted against the company;

2) data on the cessation of business activity of the company branch.

(5) A foreign company branch shall state in business letters and other business documents:

1) name of the competent registration authority;

2) a number it was registered by with the CRPS;

3) registered name, form of organization and registered office of a foreign company and a registered name of a foreign company branch, if different from the foreign company registered name;

4) registered office of the foreign company branch;

5) note that a foreign company is undergoing liquidation procedure.

PART NINE

REGISTRATION

Manner of Registering with CRPS

Article 319

(1) Registration with the CRPS shall be made based on the registration application or *ex officio*.

(2) The registration application referred to in paragraph 1 herein shall be submitted on the form prescribed by the state administration authority responsible for finance (hereinafter: the Ministry).

Submission of Registration Application and Accompanying Documentation

Article 320

(1) Registration application shall be submitted to the CRPS in written or electronic form, in accordance with the special regulation.

(2) Registration application for registration of data or change of data, accompanied with the prescribed documentation shall be submitted by the authorized person of the company or entrepreneur.

(3) The founder of the company or a person authorized by the founder shall be considered as the authorized person referred to in paragraph 2 herein in case of registration of the company, or representatives of the company referred to in Articles 24 and 25 herein and persons authorized by these representatives, in case of registration of a change.

(4) An entrepreneur and a person authorized by the entrepreneur shall be considered an authorized person referred to in paragraph 2 herein, in the event of registration of an entrepreneur, or entrepreneur, manager and a person authorized by these authorized persons, in the event of registration of a change.

(5) A legal representative of a foreign company and a person authorized by a legal representative of a foreign company shall be considered as an authorized person referred to in paragraph 2 herein, in the event of registration of a foreign company branch, or persons referred to in Article 318, paragraph 3, item 6 herein, and persons authorized by such persons, in the event of registration of a change.

(6) In the event of bankruptcy, the authorized person shall be the bankruptcy administrator and other persons determined by the law regulating bankruptcy or persons authorized by them.

(7) In the case of liquidation of a joint stock company, a limited liability company, a limited partnership and a general partnership, the authorized persons shall be liquidators.

(8) Upon receipt of the registration application and documentation, a certificate of receipt of the registration application and documentation, which shall include the date of submission of the registration application or the of issue of the certificate, shall be issued to the authorized person.

Registration Number in CRPS

Article 321

(1) When registering with CRPS, a company, a foreign company branch and an entrepreneur shall be assigned a registration number.

(2) In addition to the unique mark of the registered entity, the registration number referred to in paragraph 1 herein must also contain a label that will be common to all entities registered in the CRPS, so that through the system of interconnection of business registers it could undoubtedly be established that the company was registered in Montenegro.

(3) The system of interconnection of registers of undertakings referred to in paragraph 2 herein is a system of connection between registers of economic entities of the Member States of the European Union, which is based on a common electronic and technology platform and a portal representing a single European access point.

(4) The competent registration authority shall reject the application for registration if:

1) data entered in the registration application is incomplete;

2) complete documentation has not been submitted with the application;

3) another form of performing a business activity is registered under the same name;

4) a special condition for the rejection of the registration application, prescribed by other law, has been met.

(5) The decision on the rejection of the registration application shall be made within three working days from the day of submitting the application.

(6) If the competent registration authority does not reject the application within the deadline referred to in paragraph 5 herein, the registration shall be deemed to be carried out according to that application.

(7) Registration of data from the application and documentation with the CRPS shall be made on the basis of the decision on registration.

(8) The CRPS shall register the data from the application and documentation enclosed with the application based on the decision on registration.

(9) The decision on registration shall be submitted to the registration applicant or to an authorized person within eight days from the date of the decision, by mail or by electronic means in accordance with law.

(10) The decision referred to in paragraph 7 herein shall also designate the tax identification number, the VAT registration number and the registration number of the excise taxpayers, in accordance with law.

(11) An appeal may be filed with the Ministry against the decision referred to in paragraph 5 and 7 herein.

(12) The appeal referred to in paragraph 9 herein shall stay the execution of the decision.

