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15 June 2017 [shall come into force from 13 July 2017].
If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima*[1] has adopted and
and the President has proclaimed the following law:

The Commercial Law

Part A
General Principles of Commercial Activities

Division I
Merchants and Commercial Activities

Section 1. Merchants and Commercial Activities

(1) A merchant is a natural person (individual merchant) or a commercial company (partnership and capital company) registered with the Commercial Register.

(2) Commercial activity is an open economic activity, which is performed by merchants in their name for the purposes of gaining a profit. Commercial activity is one of the types of entrepreneurial activity.

(3) Economic activities are any systematic, independent activities for remuneration.

(4) In this Law it may be specified that particular types of economic activities may only be performed by a merchant. The status of a merchant may be granted by law also to other persons.

[14 February 2002]

Section 2. Legal Effect of Registration

If a merchant is registered in the Commercial Register, an objection that the economic activities, which are performed by utilising the firm name registered in the Commercial Register are not commercial activities shall not be allowed.

Section 3. Legal Regulation of Commercial Activities

(1) Commercial activities shall be regulated by this Law, by The Civil Law and other laws, as well as by the norms of international law that are binding on Latvia.

(2) The provisions of The Civil Law shall apply to commercial activities only insofar as this Law or other laws that regulate commercial activities do not specify otherwise.

(3) The provisions of this Law shall apply to persons who are not merchants, or to economic activities that are not commercial activities if this Law or another law especially provides for it.

(4) The provisions of this Law shall not apply to agricultural production and other trade activities, which are performed by a natural person and are regulated by other laws, if the person who performs them has not been registered in the Commercial Register as an individual merchant.

(5) In respect of a commercial companies significant for national security the provisions of this Law shall be applied in so far as it is not otherwise provided for in the National Security Law.

[14 February 2002; 23 March 2017]

Section 4. Restrictions on Commercial Activities

(1) Restrictions on commercial activities may only be specified by law or on the basis of law.

(2) Merchants have the right to freely choose types of commercial activities that are not prohibited by law.

(3) In this Law, separate types of commercial activities may be specified, for the performance of which a permit (licence) is necessary, or also that may be performed by merchants in conformity with the requirements specified by this Law.

(4) Restrictions on commercial activities for a natural person may be determined by:

1) a ruling made within criminal proceedings, by which the person is deprived of the right to perform commercial activities of all types or specific type;

2) a ruling made within criminal proceedings or administrative violation proceeding, by which the person is deprived of the right to hold certain offices.

[14 February 2002; 29 November 2012]

Section 4.[1] Restriction on Commercial Activity Specified for a Natural Person

(1) If a natural person, on the basis of a ruling made within criminal proceedings, has been deprived of the right to perform commercial activities of all types or specific type, the following is prohibited during the period of prohibition specified in the relevant ruling:

1) to apply himself or herself for entering in the Commercial Register as an individual merchant and to perform commercial activities as an individual merchant;

2) to be the founder of a commercial company;

3) to become a member, shareholder, stockholder of a commercial company, except the case when shares, stocks or investment (capital) of the equity capital are inherited;

4) to be the secretary of a partnership or a member of a partnership with the right of representation;

5) to be a member of the board of directors or council of a capital company;

6) to participate in taking of a decision of the meeting of shareholders in the case specified in Section 210, Paragraph two of this Law;

7) to be a proctor, a person with a commercial power of attorney or a person who is authorised to represent a foreign merchant in activities related to a branch;

8) to be the liquidator of a commercial company;

9) to give instructions or advices to an individual merchant, member, shareholder or stockholder of a commercial company, a member of the board of directors or council, a proctor or a person with a commercial power of attorney, or otherwise influence them.

(2) The prohibitions specified in Paragraph one of this Section shall be applicable to a natural person who has been deprived of the right to perform commercial activities of specific type only in relation to the type of commercial activity specified in the relevant ruling. If the legal status of such person allows taking of decisions in a commercial company, he or she is prohibited to take decisions in issues which are related to the type of commercial activity specified in the relevant ruling.

(3) An individual merchant who has been deprived of the right to perform commercial activities of all types or specific type has an obligation to suspend his or her activity for the period of prohibition specified in the relevant ruling to the relevant extent or to terminate his or her status of individual merchant, with or without alienating the undertaking.

(4) The sole member of a limited liability company who has been deprived of the right to perform commercial activities of all types or specific type has an obligation to suspend the activity of the company for the period of prohibition specified in the relevant ruling to the relevant extent, to terminate the activity of the company or to alienate the equity capital shares.

(5) If a natural person has been deprived of the right to perform commercial activities of all types or specific type, he or she has an obligation to inform the merchant thereof immediately after entering into effect of the relevant ruling, but if the merchant is a commercial company - also members, shareholders or stockholders thereof.

(6) Application of this Section is without prejudice to the provisions of Section 5 of this Law.

[29 November 2012; 2 May 2013]

Section 4.[2] Restrictions on Holding Offices Specified for a Natural Person

(1) If a natural person, on the basis of a ruling made within criminal proceedings or administrative violation proceedings, has been deprived of the right to hold certain offices in a commercial company and in administrative bodies thereof, the relevant natural person is not entitled to be:

1) the secretary of a partnership;

2) a member entitled to represent a partnership;

3) a member of the board of directors of a capital company;

4) a member of the council of a capital company;

5) a proctor;

6) a person with a commercial power of attorney;

7) a person who is authorised to represent a foreign merchant in activities related to a branch;

8) a liquidator of a commercial company;

9) a company controller;

10) an auditor.

(1[1]) If a court, on the basis of a ruling made within civil proceedings, has restricted the legal capacity of a natural person of legal age (due to disorders of mental nature or other health disorders or due to dissolute or wasteful life of a person), the relevant natural person shall not be entitled to hold the offices referred to in Paragraph one, Clauses 3-10 of this Section.

(2) If a natural person has been deprived of the right to hold certain offices or if a court has restricted his or her legal capacity, such person has an obligation to inform the merchant thereof immediately after entering into effect of the relevant ruling, but if the merchant is a commercial company - also members, shareholders or stockholders of the relevant commercial company. If legal capacity has been restricted and trusteeship has been established for a natural person, the obligation of informing shall rely on his or her trustee who provides information without delay as soon as he or she has learned or he or she should have learned that the relevant person holds a certain office.

(3) Application of this Section is without prejudice to the provisions of Section 5 of this Law.

[29 November 2012; 2 May 2013; 16 January 2014]

Section 5. Merchant Status and Public Law

The provisions of public law which prohibit the performance of specified types of commercial activities or restrict the performance thereof, or also provide for certain preconditions for the performance of such type of commercial activities, shall not influence the application of the provisions of private law, which have arisen, have been amended or have ceased on the basis of this Law.

[29 November 2012]

Division II
The Commercial Register

Section 6. Maintenance of the Commercial Register

(1) Information as specified by law shall be entered and the documents specified by law shall be stored in the Commercial Register regarding merchant and commercial activities.

(2) The Commercial Register shall be maintained by a State institution authorised by law (hereinafter - the Commercial Register Office).

[22 April 2004]

Section 7. Transparency of the Commercial Register

(1) Everyone has a right to become acquainted with the records of the Commercial Register and the documents submitted to the Commercial Register Office.

(2) After submission of a written request, everyone has the right to receive information on the records of the Commercial Register and extracts and copies of documents present in the registration file of the merchant in printed form or in electronic form. The accuracy of the extract or copy of the document shall be certified in accordance with the procedures specified in laws and regulations, unless the recipient refuses such certification. When issuing a copy of the document in electronic form, the accuracy thereof shall be certified in accordance with the procedures specified in the Electronic Documents Law. A copy of the document in printed form shall be certified in accordance with the procedures specified in laws and regulations in such case, if the recipient thereof has clearly requested such certification.

(3) Pursuant to a request of the recipient, an official of the Commercial Register Office shall issue a notice that the specified record in the Commercial Register has not been amended, or also regarding the fact that a specific record has been made.

(4) After submission of a written request, everyone has the right to receive a notification from the Commercial Register Office regarding each application received in the registration file of the relevant merchant. The Commercial Register Office shall send the notification on the day when the application was received. The nature of the application and the date of receipt thereof shall be indicated in the notification. The way and procedures for sending the notification shall be determined by the Cabinet.

[24 April 2008; 2 May 2013; 6 November 2013]

Section 8. Contents of the Records in the Commercial Register

(1) In respect of an individual merchant the following information shall be entered in the Commercial Register:

1) firm name;

2) given name, surname, personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) of the merchant;

3) legal address;

4) branch firm name, if it is different from the firm name of the merchant, and its legal address.

(2) In respect of a partnership the following information shall be entered in the Commercial Register:

1) firm name;

2) type of partnership;

3) amount of contribution by each limited partner and the total amount of limited partner contributions;

4) given name, surname, personal identity number (if the person does not have a personal identity number - the

date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) of the members and limited partners personally liable for the partnership, but for legal persons - name, registration number and legal address;

5) the right of members of the partnership to represent the partnership individually or jointly, indicating the given name, surname, personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) of each member of the partnership authorised for representation, but for legal persons - firm name, registration number and legal address;

6) legal address;

7) if the partnership has been established for a specific time period or for achievement of a specific objective - the time period for which it was established or the objective;

8) branch firm name, if it is different from the firm name of the partnership, and its legal address.

(3) In respect of a capital company the following information shall be entered in the Commercial Register:

1) firm name;

2) type of capital company;

3) given name, surname, personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) and office held of the members of the board of directors, members of the council (if the capital company has formed a council);

4) the right of the members of the board to represent the capital company individually or jointly;

5) amount of equity capital, separately indicating the subscribed and paid-up amounts of equity capital;

5^1) amount of conditional equity capital of a joint stock company;

6) [14 February 2002];

7) legal address;

8) if the capital company has been established for a specific time period - the time period for which it was established;

9) branch firm name, if it is different from the firm name of the capital company, and its legal address.

(4) In respect of a branch of a foreign merchant the following information shall be entered in the Commercial Register:

1) branch firm name, if it is different from the firm name of the foreign merchant, and the firm name of the foreign merchant;

2) legal address of the branch and the location of the foreign merchant (legal address);

the register where the foreign merchant is registered, and registration number, if the law of the state of the location of the foreign merchant provides for the entering of a merchant in a register;

3) the type of foreign merchant;

4) amount of equity capital of the foreign merchant, separately indicating the subscribed and paid-up amounts of equity capital, if the foreign merchant is a capital company and this information is entered in the state register in which the foreign merchant is entered.

(5) In addition to the information referred to in Paragraphs one, two, three and four of this Section, the following information shall be entered in the Commercial Register:

1) given name, surname and personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) of the proctor, as well as a reference to a total procuration or branch procuration if such procuration has been issued, and a reference to the granting of the rights referred to in Section 34, Paragraph two of this Law if such rights have been granted, as well as the right of the proctor to represent a commercial company individually or jointly with one or several members of the board or members of the partnership;

2) the given name, surname, personal identity number (if the person does not have a personal identity number - the

date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) and scope of authorisation of those persons who are authorised to represent a merchant (foreign merchant) in activities related to a branch;

3) information on the re-organisation of the activities of a merchant (foreign merchant);

4) information on the appointment of an administrator of insolvency proceedings (hereinafter - the administrator), indicating the given name, surname, personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document), information on the implementation and termination of legal protection proceedings of a merchant (foreign merchant), information on the declaration and termination of the insolvency proceedings of the merchant (foreign merchant), information on the completion of bankruptcy proceedings of the merchant (foreign merchant);

4^1) information on the suspension or renewal of activities of a merchant by indicating the grounds for the suspension or renewal of activities;

5) information on the termination and liquidation of activities of a merchant (foreign merchant) by indicating the grounds for termination of activities, as well as on the appointment of a liquidator by indicating the given name, surname, personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) thereof, but if the liquidator of the foreign merchant is a legal person - the firm name, registration number and legal address;

6) information on the entering into a group of companies agreement, amending or termination thereof by indicating the dominant and dependent company, registration number and date of entering into agreement;

7) the given name, surname, personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority which issued the document) of the guardian of an individual merchant or a member of partnership with the right of representation;

7^1) information on the establishment of trusteeship for an individual merchant or a member of partnership with the right of representation, if a court has restricted legal capacity of the relevant person;

8) date of the entry of each record.

(6) Other information shall be entered in the Commercial Register, if such is explicitly provided for by law.

(7) Upon the registration of a merchant, an individual registration number shall be granted to them.

[14 February 2002; 22 April 2004; 16 March 2006; 24 April 2008; 15 April 2010; 16 June 2011; 29 November 2012; 2 May 2013; 16 January 2014; 15 June 2017]

Section 9. Documents to be Submitted to the Commercial Register Office and their Preservation

(1) Documents which justify the making of an entry in the Commercial Register, and other documents specified by law shall be submitted to the Commercial Register Office. These documents shall be submitted in printed form or in electronic form. The relevant original document or an appropriately certified copy thereof shall be submitted to the Commercial Register Office. If it is specified in the law that the signature of a person on the document (application, document to be appended to the application or another document) must be notarised, such requirement shall be deemed as complied with, if the signature has been certified by a sworn notary, an official of the Commercial Register Office or, if the document has been drawn up in electronic form, it has been signed by a secure electronic signature. If it is specified in the law that the signature of a person on the document (application, document to be appended to the application or another document) must be notarised, an authorisation for another person to sign such document shall be notarised. In certifying the signature, the sworn notary shall examine the legal capacity of the person and the amount of authorisation of the authorised person or representative. If the signature of the person is certified by an official of the Commercial Register Office, the legal capacity of the person and the amount of authorisation of the authorised person or representative shall be examined by the official of the Commercial Register Office. If the document has been drawn up in electronic form and signed with a secure electronic signature, the official of the Commercial Register Office shall examine the legal capacity of the person on the basis of the data of the Population Register, as well as the amount of authorisation of the authorised person or representative.