CRPS Registration Fee

Article 322

(1) A fee shall be paid for registration with CRPS.

(2) A fee referred to in paragraph 1 shall be as follows:

1) for registration of a joint stock company - EUR 50;

2) for registration of entrepreneur, general partnership, limited partnership, and limited liability company - EUR 10;

3) for the issuance of an authenticated decision on registration or a certificate that the business organization or entrepreneur is not registered - EUR 5;

4) for the submission request for deletion - EUR 5;

5) for publication of data in the Official Gazette of Montenegro - amount of actual publication costs.

(3) Proceeds from fees referred to in paragraph 2 herein shall be revenues of the Budget of Montenegro.

Liability for Registered Data Authenticity

Article 323

(1) The registered data in the CRPS must be identical to data from the registration application.

(2) Persons that conclude legal transactions with registered companies and entrepreneurs shall bear the risk of determining the accuracy of the data contained in the registry for their needs, unless otherwise provided by this Law.

The Manner of Keeping and Access to CRPS

Article 324

(1) The CRPS shall be kept in electronic form.

(2) The data entered in the CRPS is public.

(3) The constituent part of the CRPS is the collection of documents comprising of original documentation enclosed with the registration application.

(4) Inspection of collection of documents referred to in paragraph 3 herein may be carried out for six hours on each business day.

(5) Inspection of the data registered with CRPS may be carried out through the electronic means of communication, in accordance with law governing electronic administration and electronic business operations.

(6) The law governing personal data protection shall govern personal data processed in the procedure of registration with the CRPS.

(7) More detailed manner of keeping and inspecting data in CRPS shall be determined by the Ministry regulation.

PART TEN

PENALTY PROVISIONS

Fines

Article 325

(1) A fine in the amount of EUR 1,000 to EUR 10,000 shall be imposed on a company or another form of organization pursuing economic activity for the offences referred to in paragraph 3 herein.

(2) A fine in the amount of EUR 250 to EUR 2,500 shall be imposed on any person within a company or another form of organization pursuing economic activities, responsible for the offences referred to in paragraph 3 herein.

(3) A company or another form of organization pursuing economic activities shall commit an offence if:

1) it conducts a business activity without a special licence for conducting such activity, if such a licence is envisaged by a separate regulation;

2) If in conducting its business activity, it does not use the registered name of the company (Article 6, paragraph 4, Articles 17, 18, 19, 20, 21 and 22, Article 67, Article 80, Article 113, paragraph 2, item 2, Article 114, paragraph 1, item 1, Article 118, paragraph 1, item 5, Article 143, paragraph 8, Article 242, paragraph 1, items 1 and 9, Article 242, paragraph 15, item 2, Article 249, paragraph 3, item 4, Article 260, paragraph 6, Article 270, paragraph 1, items 1, 2 and 5, Article 271, paragraph 1, item 1, Article 272, paragraph 4, Article 273, paragraph 1, item 2, Article 309, paragraph 1, item 1, Article 310, paragraph 2, item 2, Article 318, paragraph 3, item 3 and paragraph 5, items 1 and 3);

3) a member or shareholder misuses the fact they are not liable for obligations of limited partnership, limited liability company or joint stock company (Article 12, paragraphs 1 and 2);

4) it performs business without the minimum of equity capital determined by the law (Article 105, paragraph 3, Article 231, paragraph 1, item 1, Article 249, paragraph 1, Articles 274 and 277);

5) it distributes profit, does not pay back the received profit, or pays out dividends contrary to this Law, the incorporation agreement, the Articles of Association or other valid regulation (Article 218, Article 237 and Article 238, paragraph 4);

6) it increases capital or issues new shares or issues equity interest contrary to this Law, the incorporation agreement, the Articles of Association or other valid regulation (Article 204, Article 208, paragraph 2, item 1, Articles 211, 212, 213, 214, 215, 216, 217, 275 and 276);

7) it fails to elect or appoint mandatory bodies, officers or an auditor of the company within the deadlines determined by law (Article 133, paragraph 1, item 3, Article 158, paragraph 1, Article 172, paragraph 1, Article 179, paragraph 1, Article 187, paragraph 1, Article 194, paragraph 1, Article 197, paragraph 1, Article 298, paragraph 2, item 3, Article 301, paragraph 1);

8) it carries out or attempts to carry out improper influence on the work of the auditor (Article 201);

9) it provides loan, guarantee or other type of financial assistance to individual for the purpose of purchasing the company's shares contrary to this Law (Article 233, paragraph 1);

10) it makes a public call for subscription and payment for shares in a prospectus or other public document which includes a false statement, false data or does not include the data in accordance with law (Article 202, paragraph 2);

11) it fails to keep the book of decisions in the manner determined by this Law (Article 108, paragraph 3);

12) it fails to make a report on relationship with the parent company and companies in which its parent company has the status of the parent company or subsidiary (Article 133, paragraph 2);

13) fails to conduct adjustment of the management bodies within a deadline prescribed by this Law (Article 297, paragraphs 4 and 5);

14) in conducting business activity based on public authority or based on a licence for performing activity received in accordance with special regulation it imposes on other forms of organization pursuing economic activities an obligation to make and use own seal as a condition for entering a legal transaction;

15) in the event of shares of the same class with different par value existing in that company, it does not carry out share capital adjustment within the deadlines prescribed by this Law (Article 329, paragraphs 6 and 7).

Article 326

(1) A fine in the amount of EUR 750 to EUR 7,500 shall be imposed on a company or another form of organization pursuing economic activity for the offences referred to in paragraph 3 herein.

(2) A fine in the amount of EUR 150 to EUR 1,500 shall be imposed on any person within a company or another form of organization pursuing economic activities, responsible for the offences referred to in paragraph 3 herein.

(3) A company or another form shall commit an offence if:

1) it fails to make duly submission of the Witten instrument of incorporation and the Articles of Association or it fails to enter in these acts the data prescribed by the law (Articles 62, 67, 68, 93, 94, 113, 114, 115, 270, 271, 272, Article 318, paragraph 3 and Article 323);

2) If it fails to timely submit for registration the data prescribed by this Law, or any changes of such data that it is obliged to submit in accordance with this Law (Article 7, Article 60, paragraph 1, Article 80, Article 99, Article 119, Article 171, paragraph 6, Article 174, paragraph 6, Article 191, paragraph 8, Article 199, paragraph 2, Article 204, paragraph 11, Article 216, paragraph 1, Article 220, paragraph 4, Article 242, paragraphs 15 and 18, Article 243, paragraph 1, Article 251, paragraph 5, Article 255, paragraph 1, Article 273, paragraph 1 and Article 318, paragraph 4);

3) If it refuses to give information or answer that it is obliged to provide pursuant to this Law or the Articles of Association, incorporation agreement or other instrument of incorporation to a member or shareholder of the company, or if it provides false information or prevents them from exercising their right to get information, or if it fails to make public information required to be disclosed by law, if it fails to issue notices in the manner required by law, or if it makes false public statement or other public notice or announcement (Article 100, Article 117, paragraph 3, Articles 124, 125, 126, 138 and 151, Article 198, paragraph 2, Article 242, paragraph 11, Article 258, paragraph 3 and Article 304);

4) in the event of failed issuance of shares, it fails to refund contributions to the persons who subscribed and paid shares offered for sale in the failed issuance procedure, within the deadline set by law (Article 110, paragraph 4);

5) it fails to hold the ordinary General Meeting of shareholders within the prescribed deadline (Article 135, paragraph 6) or fails to hold General Meeting of shareholders within the deadline prescribed by the court ruling (Article 152);

6) it fails to provide compliance with the prescribed procedure for convening the General Meeting (Articles 135, 136, 137 and 138);

7) it fails to state the prescribed data in business letters and other business documents, or on its website (Article 118 and Article 318, paragraph 5);

8) it fails to pass the decision on issue of bonds in the procedure prescribed by this Law (Article 209, paragraph 3 and Article 210, paragraph 2);

9) it fails to allow voting by electronic means in accordance with this Law (Articles 136, 145 and 147);

10) it fails to make available voting results to shareholders in accordance to this Law (Article 150);