(1^1) Public documents issued in foreign states shall be legalised in accordance with the procedures specified in international agreements, and a notarised translation in the Latvian language shall be appended thereto. A certified translation in the Latvian language according to the regulatory enactments determining the procedures by which translations of documents in the official language shall be certified, shall be appended to private documents in a foreign language. Documents to be submitted to the Commercial Register Office in the Latvian language may be appended a translation in a foreign language. If an inconsistency is determined between a document submitted in the Latvian language and a translation thereof in a foreign language, a merchant or a person in the interests of whom this translation has been submitted may not use it against a third party. The third party in respect of the merchant or the

person in the interests of whom this translation has been submitted may refer to this translation, except in case when the third party knew the content of the document in the Latvian language.

(2) Following amendments made in the documents of incorporation of a capital company (memorandum of association, articles of association), the text of the amendments, as well as the full text of the document as amended, shall be submitted to the Commercial Register.

(3) Documents submitted to the Commercial Register Office shall be preserved in the relevant Commercial Register file of the merchant. Annual accounts and documents to be appended thereto shall be kept only in electronic form in the file.

(3^1) An extract from the notarial deed book of the minutes or decision of the meeting of shareholders (stockholders) of a capital company shall be submitted to the Commercial Register Office, if it has been specified in the articles of association of the capital company that the progress of the meeting of shareholders (stockholders) shall be certified by a sworn notary.

(4) A person may indicate such address in an application to the Commercial Register Office where he or she may be reached. If the person, according to the data of the Population Register, does not have a declared or registered place of residence or an indicated address in a foreign country, the person shall indicate such address in the application to the Commercial Register Office, where he or she may be reached. The Commercial Register Office shall provide information on the address of the person indicated in the application upon a justified request of the recipient.

[16 March 2006; 24 April 2008; 15 April 2010; 16 June 2011; 2 May 2013; 15 June 2017]

Section 10. Making of an Entry in the Commercial Register and Appending of Documents to the Registration File

(1) Entries in the Commercial Register shall be made on the basis of an application of an interested person or a court ruling.

(1^1) The information referred to in Section 8 of this Law shall be indicated in an application. When applying changes to the information to be entered in the Commercial Register, the changes made in conformity with Section 8 of this Law shall be indicated in the application.

(2) The signature of a person shall be notarised:

1) on the application:

a) regarding entering of a merchant in the Commercial Register;

b) regarding change of a member of a capital company with the right of representation or changing of the right of representation;

c) regarding issuance or suspension of procuration or changes in the scope thereof;

d) regarding appointing or suspension of a liquidator of a partnership;

e) or all applications submitted, if it has been provided for in the articles of association of the capital company or in an application previously submitted to the Commercial Register Office and signed by all members;

2) on the following documents to be appended to the application:

a) on the minutes of the meeting of shareholders of a limited liability company or the council meeting of a joint stock company or a derivative thereof, if a decision on election or suspension of a member of the board of directors of the relevant capital company has been taken;

b) on the minutes of the meeting of stockholders of a joint stock company or a derivative thereof, if a decision on election or suspension of a council member of the relevant joint stock company has been taken;

c) on the minutes of the meeting of shareholders (stockholders) of a capital company or a derivative thereof and in the revision of a complete text of the articles of association of the capital company, if a decision on amendments to the articles of association of the capital company has been taken;

d) on the minutes of the meeting of stockholders of a capital company or a derivative thereof, if a decision on election of a liquidator of the capital company has been taken;

e) on a division of the register of shareholders of a limited liability company;

f) on a consent of the person to hold the office of a member of the board of directors of the capital company, except the case when the consent of the member of the board of directors has been included in the application to the Commercial Register Office, and his or her signature has been notarised on the application;

g) on a consent of the person to hold the office of a liquidator of a commercial company;

h) on all the minutes of the council meeting of a joint stock company or derivatives thereof, if it has been provided for in the articles of association of the joint stock company;

i) on all the minutes of the meeting of shareholders (stockholders) of a capital company, if it has been provided for in the articles of association of the capital company.

(3) A decision on making of an entry in the Commercial Register, a refusal to make an entry or the postponement of the making of an entry shall be taken within three days (excluding holidays and public holidays) from the day of receipt of the application by an official of the Commercial Register Office. Within the same time period, an official of the Commercial Register Office shall take a decision on making of an entry in the Commercial Register on the basis of a court ruling.

(4) A decision on refusal of making an entry in the Commercial Register or postponement of making of an entry may only be taken in such case if the application or the documents attached thereto does not conform to the provisions of the law. The decision shall be substantiated. The time period for rectifying the deficiencies shall be indicated in the decision on the postponement of making of an entry.

(5) An official of the Commercial Register shall send the decision referred to in Paragraph three of this Section to the submitter of the application within three days (excluding holidays and public holidays) from the day when the decision was taken.

(6) The submitter of the application has the right to appeal the decision of an official of the Commercial Register Office in accordance with the procedures specified by law.

(7) An entry in the Commercial Register shall be made and documents shall be appended to the registration file on the same day when the decision on making of the entry or appending of the documents to the registration file was taken.

[22 April 2004; 16 March 2006; 24 April 2008; 2 May 2013; 15 June 2017]

Section 11. Promulgation of Records in the Commercial Register

(1) All records of the Commercial Register shall be promulgated by publishing them in the official gazette *Latvijas Vēstnesis* by also publishing them electronically at the same time. Similarly, information on documents of incorporation and their amendments, on draft reorganisation agreement and amendments thereto shall be promulgated by indicating the date of registration and the number of the Commercial Register file in which the document is located.

(2) The Commercial Register records and information for publication shall be submitted by an official of the Commercial Register Office within three days (excluding holidays and public holidays) from the date when the record was entered. The Commercial Register records and information shall be published at the expense of the relevant merchant if different procedures for covering the costs of publication have not been specified by law.

(3) The amount of costs and the procedures for collection thereof shall be determined by the Cabinet. If an entry regarding a new limited liability company, which conforms to the provisions of Section 185.^{1}, Paragraph one of this Law, has been made, the payment for the promulgation of such entry shall not exceed the cost price of promulgation of the relevant entry.

(4) [1 May 2012 / See Paragraph 17 of Transitional Provisions]

[14 February 2002; 22 April 2004; 16 June 2005; 15 April 2010; 29 November 2012]

Section 12. Public Access to the Commercial Register

(1) Entries in the Commercial Register shall be in effect as to third parties from the date of their publication. This provision shall not apply to legal activities, which are performed within 15 days following the promulgation of the entry, insofar as the third party can prove that he or she did not know or could not have known the relevant information.

(2) If the information to be entered in the Commercial Register has not been entered or has been entered but not promulgated, the person in whose interests such information should have been entered cannot use it against a third party, except in the case when the third party knew the referred to information.

(3) If the information to be entered in the Commercial Register has been entered or has been promulgated incorrectly, a third party, in relation to the person in whose interests such information should have been entered, may refer to the promulgated information, except in the case when the third party knew that the promulgated information does not correspond to the actual legal status or the information entered in the Commercial Register.

(4) If a merchant is sent information, documents or other correspondence to their legal address as entered in the

Commercial Register, it shall be deemed that the merchant has received such documents, information or other correspondence, if the sender proves documentarily that such sending was performed.

[14 February 2002]

Section 13. Registration Certificate

(1) After entering of the merchant in the Commercial Register and receipt of a merchant's request in writing, the Commercial Register Office shall issue a registration certificate thereto, which is signed and certified with a seal by an official of the Commercial Register Office.

(2) The registration certificate shall indicate the merchant's:

1) firm name;

2) type;

3) registration number;

4) place of registration;

5) date of registration.

(3) After entering of the merchant's branch in the Commercial Register and receipt of the merchant's branch request in writing, the Commercial Register Office shall issue a registration certificate thereto. The following information on branch shall be indicated in the registration certificate:

1) firm name;

2) registration number of the merchant (except a foreign merchant);

3) registration number;

4) place of registration;

5) date of registration.

[24 April 2008; 16 January 2014]

Section 14. Deletion of a Merchant from the Commercial Register

A merchant may be deleted from the Commercial Register on the basis of:

1) an application of an individual merchant;

2) an application of a liquidator of a commercial company;

3) an application of an administrator in a matter of insolvency proceedings;

4) an application of a commercial company to make an entry of re-organisation; or

5) a court ruling.

[24 April 2008]

Section 15. State Fee and Charge for a Service Provided by the Commercial Register Office

(1) A State fee shall be paid for making of entries in the Commercial Register and for the attaching of the documents to the registration file. If a limited liability company conforms to the provisions of Section 185.[1], Paragraph one of this Law, the State fee for entering thereof in the Commercial Register shall not exceed the administrative expenditure related to making of the relevant entry. The amount, payment procedures and relief of the State fee shall be determined by the Cabinet.

(2) A charge for a service laid down in the pricelist of paid services of the Commercial Register Office shall be paid for extract from the Commercial Register and for copy of the extract of the document existing in the Commercial Register file, as well as for the issuance of statement, for issuance of the registration certificate of the merchant, for sending of notice regarding received applications, for certification of the signature carried out by an official of the Commercial Register Office, as well as for other services provided by the Commercial Register Office.

[6 November 2013]

Section 16. Term for Submission of Information

Information, upon which basis new entries are to be made, as well as the documents specified by law to be submitted, shall be submitted to the Commercial Register Office within 14 days from the day when the relevant decision was taken if it has not been otherwise specified in this Law.

[14 February 2002]

Section 17. Particulars of a Merchant

(1) The following particulars shall be included in the business letters, invoices and other documents of a merchant in printed form or in electronic form, as well as in the home page of the merchant:

1) the firm name of the merchant;

2) the registration number of the merchant at the Commercial Register;

3) the legal address of the merchant;

4) in relevant cases - information regarding whether the merchant is in the process of liquidation or insolvency.

(2) If the merchant has opened a branch, then the following shall be included in its documents in printed form or in electronic form, in addition to the information referred to in Paragraph one of this Section:

1) the firm name of the branch if it differs from the firm name of the merchant;

2) the registration number of the branch with the Commercial Register;

3) the legal address of the branch.

(3) If the size of the equity capital is referred to in the particulars of a capital company, the size of the paid-up equity capital shall also be indicated.

[24 April 2008]

Section 17.[1] Disclosure Obligation

(1) A shareholder or stockholder of a commercial company (hereinafter within the scope of this Section - the shareholder) who is a natural person shall be deemed the beneficial owner of the company if another person is not deemed the beneficial owner of the capital company in accordance with Section 1, Clause 5, Sub-clause "a" or "b" of the Law on the Prevention of Money Laundering and Terrorism Financing.

(2) The shareholder who holds equity capital shares or stock (hereinafter - the shares) on his or her behalf, however, acquiring at least 25 per cent of the capital company shares for the benefit of another person, has an obligation to notify the capital company thereof within 14 days by indicating the person for whose benefit such shares are held.

(3) The shareholder which is not a natural person and the participation of which in the capital company is at least 25 per cent, and which has not been established in accordance with the laws of European Union Member States, has an obligation, within 14 days, to submit a notification to the capital company on the persons who are deemed the founders of such shareholder, shareholders or on persons equivalent to these statuses, which at the time of submitting the notification benefit from existence of such shareholder.

(4) The notification referred to in Paragraphs two and three of this Section shall be submitted to the capital company in accordance with the procedures specified in Section 6 of the Group of Communities Law.

(5) When determining the number of shares belonging to the shareholder in accordance with this Section, the provisions of Section 3 of the Group of Communities Law on the determination of the decisive influence on the basis of participation shall be taken into account.

(6) The shareholder shall, in the cases referred to in Paragraphs two and three of this Section, indicate the person who, in accordance with Section 1, Clause 5, Sub-clause "a" or "b" of the Law on the Prevention of Money Laundering and Terrorism Financing, is deemed the beneficial owner of a capital company, and the data allowing unequivocal identification of such person, appending documentary evidence to the notification.

(7) If the shareholder, due to objective reasons, is not able to establish the person who, in accordance with Section 1, Clause 5, Sub-clause "a" or "b" of the Law on the Prevention of Money Laundering and Terrorism Financing, is deemed the beneficial owner of a capital company, or is not able to acquire individual data on the referred to person or, according to the provisions of the Law on the Prevention of Money Laundering and Terrorism Financing, there is no such person, the shareholder shall indicate the reasons in the notification referred to in Paragraphs two and three of this Section, due to which information on the beneficial owners of the capital company is not provided.

(8) Within 14 days from the day of receipt of the notification referred to in Paragraphs two and three of this Section, a capital company shall submit it to the Commercial Register Office.

(9) The provisions of this Section shall also be applicable to members of a partnership.

(10) Law enforcement authorities and control authorities in the field of tax administration, public procurement or also public-private partnership are entitled to get acquainted with the information on the beneficial owners of a partnership and a capital company.

[8 July 2011]

Division III
Undertakings and Branches

Section 18. Definition of an Undertaking

An undertaking is an organisational economic unit. The undertaking includes both tangible and intangible things belonging to a merchant, as well as other economic benefits (value), which are used by the merchant to perform commercial activities.

[14 February 2002]

Section 19. Commercial Secrets

(1) The status of a commercial secret may be assigned by a merchant for such matters of economic, technical or scientific nature and information, which is entered in writing or by other means or is not entered and complies with the following features:

1) it is contained in the undertaking of the merchant or is directly related thereto;

2) it is not generally accessible to third parties;

3) it is of an actual or potential financial or non-financial value;

4) its coming at the disposal of another person may cause losses to the merchant;

5) in relation to which the merchant has taken reasonable measures corresponding to a specific situation to preserve secrecy.

(2) A merchant has exclusive rights to commercial secrets.

(3) A merchant has the right to request the protection of commercial secrets, as well as compensation for losses, which have been caused by the illegal disclosure, or use of the commercial secrets.

[22 April 2004]

Section 20. Transfer of an Undertaking

(1) If an undertaking or an independent part thereof is transferred to the ownership or use of another person, the acquirer of the undertaking shall be liable for all the obligations of the undertaking or its independent part. However, in respect of those obligations which arose prior to the transfer of the undertaking or its independent part to the ownership or use of another person, and the terms or conditions for the fulfilment of which come into effect five years after the transfer of the undertaking, the transferor of the undertaking and the acquirer of the undertaking shall be solidarily liable.

(2) In the case of the transfer of ownership or use of an undertaking or an independent part thereof, claims and other rights included in the undertaking or its part shall be transferred to the acquirer of the undertaking.

(3) An agreement, which is in contradiction to the provisions of this Section, shall be void as to third parties.

[14 February 2002; 22 April 2004]

Section 21. Transfer of an Undertaking of an Individual Merchant to a Partnership

(1) If an undertaking of an individual merchant is transferred to a partnership which is founded by this individual merchant and another person, the partnership thus founded shall be liable for all the obligations of the individual merchant included in the undertaking.

(2) In the case of the transfer of an undertaking, claims and other rights in relation to debtors included in the undertaking shall be transferred to the partnership thus founded.

(3) An agreement, which is in contradiction to the provisions of this Section, shall be void as to third parties.

Section 22. Definition of a Branch

A branch is an organisationally independent part of an undertaking, which is territorially or otherwise separated from the principle undertaking and at the location of which commercial activities are systematically performed in the name of the merchant.

[14 February 2002]

Section 23. Entering of a Branch in the Commercial Register

(1) The opening of a branch, based upon an application of a merchant, shall be entered in the Commercial Register.

(2) [15 June 2017]

(3) A consent issued by the owner of the immovable property (building or apartment property) for registration of the legal address of a branch in the relevant building or apartment property shall be appended to the application. The cadastre number of the immovable property, the given name, surname and personal identity number or name (firm name) and registration number of the owner shall be indicated in the consent. If the application is signed by a person to whom the immovable property indicated in the legal address belongs, a consent need not be submitted.

[16 June 2011; 15 June 2017]

Section 24. Deletion of a Branch from the Commercial Register

A branch shall be deleted from the Commercial Register:

1) on the basis of an application by the merchant regarding the closure of a branch; or

2) if the merchant is deleted from the Commercial Register.

Section 25. Branches and Representative Offices of Foreign Merchants

(1) The provisions of this Law shall be applied to branches of foreign merchants, insofar as it is not otherwise specified in this Section.

(2) Opening a branch of a foreign merchant shall be applied for entering in the Commercial Register on the basis of the application of the merchant.

(3) The following documents shall be appended to the application for the entering of a branch of a foreign merchant in the Commercial Register:

1) a document which certifies the registration of the merchant in the relevant state, or a notarised copy of such document, if the law of the state of the location of the foreign merchant provides for the entering of the merchant in a register;

2) a permit to open a branch if such is provided for by law;

3) a notarised copy of the articles of association, memorandum of association or a document equivalent to such of the merchant;

4) a document which certifies the authorisation of a person to represent the foreign merchant in all activities associated with the branch, and the scope of such powers;

5) a consent issued by the owner of the immovable property (building or apartment property) for registration of the legal address of a branch of a foreign merchant in the relevant building or apartment property. The cadastre number of the immovable property, the given name, surname and personal identity number or name (firm name) and registration number of the owner shall be indicated in the consent. If the application is signed by a person to whom the immovable property indicated in the legal address belongs, a consent need not be submitted.

(4) The person who is authorised to represent a foreign merchant in activities related to a branch, the foreign merchant or lawful representatives of such merchant shall submit an application to the Commercial Register Office for:

1) the termination of activities of the merchant, the initiation and completion of legal protection and insolvency proceedings, invitation to tender or proceedings equivalent thereto;

2) the liquidation of the merchant, as well as re-organisation if the foreign merchant is a company;

3) the appointment of an administrator or liquidator indicating the given name, surname, residential address and scope of powers of the administrator (liquidator);

4) the deletion of the branch from the Commercial Register.

(4[1]) If information is received from the institution which is conducting the Register where a foreign merchant is entered on the fact that the foreign merchant has been excluded from the relevant Register, the Commercial Register Office shall send a warning to a branch of the foreign merchant to submit the application referred to in Paragraph four of this Section. If the branch of the foreign merchant has not submitted the application within 30 days after receipt of the written warning, the Commercial Register Office shall make an entry in the Commercial Register regarding the exclusion of the branch of the foreign merchant.

(5) The persons referred to in Paragraph four of this Section shall submit an application to the Commercial Register Office regarding any changes in the composition of such persons and the scope of their powers.

(6) The annual accounts of a foreign merchant shall be submitted to the Commercial Register Office if the law of the state of the location of the foreign merchant provides for the submission of the annual accounts to the state register of the location of the merchant.

(7) All documents to be submitted to the Commercial Register shall have attached notarised translations in the Latvian language.

(8) A foreign merchant has the right to open a representative office in Latvia. A representative office is not a legal person, and it does not have the right to conduct commercial activities in Latvia.

[22 April 2004; 16 March 2006; 24 April 2008; 16 June 2011; 15 June 2017]

Division IV
Firm Names

Section 26. Definition of a Firm Name

(1) A firm name is the name of a merchant entered with the Commercial Register, which a merchant uses in commercial activities, in concluding transactions and in signing.

(2) In a narrower sense, the firm name shall be understood as a designation without reference to the type of merchant.

[14 February 2002]

Section 27. Reference to the Type of Merchant

(1) The firm name of an individual merchant shall contain the reference "individuālais komersants" [individual merchant] or its abbreviation "IK".

(2) The firm name of a general partnership shall contain a reference "pilnsabiedrība" [general partnership] or its abbreviation "PS". The firm name of a limited partnership shall contain a reference "komandītsabiedrība" [limited partnership] or its abbreviation "KS".

(3) The firm name of a limited liability company shall contain a reference "sabiedrība ar ierobežotu atbildību" [limited liability company] or its abbreviation "SIA". The firm name of a stock company shall contain a reference "akciju sabiedrība" [stock company] or its abbreviation "AS".

(4) The references to the type of merchant shall be placed at the beginning or end of the firm name.

[14 February 2002]

Section 28. Firm Name Distinctiveness

The firm name of a merchant (Section 26, Paragraph two) shall clearly and specifically differ from firm names or names which have already been entered in or as to which entering has been applied for with the Commercial Register or other registers maintained by the Commercial Register Office.

[14 February 2002; 15 April 2010] Amendment in respect of firm names or names which have already been entered in or as to which entering has been applied for with other registers maintained by the Commercial Register Office shall come into force on 1 December 2010. See Paragraph 18 of Transitional Provisions]

Section 29. Restrictions on the Choice of the Firm Name

(1) A firm name may not contain misleading information on important circumstances within the scope of commercial rights, especially on the type of merchant or commercial activities or also on the scope of commercial activities.

(2) A firm name may not be in contradiction with good morals.

(3) A firm name may not include the words "Latvijas Republika" [the Republic of Latvia] and their translation into a foreign language.

(4) If a firm name contains the name of an administrative territory or populated area, the firm name may not coincide with the relevant administrative territory or populated area, except for the name of a homestead.

(5) A firm name may not include names of the state and local government authorities (institutions), and also words "valsts" [state] or "pašvaldība" [local government].

(6) The use of trademarks or parts thereof in a firm name shall be regulated by the laws and regulations regulating trademarks.

(7) Only letters of the Latvian or Latin alphabet may be included in the writing of a firm name.

[22 April 2004]

Section 30. Inclusion of Personal Names in Firm Names and the Continued Use of Firm Names

(1) The firm name of an individual merchant may contain the given name or surname of the merchant. If the given name or surname of the individual merchant changes, he or she may also continue to use the previous firm name.

(2) The firm name of a general partnership may not contain the given name, surname or name of such persons who are not its members. The firm name of a limited partnership may not contain the given name, surname or name of such persons who are not its general partners. If the given name or surname (name) of its personally liable member changes, the given name or surname (name) of which is contained in the firm name of the partnership, the partnership may also continue to use the previous firm name.

(3) If a new personally liable member joins an existing partnership or one of the personally liable members leaves the partnership, the partnership may also continue to use the previous firm name. If the member whose given name, surname (name) is contained in the firm name leaves, the continued use of the previous firm name shall require the written consent of such member, or in the case of his or her death - of the heirs.

(4) Upon the acquisition of an existing undertaking, the acquirer may also continue to use the previous firm name, in which the given name or surname of the previous owner is included, if the previous owner or - in the case of the death of the owner - his or her heirs have consented in writing to the continued use of the firm name.

(5) The provisions of Paragraph four of this Section shall be applied in cases, when an undertaking is acquired on the basis of usufructuary rights, a lease or similar legal relationship.

[14 February 2002; 22 April 2004]

Section 31. Alienation of Firm Names

A firm name may only be alienated together with the relevant undertaking.

Section 32. Firm Names of Branches

A branch of a merchant may have its own firm name, which shall contain the firm name of the merchant, the name of the branch or a reference to its location and the word "filiāle" [branch].

Section 33. Protection of Firm Names

A merchant whose rights are infringed in relation to the use of its firm name, may request from the infringer to terminate the use of the firm name, as well as to compensate the merchant for the losses incurred by the illegal use of the firm name.

Division V
Procuration and Ordinary Commercial Powers of Attorney

Section 34. Procuration

(1) Procuration is a commercial power of attorney, which grants to the proctor the right to conclude transactions and to perform other legal activities associated with commercial activities on behalf of a merchant, including all procedural activities in the course of legal proceedings (bringing an action, settlement, appeal of a court ruling and the like).

(2) A proctor may alienate, pledge or encumber immovable property with rights pertaining to property only if such rights have been specially granted to him or her.

(3) It may be determined in the articles of association of a capital company that the proctor shall represent the capital company together with one or several members of the board. It may be determined in a partnership agreement that the proctor shall represent the partnership together with one or several members of the partnership.

[22 April 2004]

Section 35. Issuance of a Procuration and Restrictions on Proctor

(1) Only a merchant or a legal representative of such merchant may issue a procuration, moreover with a specific expression of intent.

(2) A procuration may be issued simultaneously to several persons. On the basis of such a procuration (joint procuration), the joint proctors have the right to represent the merchant only jointly.

(3) A proctor does not have the right to transfer the procuration to another person.

(4) A person who in accordance with the restrictions specified in the first sentence of Section 221, Paragraph four and Section 304, Paragraph three of this Law may not be a member of the board of directors of a capital company, may not be a proctor.

[29 November 2012]

Section 36. Restrictions on the Scope of a Procuration

(1) Restrictions on the scope of a procuration shall be void as to third parties.

(2) The provisions of Paragraph one of this Section shall especially apply to such restrictions of the scope of a procuration, as a result of which the procuration may be used only:

1) in relation to specified transactions, specified types of transactions or their scope;

2) when certain circumstances exist;

3) for a specified time or in a specified area.

(3) The restriction of the scope of a procuration in relation to one of several branches of a merchant's undertaking (a branch procuration) shall be in effect as to third parties only if such branches have different firm names entered in the Commercial Register.

Section 37. Signature of a Proctor

A proctor shall sign adding to the firm name of the merchant his or her signature and an indication of the existence of a procuration ("procurists" [proctor], p.p., per procura).

Section 38. Application for the Issuance of a Procuration, and Entering of Changes in the Representation Rights of a Proctor and Termination of a Procuration in the Commercial Register

(1) A merchant shall apply the issuance of a procuration for entering in the Commercial Register.

(2) If a joint procuration is issued or if in the procuration the proctor has been granted the right to alienate, pledge or encumber immovable property with rights pertaining to property, the merchant shall especially indicate this in the application regarding entering of the procuration in the Commercial Register.