11) it fails to acquire or dispose of own shares in accordance with this Law (Articles 225, 226, 227, 228, 229 and 230);

12) it decreases capital contrary to the provisions on the creditors' protection (Articles 219, 220, 221, 222, 223, 224 and 278);

13) in the case of termination of membership of a member of the Board of Directors, member of the Executive Board or the Supervisory Board, it fails to elect a new Board of Directors within 60 days from the date of termination of membership in accordance with this Law (Article 171, paragraph 7, Article 179, paragraph 4 and Article 190);

14) fails to provide for the appropriate structure of the Board of Directors (Articles 155 and 297), or the Supervisory Board (Articles 176 and 297).

Article 327

An entrepreneur shall be fined with EUR 500 to 5,000 for the offence if he:

1) conducts business form a place which is not registered in accordance with this Law, unless conducting business outside the registered place is only possible or habitual, due to the nature of the business (Article 62);

2) fails to display the registered name in its registered office, as well as at other place of conducting business activity (Article 17, paragraph 4);

3) performs the business activity through a manager who is not registered in accordance with law on registration, is not employed with the entrepreneur or does not meet special requirements prescribed with the regard to entrepreneur's personal qualifications (Article 63);

4) fails to make registration in accordance with Article 329, paragraph 4 herein.

PART ELEVEN

TRANSITIONAL AND FINAL PROVISIONS

Passing Secondary Legislation

Article 328

(1) Secondary legislation referred to in Articles 319 and 324 herein shall be passed within 60 days from the date of this Law enters into force.

(2) Until the adoption of regulation referred to in paragraph 1 herein, the regulation passed pursuant to the Law on Business Organizations (Official Gazette of the Republic of Montenegro, No. 6/02 and Official Gazette of Montenegro, no. 17/07, 80/08 and 36/11).

Harmonization of Organization and Registration

Article 329

(1) Joint stock companies and limited liability companies referred to in Article 297, paragraphs 2 and 3 herein, registered with the CRPS until the entry into force of this Law, shall harmonize the organization (the Article of Association, the company bodies and other acts) with this Law and execute registration of changes within nine months from the date of entry into force of this Law.

(2) Other companies registered in the CRPS until the entry into force of this Law shall be obliged to harmonize the organization with this Law and register the changes in the CRPS within 18 months from the date this Law enters into force, in order to comply with the provisions of this Law.

(3) General partnerships and entrepreneurs who were not registered with the CRPS until the entry into force of this Law, shale register with the CRPS in accordance with this Law, within nine months from the date of entry into force of this Law.

(4) Entrepreneurs, who are registered with the CRPS until the entry into force of this Law, shall harmonize their operations and submit a registration application for registration with the CRPS in accordance with this Law, within six months from the date of entry into force of this Law.

(5) Within 30 days after the expiration of the deadlines referred to in paragraphs 1 and 2 herein, the competent registration authority shall initiate proceedings before the competent court for the court liquidation of companies that have not fulfilled the obligation to register within the established deadline and delete them after the court liquidation proceeding has been carried out.

(6) Joint stock companies in which ordinary shares of different par value existed on the date of entry into force of this Law shall split ordinary shares of a higher par value into ordinary shares with the lowest par value in the company, within one year from the date of entry into force of this law.

(7) The provisions of paragraph 6 of this Article shall also apply to other classes of shares.

Procedures Pending

Article 330

The procedures for registration and restructuring of companies that have started before the entry into force of this Law shall be completed according to the law in force at the time of the initiation of the procedure.

Application of Provisions

Article 331

The provisions of Article 120, paragraphs 8 and 9 and Articles 308 through 317 herein shall apply from the date of accession of Montenegro to the European Union.

Expiry

Article 332

The Law on Business Organizations (Official Gazette of the Republic of Montenegro, No. 6/02 and Official Gazette of Montenegro, no. 17/07, 80/08 and 36/11) shall be repealed with effect on the date of entry into force of this Law.

Entry into Force

Article 333

This Law shall enter into force on the eighth day following that of its publication in the Official Gazette of Montenegro.