(3) Changes in the representation rights of a proctor and the termination of a procuration shall be notified by the merchant for entering in the Commercial Register.

[14 February 2002; 16 March 2006; 15 April 2010; 15 June 2017]

Section 39. Termination of a Procuration

(1) A merchant has the right to unilaterally revoke a procuration at any time irrespective of the legal relationship upon which the procuration was issued. The revocation of a procuration shall not influence the rights of a proctor to receive the contracted remuneration.

(2) After the death of an individual merchant, the procuration shall remain in effect.

(3) A procuration shall terminate upon the death of the proctor.

[14 February 2002]

Section 40. Ordinary Commercial Power of Attorney

(1) If a merchant authorises some other person to conduct in his or her name commercial activities, to conclude specific types of transactions related to the commercial activities performed by the merchant or also to conclude separate transactions related to the commercial activities performed by the merchant without issuing a procuration, such a power of attorney (an ordinary commercial power of attorney) shall relate to all lawful activities which are usually directed to the performance of such commercial activities or the concluding of such transactions.

(2) A person with a commercial power of attorney may alienate, pledge or encumber immovable property with rights pertaining to property, undertake obligations under bills of exchange, take loans or represent the merchant in court only if such rights have been especially granted to them.

(3) Any other restrictions on the authorisation granted to a person with a commercial power of attorney shall be in effect as to third parties only if they knew or should have known of such restrictions.

Section 41. Representatives Authorised to Conclude Transactions

(1) The provisions of Section 40 of this Law shall also be applied to those persons with a commercial power of attorney who are commercial agents or who, as employees of a merchant, have been entrusted to conclude transactions in the name of the principal outside his or her undertaking.

(2) The authorisation issued to the persons with a commercial power of attorney referred to in Paragraph one of this Section, does not give them the right to change concluded transactions.

(3) The persons with a commercial power of attorney referred to in Paragraph one of this Section:

1) may receive payments if they are authorised to do it;

2) shall be considered as authorised to take notifications regarding deficiencies in goods, regarding the supply of goods and other similar notifications, with the assistance of which a third party uses or keeps their rights in relation to the improper fulfilment of obligations, as well as using the rights to the securing of evidence belonging to the principal.

Section 42. Employees of a Merchant at the Place of the Selling of Goods or Provision of Services

Employees of a merchant who work in a place where goods are sold or services are provided, shall be considered to be authorised to sell such goods or provide such services, and to perform other legal activities associated with such, which are usually performed at such places.

Section 43. Signature of a Person with a Commercial Power of Attorney

A person with a commercial power of attorney shall sign, adding to the firm name of the merchant an addition which indicates of the existence of a power of attorney. A person with a commercial power of attorney may not add to his or her signature additions which may create a misleading impression regarding the existence of a procuration.

Section 44. Further Transfer of a Commercial Power of Attorney

A person with a commercial power of attorney may transfer the power of attorney granted to him or her further to another person only if such rights have been specially granted to him or her.

Division VI
Commercial Agents

Section 45. Definition of a Commercial Agent

A commercial agent is a merchant who has been authorised to permanently conclude transactions with third parties in the name and to the benefit of another person (principal) or also to prepare transactions for concluding.

Section 46. Form of Commercial Agent Contract

A commercial agency contract shall be concluded in writing.

Section 47. Obligations of a Commercial Agent

(1) A commercial agent shall, by taking into account the interests of the principal, take care of the concluding of transactions or their preparation for concluding.

(2) A commercial agent shall transfer to the principal all the necessary information and documents. A commercial agent has a special obligation to inform the principal without delay about each concluding of a transaction or its preparation for concluding.

(3) A commercial agent shall perform his or her obligations with the due care of a diligent merchant and comply

with the reasonable instructions of the principal.

(4) An agreement which is in contradiction with the provisions of this Section shall be void.

Section 48. Obligations of a Principal

(1) A principal shall transfer to the commercial agent documents (samples, drawings, price lists, advertising brochures, transaction regulations and others) which are necessary for the commercial agent to perform his or her obligations.

(2) A principal has a special obligation to notify a commercial agent without delay about:

1) his or her consent of such transactions which the commercial agent has prepared for concluding, or regarding refusal to conclude such a transaction;

2) the non-performance of such transactions which the commercial agent has concluded or has prepared for concluding;

3) a significant decrease in the volume of transactions if the principal anticipates such a decrease in comparison with the volume upon which the commercial agent could usually rely.

(3) An agreement which is in contradiction with the provisions of this Section shall be void.

Section 49. Remuneration of a Commercial Agent

(1) If remuneration has not been contracted for, a commercial agent has the right to receive such remuneration as is normally paid in the relevant area for the concluding of the same or similar transactions. If there is no such a standard, a commercial agent has a right to a reasonable remuneration, which shall be determined by taking into account all the circumstances associated with the relevant transaction.

(2) A remuneration or its part payable to a commercial agent, which fluctuates according to the number or value of the relevant transactions, is a commission.

(3) The provisions of Sections 50 -52 of this Law in relation to commercial agent remuneration shall be applied insofar as the remuneration in full or in part is paid in the form of a commission.

Section 50. Rights of a Commercial Agent to Commission

(1) A commercial agent has a right to commission on a transaction, which is concluded during the period that the commercial agency contract is in effect, if such transaction has been concluded as a result of his or her action, or also with a person whom the commercial agent has previously acquired as a client for transactions of the same kind.

(2) If a commercial agent has been entrusted to work within a specific geographical territory or with a specific group of clients, he or she has a right to commission also on such transactions, which during the period that the commercial agency contract is in effect, without his or her participation, are concluded with a client who belongs to such geographical territory or group of clients.

(3) In relation to transactions, which are concluded after the commercial agency contract has expired, a commercial agent has a right to commission only if:

1) the transaction has been concluded primarily because of his or her activities which were performed during the period that the commercial agency contract was in effect, and such transaction was concluded within a reasonable period of time after the commercial agency contract expired;

2) prior to the expiration of the commercial agency contract, the commercial agent or the principal had received an offer from a third party regarding the concluding of such a transaction, in respect of which the commercial agent has a right to commission in accordance with the provisions of Paragraph one or two of this Section.

(4) A commercial agent does not have a right to a commission in accordance with the provisions of Paragraph one or two of this Section, if it in accordance with the provisions of Paragraph three of this Section, is due the previous commercial agent, except in the case, when special circumstances justify the equitable sharing of the commission between these commercial agents.

Section 51. Coming into Effect of a Term for the Payment of a Commission

(1) A commercial agent has a right to commission as soon as and to the extent the principal has performed the transaction. The persons may also agree regarding different provisions, however, at the moment when the principal has performed the transaction, the commercial agent has a right to an appropriate advance payment, which shall be paid not later than on the last day of the next month. Irrespective of such an agreement, the commercial agent has a right to commission as soon as and to the extent the third party has performed the transaction.

(2) If a principal has performed a transaction, but it is clear that the third party will not perform the transaction, the right of the commercial agent to commission is terminated. In such case, the commercial agent has an obligation to return the amounts already received.

(3) A commercial agent has the right to commission also when it is clear that the principal has not fully or in part performed the transaction, or also has not performed the transaction in such a way as it was concluded. The right of a commercial agent to commission in the case of non-performance of the transaction shall terminate only then if the cause of such non-performance was circumstances independent of the principal.

(4) A commission shall be paid not later than on the last day of the month in which, in accordance with the provisions of Section 52, Paragraph one of this Law, the principal has an obligation to calculate the commission due to the commercial agent.

(6) Agreements which are in contradiction to the first sentence of Paragraph two of this Section, as well as the provisions of Paragraphs three and four, if it worsens the situation of the commercial agent, shall be void.

Section 52. Calculation of Commission

(1) A principal has an obligation to calculate the amount of commission due a commercial agent each month. The calculation period may be extended not longer than up to three months. The calculation shall be performed without delay, but not later than within a period of one month following the end of the calculation period.

(2) A commercial agent receiving the calculation may request an extract from the accounts regarding all transactions, for which he or she has a right to commission. A commercial agent also has a right to request information which is of significant importance in respect of the right to receive a commission, the coming into effect of its payment terms and the calculation of the commission.

(3) If a commercial agent is refused an extract from the accounts, or also if there have arisen justified doubts regarding whether the calculation or the extract from the accounts is correct or complete, the commercial agent may request that the principal allow, pursuant to his or her choice, the commercial agent or a sworn auditor selected by them to become acquainted with the accounting and other documents insofar as is necessary to determine the correctness or completeness of the calculation or the extract from the accounts.

(4) Agreements, which revoke or restrict the rights of a commercial agent referred to in this Section, shall be void.

Section 53. Del credere

(1) A commercial agent who undertakes to guarantee the performance of the obligations of a third party (the other party to a transaction) has the right to special remuneration (del credere). An agreement that revokes these rights in the future shall be void.

(2) The guarantee referred to in Paragraph one of this Section may only pertain to specific transactions, or also to such transactions with specific third parties which the commercial agent has concluded or the concluding of which he or she prepared. A guarantee contract shall be concluded in writing.

(3) The right of a commercial agent to *del credere* arises at the moment of concluding the relevant transaction.

[14 February 2002; 22 April 2004]

Section 54. Reimbursement of Costs

A commercial agent may request the reimbursement of costs, which have occurred in the course of his or her commercial activity, only if it is normally so accepted within the scope of commercial rights.

Section 55. Limitation Period

The statute of limitations for claims arising from a commercial agency contract shall be four years, counting from the end of that calendar year in which they arose.

Section 56. Right to Retainer

(1) An agreement in which a commercial agent relinquishes in the future a lawful right to retainer shall be void.

(2) After the expiration of a commercial agency contract, a commercial agent may retain documents transferred for their use only in relation to the commission (remuneration) payable to him or her, or the reimbursement of costs associated with his or her commercial activities.

Section 57. Notice of Cancellation of a Commercial Agency Contract

(1) If a commercial agency contract is entered into for an indefinite time, each of the parties to the contract may cancel the commercial agency contract, observing the following terms for notice of cancellation:

1) one month, if the commercial agency contract is cancelled in its first year of activities;

2) two months, if the commercial agency contract is cancelled in its second year of activities;

3) three months, if the commercial agency contract is cancelled in its third year of activities;

4) four months, if the commercial agency contract is cancelled in its fourth or subsequent years of activities.

(2) Agreements for shorter terms of notice of cancellation shall be void. If longer terms of notice of cancellation are contracted for, the term of notice of cancellation specified for the principal may not be shorter than the term of notice of cancellation specified for the commercial agent.

(3) If it has not been contracted for otherwise, the commercial agency contract shall be noticed at the end of the calendar month.

(4) A commercial agency contract, which is entered into for a specified time period, and which both parties continue after the expiration of the contracted for time period, shall be considered to be have been entered into for an indefinite time period. In determining the length of the term of notice of cancellation in accordance with Paragraphs one and two of this Section, the total length of the contractual relations shall be taken into account.

[22 April 2004]

Section 58. Immediate Notice of Cancellation

(1) Both parties may, at any time, cancel a commercial agency contract, not observing the specified terms for notice of cancellation if there is an important reason for it. An agreement which revokes or restricts such notice of termination rights, shall be void.

(2) If the immediate notice of termination of the commercial agency contract has given rise to such actions for which the other party is liable, then they shall have an obligation to compensate the losses, which have occurred in relation to the cancellation of the contract.

Section 59. Right to an Indemnity or Compensation for Losses

(1) A commercial agent after the cancellation of a commercial agency contract may request relevant indemnity from the principal, if and insofar as:

1) the principal even after the cancellation of the commercial agency contract gains substantial benefits from transaction relations with new clients which were attracted by the commercial agent;

2) the commercial agent in connection with the cancellation of the commercial agency contract loses the right to a commission or remuneration, which he or she would have had in respect of transactions already concluded or to be concluded in the future with clients attracted by him or her if the commercial agency contract relations were continued;

3) the payment of indemnity, taking into account all the circumstances, shall be expected from the principal on the basis of fairness.

(2) Within the meaning of Paragraph one, Clauses 1 and 2 of this Section, the attraction of new clients shall mean such significant increase in volume in relation to transactions with the present clients of a principal, which in economic terms is equivalent to the attraction of new clients.

(3) The amount of indemnity may not exceed the average annual commission or other average annual remuneration, which is calculated for the last five of the years of activities of the commercial agent. If the commercial agency contract relations have existed for a shorter period of time, the average annual commission or other average annual remuneration shall be calculated for this shorter time period.

(3^1) A commercial agent has the right to compensation for losses incurred due to the termination of a commercial agency contract, especially to compensation for unearned expenses and investments which the commercial agent has performed upon the proposal of a principal in fulfilling the commercial agency contract.

(4) A commercial agent shall not have the right to claim indemnity or compensation for losses if:

1) he or she has cancelled the commercial agency contract, except for cases when the actions of the principal have given a substantiated cause for a notice of termination, or also the commercial agent is unable to continue his or her activities due to old age or illness;

2) the principal has cancelled the commercial agency contract for such a significant cause, the basis of which is an action of the commercial agent who is at fault;

3) on the basis of an agreement between the principal and the commercial agent a third party has replaced the commercial agent in the commercial agency contract relations. Such an agreement may not be concluded prior to the

cancellation of the commercial agency contract.

(5) The parties may not agree regarding waiver of the rights specified in this Section to request the indemnity or compensation for losses prior to the expiry of the commercial agency contract. The claim for indemnity or compensation for losses is subject to a limitation period of one year after the expiry of the commercial agency contract.

[22 April 2004]

Section 60. Obligation of a Commercial Agent to Keep Commercial Secrets

Even after the cancellation of the commercial agency contract a commercial agent is prohibited to use or to disclose to third parties commercial secrets which are entrusted to him or her or of which he or she has become aware in relation to his or her activities for the benefit of the principal.

Section 61. Restriction on Competition

(1) An agreement by which the professional activities of a commercial agent are restricted after the cancellation of the commercial agency contract (restrictions on competition) shall be entered into in writing.

(2) Restrictions on competition may relate only to the geographical territory or the group of clients entrusted to the commercial agent, and is restricted to the field of activities in which he or she cared for concluding of transactions or preparing them for concluding. The time period of the restrictions on competition may not exceed two years after the commercial agency contract was cancelled.

(3) It shall be the obligation of a principal to pay a relevant remuneration to a commercial agent for the time of the competition restrictions.

(4) Prior to the cancellation of a commercial agency contract, a principal may at any time in writing waive the restrictions on competition. In such case the obligation of a principal to pay the remuneration referred to in Paragraph three of this Section shall cease after six months from the date of notification of the waiver. If the principal has cancelled the commercial agency contract due to such a significant cause, the basis of which is an action of the commercial agent who is at fault, the commercial agent shall lose the right to receive remuneration.

(5) If a commercial agent has cancelled the commercial agency contract due to such a significant cause, the basis of which is an action of the principal who is at fault, the commercial agent may in writing waive the restrictions on competition within one month after the notice of cancellation of the commercial agency contract.

(6) An agreement, which is in contradiction to the provisions of this Section, if it worsens the situation of the commercial agent, shall be void.

Section 62. Restrictions on Authorisations of a Commercial Agent

(1) The provisions of Section 41 of this Law shall be applied also to such commercial agents who have been authorised by a principal who is not a merchant.

(2) A commercial agent, also if he or she is not authorised to conclude transactions, shall be considered as authorised to accept notices regarding any deficiencies of goods, regarding the delivery of goods and other similar notices, with the assistance of which third parties use or reserve their rights in relation to the unsatisfactory performance of obligations, as well as using the rights of securing evidence belonging to the principal.

(3) The restrictions of the rights referred to in Paragraph one of this Section shall be binding on third parties only if they knew or should have known of such restrictions.

Section 63. Insufficiency of Authorisation

(1) If a commercial agent, who has been authorised only to prepare transactions for concluding, concludes a transaction in the name of the principal and the third party did not know that the commercial agent was not authorised for this, it shall be considered that the principal has approved the transaction if the principal, after the commercial agent or the third party has notified him or her regarding the concluding of the transaction and its contents, has not without delay repudiated such transaction.

(2) The provisions of Paragraph one of this Section shall also apply in cases when a commercial agent who is authorised to conclude transactions has concluded such a transaction in the name of the principal as he or she was not authorised to conclude.

Division VII
Brokers

Section 64. Definition of a Broker

(1) A broker is a merchant who engages in intermediation for concluding transactions for the benefit of another person, not being permanently associated with such person through contractual relations.

(2) The provisions of this Chapter shall not apply to persons who perform stock exchange transactions.

Section 65. Final Text of a Transaction Document

(1) A broker has an obligation to submit to each of the parties to the transaction without delay, after the concluding of a transaction, a final text of a transaction document certified by the broker to each of the parties to the transaction, in which shall be indicated the parties to the transaction, the subject matter of the transaction and the provisions of the transaction, unless the parties to the transaction have released the broker from this obligation.

(2) In transactions which are not to be immediately performed the final text of a transaction document shall be submitted to the parties to the transaction for signature, and each of the parties shall submit to the other party a signed transaction document.

(3) If one party to the transaction refuses to accept or sign the final text of a transaction document, the broker has an obligation to inform, without delay, the other party about it.

Section 66. Reserved Tasks

(1) If one party to a transaction accepts the final text of a transaction document, in respect of which a broker reserves the right to later indicate the other party, they have binding transaction relations with the other party to the transaction indicated later by the broker, unless objections are raised against the latter.

(2) The broker has an obligation to indicate to the other party to the transaction within the time period specified, but if such is not specified - within a time period appropriate for the relevant circumstances.

(3) If the broker, within the time period referred to in Paragraph two of this Section, does not indicate the other party to the transaction or also if justified objections may be raised against the other party to the transaction, then the first party to the transaction has the right to request the performance of the transaction from the broker. Such rights shall lapse if, pursuant to a request from the broker, the first party to the transaction fails to notify without delay, regarding whether it shall request that the broker perform the transaction.

Section 67. Preservation of Samples

(1) If goods have been sold through the intermediation of a broker pursuant to a sample which was transferred to the broker, he or she has an obligation to preserve such sample until the goods are accepted without objections regarding their characteristics, or also the transaction is performed in some other way. Samples shall be labelled with a relevant label.

(2) A broker does not have an obligation to preserve samples, if the course of dealing, taking into account the relevant type of goods, or the parties to the transaction release him or her from this obligation.

Section 68. Receipt of Performance

A broker is not considered authorised to receive payments or any other specified performance of a transaction concluded with his or her intermediation.

Section 69. Liability of a Broker

A broker shall be liable to each of the parties to the transaction for losses which have been incurred due to his or her fault.

Section 70. Remuneration of a Broker

(1) The right to remuneration of a broker shall arise at the moment of the concluding of a transaction.

(2) If the parties to a transaction have not agreed between themselves which of them has the obligation to pay remuneration to the broker, they shall pay the remuneration in equal parts.

Section 71. Reimbursement of Costs

A broker may claim reimbursement of costs incurred by him or her only if such rights have been specifically contracted for.

Section 72. Journal of Transactions

(1) A broker has an obligation to maintain a journal of transactions, and each day shall record in it all the transactions concluded that day indicating the information referred to in Section 65, Paragraph one of this Law. The

broker shall enter the records in chronological order and sign them every day.

(2) Records in the journal of transactions shall be full, precise, timely entered, understandable and systematically arranged.

(3) If the records in the journal of transactions are corrected, the original content of them shall be visible, and every correction shall be specially indicated and certified with a signature. A correction may not be made in such a way that when and why it was done is not understandable.

(4) A journal of transactions may be maintained in electronic form, if such a registration procedure complies with the regulations of properly conducted maintaining of accounts and the provisions of Paragraphs one, two and three of this Section. In such case, the data image shall be in such a form as ensures that a third party can read it and, if necessary, ensure its extract.

(5) Transactions in the journal of transactions shall be preserved in the archives of the broker for five years after the end of that calendar year in which the last record was made. These provisions shall be accordingly applied if the journal of transactions is maintained in electronic form.

Section 73. Extracts from a Journal of Transactions

(1) A broker has an obligation to, at any time upon a the request of any of the parties to the transaction, issue extracts certified with his or her signature from the journal of transactions, in which shall be indicated all the information entered in the journal of transactions regarding the transaction which was concluded for the benefit of such persons through the intermediation of the broker.

(2) A court may request the production of a journal of transactions.

Part B
Merchants

Division VIII
Individual Merchants

Section 74. Individual Merchants

An individual merchant is a natural person who is registered as a merchant with the Commercial Register.

Section 75. Registration of an Individual Merchant

(1) A natural person who performs economic activities has an obligation to apply himself or herself for entering in the Commercial Register as an individual merchant, if the annual turnover from economic activities performed by him or her exceeds EUR 284 600, or the economic activities performed by him or her conforms to the activities of a commercial agent (Section 45 of this Law) or activities of a broker (Section 64, Paragraph one of this Law) or also the economic activities performed by him or her conforms to the following features:

1) the yearly turnover from these activities exceeds EUR 28 500;

2) for the performance of economic activities he or she provides employment simultaneously to more than five employees.

(2) A natural person may apply himself or herself for entering in the Commercial Register as a merchant also in the absence of circumstances referred to in Paragraph one of this Section.

(3) The basis for the registration of an individual merchant is an application of a natural person to the Commercial Register Office.

(4) A consent issued by the owner of the immovable property (building or apartment property) for registration of the legal address of an individual merchant in the relevant building or apartment property shall be appended to the application. The cadastre number of the immovable property, the given name, surname and personal identity number or name (firm name) and registration number of the owner shall be indicated in the consent. If the application is signed by a person to whom the immovable property indicated in the legal address belongs, a consent need not be submitted.

[14 February 2002; 16 March 2006; 24 April 2008; 15 April 2010; 16 June 2011; 19 September 2013; 15 June 2017]

Section 76. Right of an Individual Merchant to Use a Firm Name and Liability

(1) An individual merchant may conclude transactions which are associated with commercial activities by using his or her firm name, as well as be a plaintiff and a defendant in a court.

(2) An individual merchant shall be liable for his or her obligations with the whole of his or her property.

(3) A claim against an individual merchant, which arises from the performance of his or her commercial activities, has a statute of limitations period of three years after his or her deletion from the Commercial Register if the claim is not subject to a shorter statute of limitations period.

(4) If the term or the conditions of the performance of an obligation by an individual merchant comes into effect after the individual merchant has been deleted from the Commercial Register, the statute of limitation period for the claims of creditors shall commence with the time of the coming into effect of the term for or the conditions of the performance of an obligation.

Division IX
General Partnerships

Chapter 1
General Provisions

Section 77. Definition of a General Partnership

(1) A general partnership is a partnership, the purpose of which is the performance of commercial activities through the use of a joint firm name, and in which two or more persons (members) have united, on the basis of a partnership agreement, without limiting their liability against creditors of the general partnership.

(2) The provisions of The Civil Law regarding partnership contracts shall be applied to a general partnership (hereinafter in this Division - the partnership) insofar as this Chapter does not specify otherwise.

Section 78. Application for Entering in the Commercial Register

(1) The foundation of the partnership shall be applied for entering in the Commercial Register.

(2) The legal address of a partnership shall be considered to be the address of the place where the management of the partnership is located (the headquarters of the partnership). Changes of the legal address shall be notified to the Commercial Register for registration.

(2^1) A consent issued by the owner of the immovable property (building or apartment property) for registration of the legal address of a partnership in the relevant building or apartment property shall be appended to the application. The cadastre number of the immovable property, the given name, surname and personal identity number or name (firm name) and registration number of the owner shall be indicated in the consent. If the application is signed by a person to whom the immovable property indicated in the legal address belongs, a consent need not be submitted.

(3) Changes in the firm name of the partnership shall be notified to the Commercial Register for registration, as well as new members joining the partnership.

(4) All members of the partnership have an obligation to sign the applications referred to in Paragraphs one, two and three of this Section.

(5) [15 April 2010]

[22 April 2004; 16 March 2006; 15 April 2010; 16 June 2011; 15 June 2017]

Chapter 2
Interrelationships between Members

Section 79. Partnership Agreement

The interrelationships between the members of a partnership shall be considered in accordance with the provisions of the partnership agreement. If there are no such provisions, the provisions of Sections 80 -88 of this Law shall be applicable.

Section 80. Reimbursement of Expenditures and Losses

(1) If a member of a partnership, when handling partnership matters, covers necessary expenditures on his or her own account or suffers losses which directly arise from the record-keeping of the partnership or with the risk associated with it, the partnership has an obligation to reimburse such expenditures and losses.

(2) In reimbursing expenditures and losses, a partnership has an obligation also to pay interest at the legal rate, which shall be calculated from the time the expenditures and losses referred to in Paragraph one of this Section were incurred.

Section 81. Obligation of the Members of a Partnership to Pay Interest

(1) If a member of a partnership has failed to pay his or her money contribution within a specified period of time, or has not, in a specified period of time, transferred money collected to the cashier's office of the partnership, or also has taken money from the cashier's office of the partnership without authorisation, he or she has the obligation to pay interest at the legal rate from the day when the payment of the contribution had to be made or when the money was to be transferred, or also when the money was taken without authorisation.

(2) The payment of interest does not release the member of a partnership from the obligation to reimburse losses.

Section 82. Prohibition of Competition

(1) A member of a partnership may not, without the consent of the rest of the members, conclude transactions in the sector of commercial activities of the partnership or be a member with full liability in another partnership which performs the same commercial activities.

(2) Consent to participation in the other partnership referred to in Paragraph one of this Section, shall be deemed to have been given if, when the partnership was founded, the rest of the members had known of such participation in another partnership and they did not specifically object to it.

(3) If a member of the partnership violates the provisions in Paragraph one of this Section, the partnership has the right to request reimbursement of losses or the recognition of the relevant transactions as concluded in the name of the partnership, and the income gained or the right to claim such be transferred to the partnership. The rest of the members of the partnership shall decide in respect of bringing such actions.

(4) The statute of limitation period for claims referred to in Paragraph three of this Law shall be three months from the day when the rest of the members of the partnership discovered about the violation against the prohibition of competition, but not later than within five years from the day of the commission of the violation.

Section 83. Management of a Partnership

(1) All members of a partnership have a right and an obligation to participate in the management of the partnership.

(2) If, in accordance with the partnership agreement, the management of the partnership is entrusted to one member of the partnership or to several members of the partnership (managers), the rest of the members shall not participate in the management of the partnership.

(3) If the management of the partnership is entrusted to all or several members, then each of them has the right to act individually. Individual action shall not be allowed if another manager objects to it.

(4) If it is specified in the partnership agreement that members, to whom the management of the partnership has been entrusted, may act only jointly, for each transaction the consent of all the managers shall be necessary, unless a risk of delay exists.

Section 84. Scope of Management Powers

(1) The scope of partnership management powers shall include any actions, which are associated with the usual commercial activities performed by the partnership.

(2) The consent of all the members of a partnership shall be necessary for actions, which exceed the usual commercial activities performed by the partnership.

(3) A procuration may be issued only with the consent of all the managers of a partnership, unless a risk of delay exists. The procuration may be revoked by any manager of a partnership.

Section 85. Revocation of Management Powers

(1) The partnership management powers of a member may be revoked by a court ruling on the basis of an action by the rest of the members, if there is good cause for it.

(2) A gross violation in the performance of obligations as well as an inability to properly conduct the management of the partnership shall be especially considered to be good cause.

Section 86. Control Rights of Members

(1) All members of a partnership at any time may ascertain the course of partnership matters, become acquainted with the accounting and other documents of the partnership, as well as prepare for themselves a report regarding the

state of partnership property, balance sheets and annual accounts.

(2) Agreements, which are in contradiction to Paragraph one of this Section shall be void.

Section 87. Taking of a Decision

(1) To take a decision, the consent of all the members of the partnership who have the right to take the relevant decision shall be necessary.

(2) If a partnership agreement specifies that a decision shall be taken by a majority of votes, then, in case of doubt, a majority shall be determined according to the number of members in the partnership.

[14 February 2002]

Section 88. Profits and Losses

(1) The profits and losses of a partnership shall be specified at the end of every accounting year, based upon the annual accounts of the partnership, which has been approved by the members of the partnership.

(2) The profits and losses of a partnership shall be divided between members in proportion to their contribution (capital shares) in the partnership. The calculated profit for each member of the partnership shall be added to his or her contribution (capital shares), on the other hand, in the case of losses, his or her contributions (capital shares) shall be reduced by the amount of calculated loss.

(3) If a member of a partnership, up to the division of profits, has not paid in his or her contribution, which he or she should have paid in accordance with the partnership agreement, the contribution together with interest shall be withheld from the share of the profit, which would be due to the member.

(4) A member of a partnership may request the payment of his or her share of the profit if it does not harm the partnership and his or her contribution (capital share) have not reduced.

[14 February 2002]

Chapter 3
Relations of Members of a Partnership with Third Parties

Section 89. Existence of a Partnership in Relation to Third Parties

(1) A partnership has an on-going relationship with third parties from the time it is entered in the Commercial Register.

(2) If a partnership has concluded its transactions already prior to its being entered in the Commercial Register, the partnership shall be deemed to have existed from the time of the conclusion of the transaction.

(3) An agreement regarding the fact that a partnership shall be deemed to exist at a later time shall be void as to third parties.

Section 90. Legal Status of a Partnership

(1) A partnership through the use of its firm name may acquire rights and assume obligations, acquire property and other rights pertaining to property, as well as be a plaintiff and defendant in a court.

(2) Collection on the property of a partnership may be commenced only after a court ruling in a matter in which the defendant is the partnership.

Section 91. Representation of a Partnership

(1) All members of a partnership have the right to represent the partnership in relations with third parties, unless they have been excluded from representation by the partnership agreement.

(2) A partnership agreement may specify that all or several members of the partnership are entitled to represent the partnership only jointly (joint representation). These members may authorise one member or several members from among themselves to conclude specific transactions or specific types of transactions. The intent of a third party shall be deemed to be a relation expressed as to the partnership if it is expressed to at least one of its members who is entitled to represent the partnership.

(3) [22 April 2004]

(4) Application for entering in the Commercial Register of the exclusion of a member of a partnership from representation, the specification of joint representation in accordance with the provisions of Paragraphs two and three

of this Section, as well as any other changes in the representation authorisations of the members of the partnership shall be notified for entering in the Commercial Register. It is the obligation of all members of the partnership to sign these applications.

[22 April 2004]

Section 92. Scope of Representations

(1) The representation by members of a partnership shall apply to all transactions and other lawful activities, including the alienation and encumbering of immovable property with rights pertaining to property, as well as the issuing and revocation of a procuration.

(2) Restrictions on the scope of representations shall not be binding on third parties.

(3) The provisions of Paragraph two of this Section shall specially apply to such restrictions on the scope of representation as in conformity with representation shall be conducted:

1) in relation to specific transactions or specific types of transactions;

2) when certain circumstances exist;

3) for a specific period or in a specific geographical territory.

(4) Joint representation, if it is registered with the Commercial Register, shall not be deemed to be a restriction of the scope of representation.

(5) Restrictions on the scope of representation in relation to one of several branches of a partnership undertaking (branch representation) shall be in effect in relation to third parties only if these branches have a different firm name entered in the Commercial Register.

Section 93. Revocation of Representation

(1) The representation of a member of a partnership, on the basis of a relevant action by the rest of the members, may be revoked by a court ruling, if there is good cause for it.

(2) A gross violation in the performance of obligations as well as an inability to properly perform representation of the partnership shall be especially considered to be good cause.

Section 94. Personal Liability of Members of a Partnership

(1) Members of a partnership shall be personally liable for the obligations of the partnership with all of their property as joint debtors.

(2) Agreements which are in contrary to the provisions of Paragraph one of this Section shall be void as to third parties.

Section 95. Objections of Members of a Partnership

(1) If an action is brought against a member of a partnership regarding fulfilment of the obligations of the partnership, he or she has a right to raise objections not associated with himself or herself only to such an extent as the partnership could raise them.

(2) A member of a partnership may refuse to satisfy a claim by a creditor, while:

1) the partnership has a right to contest the transaction which is the basis of the obligation of the partnership;

2) the creditor may satisfy their claim by an offset in respect of the fulfilment of the obligation of the partnership.

(3) On the basis of a ruling which has come into legal effect in a matter, in which the defendant is only the partnership, collection may not be made against the property of a member of the partnership.

Section 96. Liability of a New Member of a Partnership

(1) A member of a partnership, who joins an already existing partnership, shall be solidarily liable with rest of the members of the partnership in accordance with the provisions of Sections 94 and 95 of this Law also regarding those obligations of the partnership which were incurred before he or she joined the partnership.

(2) Agreements which are in contrary to the provisions of Paragraph one of this Section shall be void as to third parties.

Chapter 4

Termination of a Partnership and the Withdrawal of a Member of a Partnership

Section 97. Basis for the Termination of a Partnership and the Withdrawal of a Member of a Partnership

(1) A partnership shall be terminated:

1) when the time for which it was founded has ended;

2) by a decision of the members of the partnership;

3) with the commencement of bankruptcy procedures;

4) by a court ruling.

(2) If it is not specified otherwise in the partnership agreement, the basis of a withdrawal of a member of a partnership shall be:

1) the death of the member of the partnership;

2) the declaration of the member of the partnership as insolvent;

3) a notice of termination from the member of the partnership;

4) the expulsion of the member from the partnership;

5) other reasons referred to in the partnership agreement.

Section 98. Termination of a Partnership by a Court Ruling

(1) A partnership founded for a specific time may be terminated by a court ruling before the end of the specific time, as well as a partnership founded for a specific time on the basis of a relevant cause of action by a member of the partnership if there is good cause therefor.

(2) Good cause shall exist especially when another member of the partnership in bad faith or by allowing gross negligence violates significant obligations imposed upon him or her by the partnership agreement or such obligation have become impossible to fulfil.

(3) Agreements which revoke or restrict rights to request the termination of a partnership shall be void.

Section 99. Notice of Termination by a Member of a Partnership

(1) If a partnership is founded for an indefinite time, a member of the partnership has a right to withdraw from the partnership, providing a notice of termination of the partnership agreement not later than six months prior to the end of the accounting year.

(2) In the final accounting between the partnership and the member who is withdrawing the financial status of the partnership at the end of the accounting year referred to in Paragraph one of this Section shall be taken into account.

Section 100. Partnerships Founded for an Indefinite Time

Within the meaning of Sections 98 and 99 of this Law, partnerships which are founded for an indefinite time shall also be partnerships which:

1) were founded until the death of a member of the partnership;

2) upon the expiration of the time for which it was founded, it tacitly is continued.

Section 101. Expulsion of a Member of a Partnership Pursuant to a Request of His or Her Creditor

If a creditor of a member of a partnership, within six months, is unable to satisfy his or her claim for collection against the property of the member of a partnership, he or she has the right to bring an action in court for the expulsion of the member of the partnership from the partnership and the satisfaction of his or her claim from the sum which would have been paid out to the member of the partnership, if at the time of the bringing of an action the partnership had been terminated.

Section 102. Expulsion of a Member of a Partnership Pursuant to a Request of the Other Members of the Partnership

(1) In cases, when the rights which, in accordance with the provisions of Section 98 of this Law, allow an action to be brought before court regarding the termination of the partnership have arisen for the members of a partnership, they may instead request the court to expel the member at fault from the partnership.

(2) In the final accounting between the partnership and the member who has been expelled, the financial status of the partnership at the time of the bringing of the action referred to in Paragraph one of this Section shall be taken into account.

Section 103. Transfer of an Undertaking of a Partnership to Another Member of the Partnership

If there are two members in a partnership, and one of them withdraws from the partnership in accordance with the provisions of Sections 99, 101 and 102 of this Law, the partnership shall be terminated without liquidation and the undertaking of the partnership shall be transferred to the other member of the partnership, who has an obligation to apply himself or herself for entering in the Commercial Register as an individual merchant, accordingly applying for the deletion of the partnership from the Commercial Register.

Section 104. Heirs Joining a Partnership

(1) In case of the death of a member of a partnership, his or her heir has the right to become a member of the partnership, if this is specified in the partnership agreement or if all members of the partnership agree to it.

(2) If it is specified in a partnership agreement that only one of the heirs may become a member of the partnership, but the way in which this person shall be selected is not specified, the member of the partnership may appoint this person by a will.

(3) If with the consent of the rest of the members of a partnership, the heir or the heirs are granted the status of a limited partner, it shall be deemed that the partnership has been transformed into a limited partnership, and shall be applied for entering in the Commercial Register. An heir shall acquire the right to such share of the profits as had the deceased member. The partnership agreement may specify the reduction of the profit share due to the heir, if the profit share due the deceased member had been increased in accordance with the partnership agreement, taking into account his or her activities or greater responsibility.

(4) If an heir does not wish to become a member of the partnership or cannot, or the other members do not agree to it, the heir has a right to receive that which in conformity with his or her part of the estate would have been due to the deceased member of the partnership (estate-leaver) upon final accounting if the partnership were liquidated at the time of the opening of the succession.

(5) An heir may submit an application to a partnership regarding joining the partnership within three months after the time of the opening of the succession.

(6) In the case when an heir who has joined a partnership withdraws or the partnership is terminated, or also in the case when he or she has been granted the status of a limited partner within the term specified in Paragraph five of this Section, the heir shall be liable according to general procedures for the obligations of the partnership which have been incurred prior to his or her withdrawal, the termination of the partnership or the granting of the status of a limited partner.

[14 February 2002]

Section 105. Application for the Termination of a Partnership and Entering of the Withdrawal of a Member of a Partnership in the Commercial Register

(1) The termination of a partnership shall be applied for entering in the Commercial Register by indicating the reason for the termination of the partnership in the application. It is the obligation of all members of the partnership to sign such an application.

(2) If the partnership is terminated with the commencement of bankruptcy procedures, the termination of the partnership shall be entered in the Commercial Register on the basis of a court ruling.

(3) The provisions of Paragraph one of this Section shall be accordingly applied for the application regarding entering in the Commercial Register of the withdrawal of a member of a partnership. The expulsion of a member of a partnership from the partnership shall be entered in the Commercial Register on the basis of a court ruling.

(4) If the basis for the termination of a partnership or the withdrawal of a member of a partnership is the death of a member of the partnership, it is the obligation of all the other members of the partnership to sign the application for entering in the Commercial Register of the termination of the partnership or the withdrawal of a member of a partnership.

[15 June 2017]

Chapter 5
Liquidation of a Partnership

Section 106. Necessity for the Liquidation of a Partnership

Liquidation of a partnership occurs after the termination of the partnership, except in cases, when a different way of final accounting is specified in the partnership agreement, or also the partnership has been applied insolvent.

Section 107. Entering of a Liquidator in the Commercial Register

(1) Liquidators shall be applied for entering in the Commercial Register. It is the obligation of all members of the partnership to sign such an application. Similarly, any changes in the composition of liquidators or in the scope of their representations shall be applied for entering in the Commercial Register. A written consent of each liquidator to be a liquidator shall be appended to the application. The liquidator shall indicate the firm name and the registration number of the company, in which he or she agrees to become a liquidator.

(2) In the case of the death of a member of a partnership, the applications referred to in Paragraph one of this Section shall be signed by the other members of the partnership.

(3) [15 April 2010]

(4) [2 May 2013]

[16 March 2006; 15 April 2010; 2 May 2013]

Section 108. Several Liquidators

(1) If a liquidation is conducted by several liquidators, they have the right to perform the activities associated with the liquidation only jointly, if it is not specified that the liquidators may perform these activities separately. Such a provision shall be applied for entering in the Commercial Register.

(2) Liquidators may authorise one or more liquidators from among themselves to conclude transactions or specific types of transactions. The intent of a third party shall be deemed to be expressed in relation to the partnership if it has been expressed to at least one liquidator.

Section 109. Void Restrictions on Powers of a Liquidator

Restrictions on the powers of a liquidator shall not be void as to third parties.

Section 110. Instructions from Members of a Partnership

A liquidator has an obligation to comply with such instructions which, in relation to the management of the partnership, have been adopted unanimously by the members of the partnership.

Section 111. Signature of a Liquidator

A liquidator shall sign by adding his or her signature and an indication regarding the liquidation of the partnership to the firm name of the partnership.

Section 112. Division of Partnership Property

(1) After the settlement of debts, the liquidator shall divide the remainder of the property of a partnership among the members of the partnership in conformity with the amount of their invested (capital) shares as specified in the closing balance sheet of the partnership.

(2) Money, which is not necessary in the course of the liquidation, shall be divided conditionally among the members of the partnership. The funds necessary to cover its obligations, the terms of fulfilment or conditions of which have not come into effect, and to cover disputed obligations, as well as the securing of such sums as are due to the members of the partnership at the final accounting shall be retained.

(3) If a dispute should arise among the members of a partnership regarding the division of the property of the partnership, the liquidator has an obligation to postpone the division until the dispute is resolved.

Section 113. Other Types of Accounting

If the members of a partnership have agreed to another type of final accounting, in relation to third parties, insofar as undivided partnership property still exists, the relevant provisions of this Chapter shall be applicable.

Section 114. Legal Relations of Members of a Partnership

Up to the end of the liquidation, the provisions of Chapters 2 and 3 of this Division shall be applicable to the existing mutual relations of the members of a partnership and the relations of the partnership to third parties, insofar as it is not specified otherwise in this Chapter or does not derive otherwise from the purposes of the liquidation.

Section 115. Application regarding the Deletion of the Partnership from the Commercial Register

(1) After the end of liquidation, it is the obligation of all the liquidators of the partnership to declare the deletion of the partnership from the Commercial Register.

(2) The documents of the company shall be given for preservation in Latvia to one of the members of the company or to a third party, co-ordinating the place of preservation thereof with the National Archives of Latvia. The documents of archival value of the company, shall be given for preservation to the National Archives of Latvia in conformity with the provisions of the Law on Archives.

(3) The members of the partnership and their heirs retain the right to examine the accounting records and other documents of the partnership, as well as to use them. The right of use of the documents given to the National Archives of Latvia shall be determined by the Law on Archives.

[14 February 2002; 29 November 2012]

Chapter 6
Statute of Limitations and Restrictions on Liability

Section 116. Claims against a Member of a Partnership

(1) Claims arising from the obligations of a partnership against a member of the partnership shall have a statute of limitations period of three years after the termination of the partnership, if the claim against the partnership is not subject to a shorter statute of limitations period.

(2) The statute of limitations period shall commence from the day that the termination of a partnership is entered in the Commercial Register.

(3) If the terms of fulfilment or conditions of the obligations of a partnership have come into effect after the termination of a partnership has been entered in the Commercial Register, the statute of limitations period of a claim of a creditor shall commence at the time of the coming into effect of the terms of fulfilment or conditions of the obligations.

(4) Interruption of the statute of limitations period in relation to a terminated partnership shall be in effect also in relation to those members of the partnership who participated in it at the time of the termination.

Section 117. Liability of Such a Member of a Partnership as Who Withdraws from the Partnership

If a member of a partnership withdraws from the partnership, he or she shall be liable only for such obligations of the partnership as were incurred prior to his or her joining and the terms of fulfilment or conditions of which came into effect prior to his or her withdrawal, or within five years after withdrawal, counting from the day when the withdrawal of the member of the partnership was entered in the Commercial Register.

Division X
Limited Partnerships

[14 February 2002]

Section 118. Definition of a Limited Partnership

(1) A limited partnership is a partnership (hereinafter in this Division - the partnership), the purpose of which is the performance of commercial activities through the use of a joint firm name, and in which two or more persons (members) have agreed on the basis of a partnership agreement, if the liability of at least one of the members of the partnership (limited partner) in relation to the creditors of the partnership is limited to the amount of their contribution, but the liability of the other personal liability members of the partnership (general partners) is not limited.

(2) The provisions of this Law regarding general partnerships shall be applied to a limited partnership, if it is not specified otherwise in this Division.

[14 February 2002]

Section 119. Application for Entering in the Commercial Register

[15 June 2017]

Section 120. Relationships between Members of the Partnership

If the partnership agreement does not specify otherwise, the provisions of Sections 121-125 of this Law shall be

applied to the relationships between members of the partnership.

Section 121. Management of a Partnership

(1) Limited partners do not have the right to participate in the management of the partnership.

(2) Limited partners do not have the right to object to the actions of a general partner, except in the case when these actions exceed the scope of the usual commercial activities of the partnership.

[14 February 2002]

Section 122. Prohibition of Competition

The provisions of Section 82 of this Law shall not be applied to limited partners, except in the case when pursuant to the partnership agreement rights to manage the partnership have been granted to them or also they have some other significant influence on the management of the partnership.

[14 February 2002]

Section 123. Rights of Control

(1) Limited partners have the right to request at any time a written report on the status of the property of the partnership and to verify its accuracy and to examine the accounting and other documents of the partnership.

(2) On the basis of a relevant action brought by a limited partner, a court may request from the partnership a written report on the status of the property of the partnership (copies of the balance sheet and annual accounts), as well as the accounting and other documents of the partnership, if there is an important reason for such.

[14 February 2002]

Section 124. Profits and Losses

(1) In relation to limited partners, the provisions of Section 88, Paragraphs one, two and three of this Law shall be applied.

(2) The profit share of the partnership, which is due to limited partners, shall be included in their capital share until it reaches the specified amount of contribution.

(3) Limited partners shall participate in losses only to the amount of their capital shares and their still unpaid contribution.

[14 February 2002]

Section 125. Payment of Profit Share

(1) Limited partners may request the payment of the profit share due them, except in the case when their capital share in relation to the specified amount of contribution has been reduced as a result of losses, or also would be reduced as a result of the payment of the profit share due them.

(2) Limited partners do not have an obligation to return the profit share paid to them in relation to further losses of the partnership.

[14 February 2002]

Section 126. Representation of a Partnership

Limited partners do not have the right to represent the partnership in relation to third parties.

[14 February 2002]

Section 127. Liability of Limited Partners

Limited partners shall be liable, to the creditors of the partnership, in the amount of their contribution up to the making of the contribution. Such liability shall be excluded as soon as the contribution has been made.

[14 February 2002]

Section 128. Amount of Liability of Limited Partners

(1) After entering of the partnership in the Commercial Register, the amount of the liability of limited partners in relation to the creditors of the partnership shall be determined in conformity with the amount of their contribution entered in the Commercial Register.

(2) An agreement of members of a partnership, according to which a limited partner is released from the making of a contribution, or the making of a contribution is postponed shall be void as to creditors.

(3) Insofar as the contribution of a limited partner has been repaid to them, such in relation to the creditors of a partnership shall be deemed to have not been made. This provision is in force also if a profit share has been paid to the limited partner at a time when their contribution (capital share) in relation to the amount of contribution made has been reduced as a result of losses, or also insofar as their contribution (capital share) in relation to the specified amount of contribution has been reduced as a result of the payment of a profit share.

[14 February 2002]

Section 129. Liability of a Limited Partner, When Joining a Partnership

(1) If a limited partner joins an existing partnership, they shall be liable for those obligations of the partnership pursuant to the provisions of Sections 127 and 128 of this Law which were created before they joined.

(2) Agreements which are in contrary to the provisions of Paragraph one of this Section shall be void as to third parties.

[14 February 2002]

Section 130. Reduction of Contributions

The reduction of the contribution of a limited partner, while it has not been entered in the Commercial Register, shall be void as to creditors. A reduction in the contribution of the limited partner does not apply to creditors the claims of which have arisen prior to the reduction of contribution being entered in the Commercial Register.

[14 February 2002]

Section 131. Application for Entering Change of Contribution in the Commercial Register

An increase or decrease of a contribution shall be applied for entering in the Commercial Register. It is the obligation of all members of the partnership to sign such an application.

Section 132. Liability of Limited Partners Prior to the Entering of the Partnership in the Commercial Register

(1) If a partnership has commenced its transactions prior to its entering in the Commercial Register, each limited partner who has consented to the commencement of transactions, shall be liable as a general partner in respect of the obligations of the partnership which were incurred prior to the entering of the partnership in the Commercial Register, except in cases when the creditor knew of their participation in the partnership as a limited partner.

(2) If a limited partner joins an existing partnership, the provisions of Paragraph one of this Section shall be correspondingly applied to those obligations of the partnership which were incurred in the period between their joining and their entering in the Commercial Register as a limited partner.

[14 February 2002]

Section 133. Death of a Limited Partner

In the case of the death of a limited partner, his or her heirs continue to participate in the partnership if the partnership agreement does not specify otherwise.

[14 February 2002]

Division XI
Capital Companies

Chapter 1
General Provisions

Section 134. Definition of a Capital Company

(1) A capital company (hereinafter in this Division - the company) is a commercial company, the equity capital of which consists of the total sum of the nominal value of equity capital shares or stock (hereinafter in this Division - the shares).

(2) A capital company is a limited liability company or a stock company.

(3) A limited liability company is a private company, the shares of which are not publicly tradable objects.

(4) A stock company is a public company, the shares (stock) of which may be publicly tradable objects.

Section 135. Legal Status of the Company

(1) The company is a legal person.

(2) The company shall be deemed to be founded and shall acquire the status of a legal person from the date when it is entered in the Commercial Register.

Section 136. Shareholders

(1) The shareholder is a person who has been entered in the register of shareholders (stockholders), if it has not been otherwise specified in the law.

(2) Founders shall acquire the status of a shareholder from the date when the company is entered in the Commercial Register.

(3) Within the scope of this Division, the concept of "shareholder" shall mean the shareholder of a limited liability company and a stockholder of a stock company.

[2 May 2013]

Section 137. Limitations of Liability of the Company

(1) The company shall be liable for its obligations with the whole of its property.

(2) The company shall not be liable for the obligations of its shareholders.

(3) Shareholders shall not be liable for the obligations of the company.

Section 138. The Company with Supplemental Liability

(1) The company may be founded as the company with supplemental liability, in which at least one of the shareholders is liable personally with the whole of their property for the obligations of the company.

(2) In the documents of incorporation of the company with supplemental liability, shall be indicated all the persons who are liable personally for the obligations of the company with the whole of their property. These persons shall be entered in the Commercial Register.

Section 139. Legal Address of the Company

(1) The legal address of the company shall be the address where the management of the company (headquarters of the company) is located. The board of directors shall submit an application to the Commercial Register Office in case of change of the legal address for making the relevant record.

(2) A consent issued by the owner of the immovable property (building or apartment property) for registration of the legal address of the company in the relevant building or apartment property shall be appended to the application. The cadastre number of the immovable property, the given name, surname and personal identity number or name (firm name) and registration number of the owner shall be indicated in the consent. If the application is signed by a person to whom the immovable property indicated in the legal address belongs, a consent need not be submitted.

[16 March 2006; 16 June 2011]

Chapter 1.[1]
Restrictions for Conclusion of a Transaction with the Founder of the Company, Shareholder, Member of the Board of Directors or Council and Related Person

[15 June 2017]

Section 139.[1] Person Related to the Founder of the Company, Shareholder, Member of the Board of Directors or Council

[15 June 2017]

Section 139.[2] Conclusion of a Transaction with the Founder, Shareholder or Related Person

[15 June 2017]

Section 139.[3] Conclusion of a Transaction with a Member of the Board of Directors or Council or a Related Person

[15 June 2017]

Chapter 2
Founding of Companies

Section 140. Founders of the Company

(1) The founder of the company shall be a natural person or a legal person or a partnership, which has performed the activities related to the founding of the company or on whose behalf these activities of founding have been performed.

(2) The company may be founded by one or several founders.

[22 April 2004]

Section 141. Procedures for the Founding of the Company

(1) In founding the company, the founders shall perform the following activities:

1) prepare and sign the documents of incorporation of the company in accordance with Section 142 of this Law;

2) set up the administrative institutions of the company and, if it is intended in the company, appoint an auditor;

3) pay up the equity capital in the specified amount and organise the deposit of the monetary payments of the founders into a bank or confirm payment of the equity capital in the case referred to in Section 147, Paragraph 2.[1] of this Law;

4) organise the valuation of material contributions (if material contributions are made);

5) pay the State fee for entering in the Commercial Register and the payment for the publication concerning making of the entry in the Register;

6) submit an application to the Commercial Register Office.

(2) The founders may request an examination of the founding of the company in the cases and according to the procedures referred to in Section 150 of this Law.

(3) If it not otherwise provided for in the memorandum of association, the founders shall jointly perform the activities that are associated with the founding of the company.

[16 March 2006; 15 April 2010]

Section 142. Documents of Incorporation of the Company

(1) The memorandum of association and the articles of association are the documents of incorporation of the company.

(2) The conditions in the documents of incorporation may vary from the provisions of the law only when the law explicitly permits such variance.

Section 143. Memorandum of Association

(1) In the memorandum of association shall be indicated:

1) information on the founders:

a) for a natural person - given name, surname, personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) and residential address;

b) for legal persons - name, registration number, legal address, the given name, surname, personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document), office and residential address of the representative who signs the memorandum of association in the name of the legal persons;

2) the firm name of the company;

3) the amount of the equity capital of the company, the number of shares and nominal value;

4) the amount of the equity capital each founder has subscribed to and the amount of equity capital to be paid-up before registration, the procedures and time periods for payment;

5) the number of shares due to each founder according to the part of the equity capital such founder has subscribed to;

6) the number of and the nominal value total of those shares which, when founding the company, are to be paid-up with material contributions, indicating each item of the material contribution, and the given name, surname, personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) and residential address of those persons who have assumed obligations to make property contributions;

7) the allowed amount of founding costs and the procedures for covering these costs;

8) any special obligations, rights or advantages which are granted during the period of the founding of the company to a person who has taken part in the founding of the company;

9) the given names, surnames, personal identity numbers (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) and residential addresses of the members of the board of directors of the company;

10) the given names, surnames, personal identity numbers (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) and residential addresses of members of the company council (if the company has a council);

11) the given name, surname, personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) and residential address of the auditor, if an auditor is intended in the company;

12) other provisions which the founders consider to be significant and which are not in contradiction to law.

(2) The memorandum of association shall be signed by all the founders.

(3) The memorandum of association shall be in effect until the obligations specified therein are appropriately implemented and until the expiration of the time period of the authorisations of the council and the board of directors of the company, in accordance with the provisions of Section 145, Paragraph two of this Law.

(4) [14 February 2002]

(5) If the company is established by one founder, in the place of a memorandum of association a decision on founding of the company shall be prepared and signed. The provisions of this Law which regulate memoranda of association shall also apply to the decision on founding of the company.

[14 February 2002; 22 April 2004; 16 March 2006; 15 April 2010]

Section 144. Articles of Association

(1) In the articles of association of the company shall be indicated:

1) the firm name of the company;

2) [22 April 2004];

3) the time period or goals of the activities of the company (if the company is founded for a specific period of time or to reach a specific goal);

4) the amount of the equity capital, the number of shares and nominal value;

5) [14 February 2002];

6) the right of the members of the board of the company to individually or jointly represent the company;

6^1) numerical composition of the board of directors (if any intended);

7) the number of council members of the company (if the company has provided for a council);

8) special provisions for the alienation of shares (if such are provided for);

9) other provisions which the founders consider to be significant and which are not in contradiction to law.

(2) In addition to information referred to in Paragraph one of this Section, the following shall be indicated in the articles of association of stock companies:

1) if the company has different categories of stock - the categories of stock (indicating the rights which arise from each category of stock) and the number and the nominal value of each category of stock;

2) whether the stock is registered stock or bearer stock and if the articles of association provide that registered stock can be converted into bearer stock or vice versa - the provisions for such conversions;

3) whether the stock is in printed form or dematerialised and, if the articles of association provide for the conversion of printed form stock into dematerialised stock and vice versa - the provisions for such conversions;

4) the main types of commercial activities of the company.

(3) When founding the company, the articles of association shall be signed by all founders, indicating the date of signing.

[14 February 2002; 22 April 2004; 24 April 2008; 15 June 2017]

Section 145. Establishment of Administrative Institutions of the Company and the Appointment of an Auditor

(1) The restrictions specified by law shall be applicable also to the members of the board of directors and council and the auditor, who is appointed in the memorandum of association.

(2) The time period of authorisation of the board of directors, the council and the auditor which were formed until the registration of the company shall expire accordingly when the new board of directors and council are formed and a new auditor appointed at the meeting of shareholders.

[22 April 2004; 16 March 2006]

Section 146. Equity Capital Subscribed to and Paid-up until the Submission of the Application for Registration

(1) Until the submission of the application for registration to the Commercial Register Office, the founders shall perform their obligations as provided for in the memorandum of association in relation to the equity capital as subscribed to and payable until registration, if the memorandum of association does not provide for an earlier time period for the payment of the equity capital.

(2) The equity capital of a limited liability company shall be signed fully and paid-up at least in amount of 50 per cent by the submission of the application for registration. The remaining part shall be paid within one year from the date when the company was entered in the Commercial Register.

(2^1) The equity capital of the limited liability company referred to in Section $185.^1$, Paragraph one of this Law shall be signed and paid in full prior to submitting the application for registration.

(3) Up to the submission of the application for registration, all of the equity capital of a stock company specified in the memorandum of association shall be subscribed. Up to the submission of the application for registration the amount of paid-up equity capital may not be less than the minimum equity capital specified in Section 225 of this Law, or less than 25 per cent of the subscribed equity capital.

(4) Up to the submission of the application for registration, the equity capital of a stock company and the limited liability company referred to in Section $185.^1$, Paragraph one of this Law shall be paid-up only in money.

[14 February 2002; 22 April 2004; 15 April 2010]

Section 147. Procedures for the Payment of Equity Capital when Founding the Company

(1) Within the time period specified by the memorandum of association, the founders shall pay up all the amount of the equity capital specified in the memorandum of association as payable up to the submission of the application for registration.

(2) The founders shall open a bank account in the name of the company to be founded, organise the deposit of money into it and receive a notice from the bank, addressed to the Commercial Register Office, or another document issued by the bank, which confirms the amount of equity capital paid-up to founding.

(2^1) Paragraph two of this Section need not be applied if such limited liability company is being founded, which conforms to the signs referred to in Section $185.^1$, Paragraph one of this Law. In such case the founders shall confirm

the payment of the equity capital.

(3) [22 April 2004]

(4) The costs of founding the company shall be covered in proportion to the amount of subscribed equity capital of each founder, if the memorandum of association does not provide for different procedures to cover the costs of founding the company.

(5) [22 April 2004]

[14 February 2002; 22 April 2004; 15 April 2010]

Section 148. Valuation of Material Contributions

If, when founding the company, the equity capital or part of it is paid-up by a property contribution, the founders shall organise its valuation in accordance with the provisions of Section 154 of this Law.

Section 149. Application for Entering in the Commercial Register

(1) The foundation of the partnership shall be applied for entering in the Commercial Register.

(2) All the founders shall sign the application.

(3) The following shall be attached to an application:

1) the documents of incorporation;

2) a notice from a bank or another document regarding the payment the equity capital (if the equity capital or part of it is paid-up in money);

3) a document which certifies the value of each property contribution (if property contributions are made);

4) a written consent of each council member to be a council member (if the company has a council);

5) a written consent of each member of the board of directors to be a member of the board of directors. If, until entering of the company in the Commercial Register, the firm name thereof changes, a written consent need not be resubmitted;

6) [15 April 2010];

7) a notice from the board of directors regarding the legal address of the company, appending a consent issued by the owner of the immovable property (building or apartment property) for registration of the legal address of the company in the relevant building or apartment property shall be appended to the application. The cadastre number of the immovable property, the given name, surname and personal identity number or name (firm name) and registration number of the owner shall be indicated in the consent. If the application is signed by a person owning the immovable property indicated in the legal address, a consent need not be submitted;

8) [16 March 2006];

9) the first division of the register of shareholders.

[14 February 2002; 22 April 2004; 16 March 2006; 15 April 2010; 16 June 2011; 2 May 2013; 15 June 2017]

Section 150. Examination of the Founding of the Company

(1) Shareholders who represent not less than twentieth of the equity capital with voting rights have the right, within one year from the date of registration of the company, to request that the Commercial Register Office approves one or several experts selected by shareholders to perform an examination of the founding of the company.

(2) The experts shall complete a report, in three copies, regarding the examination performed, of which one copy shall be submitted to the Commercial Register Office, the second - to the company, but the third - to the shareholders who requested the examination.

(3) The shareholders who requested the examination shall cover the costs of the examination.

(4) If it is determined in the examination of the founding of the company that the founders have not performed their obligations in good faith, the founders shall compensate the costs of the examination of the founding of the company to the shareholders referred to in Paragraph three of this Section. Disputes regarding expenditures which are associated with the examination of the founding of the company shall be decided by a court.

[14 February 2002; 16 March 2006]

Chapter 3
Equity Capital of the Company

Section 151. Payment of Equity Capital and Types of Payments

(1) Equity capital shall be paid-up with money or property contributions.

(2) Equity capital shall be expressed in euros.

(3) The type of payment shall be determined by the memorandum of association or in the regulations for the increase of the equity capital.

(4) Contributed property shall become the property of the company.

[19 September 2013 / Amendments to Paragraph two shall come into force on 1 January 2014. See Paragraph 35 of Transitional Provisions]

Section 152. Payment of Equity Capital with Money

(1) If property contributions are not provided for in the memorandum of association or in the regulations for the increase of the equity capital, the equity capital shall be paid-up only with money.

(2) The contribution specified in Paragraph one of this Section may not be substituted with a property contribution.

Section 153. Property Contributions

(1) Items of property contributions may be tangible or intangible property valued in terms of money, which may be used in the commercial activities of the company, except for property which in accordance with law may not be the subject of collection.

(2) Obligations to provide services or to perform work, unanticipated profits or anticipated activities for the company, or also expected salary, honoraria, dividends and similar payments, which a founder or shareholder may receive from the company, may not be property contributions.

(3) Property contributions may not be made in parts.

(4) A person, who makes a property contribution, shall inform of any rights to the item of property contribution by third parties. If the person fails to fulfil this requirement, they shall pay up their shares in cash.

(5) If the value of an item of a property contribution has decreased up to the submission of the application to the Commercial Register Office, the person who has contributed it shall cover this decrease in cash.

(6) [22 April 2004]

[22 April 2004]

Section 154. Procedures for the Valuation of Property Contributions

(1) Property contributions shall be evaluated and an opinion shall be provided by a person who is included in the list of valuators of property contributions. A valuator may not be a relative of the owner of the property to be valuated up to the third degree of kinship, a spouse and brother-in-law or sister-on-law up to the second degree of affinity, as well as a person otherwise interested in the evaluation of the property.

(1^1) The procedures by which the list of valuators of property contributions shall be maintained, and the requirements to be brought forward for valuators shall be determined by the Cabinet.

(2) If, when founding a limited liability company, the total value of property contributions does not exceed EUR 5700, and the property contributions together are less than one-half of the equity capital of the company, the valuation of the property contributions and the submission of an opinion may be made by the founders. In this case, all founders shall sign the opinion.

(2^1) If the equity capital is paid by transferable securities and money market instruments which have been included in the regulated market registered (licensed) in a European Union Member State or a Member State of the European Economic Area at least two years prior to signing of memorandum of association or taking of a decision on increase of the equity capital, an opinion regarding valuation of property contribution may be provided by those founders or shareholders, who have made the relevant property contribution.

(3) The property contributions shall be valued according to the usual value of the relevant property or rights.

(3[1]) If the equity capital is valued in accordance with the procedures specified in Paragraph 2.[1] of this Section, the value of transferable securities and money market instruments shall be determined pursuant to the weighted average price in the regulated market within six months before the valuation.

(3[2]) An opinion regarding the valuation of a property contribution shall be in effect for six months from the date of drawing up thereof. The opinion regarding the valuation of a property contribution shall also be in effect on the day, when a memorandum of association is signed or a decision on increase of equity capital is taken.

(3[3]) The board of directors has the obligation to ensure a re-valuation of a property contribution in accordance with the provisions of Paragraph one of this Section, if the conditions, which could decrease the value of the property contribution until the time when an application for the entering of the company in the Commercial Register or an application for increase of the equity capital is submitted to the Commercial Register Office, have been discovered.

(3[4]) If the board of directors fails to provide a re-valuation of the property contribution in the case referred to in Paragraph 3.[3] of this Section, shareholders who on the day of taking of a decision on increase of the equity capital represent at least one twelfth of the equity capital until the day when an application for increase of the equity capital will be submitted to the Commercial Register Office, have the right to request re-valuation of the property contribution in accordance with the provisions of Paragraph one of this Section.

(4) An opinion regarding the valuation of a property contribution shall include a description and value of each contribution item, indicate the ownership of the property, and the method used for the valuation of each contribution, and include an opinion regarding the conformity of the items of property contribution with the types of commercial activities of the company. If the valuation is made by the founders or shareholders, the valuation methods for property contributions need not be indicated. The information used as the basis for determination of the value of property contribution shall be indicated additionally in the opinion regarding the valuation of the property contribution referred to in Paragraph 2.[1] of this Section which is drawn up by founders or shareholders.

(5) The opinion regarding the valuation of property contributions in a stock company submitted to the Commercial Register Office shall be published in the official gazette *Latvijas Vēstnesis*.

(6) The persons, who performed the valuation, shall be solidarily liable for any losses, which have been incurred with an incorrect valuation of a property contribution.

[14 February 2002; 22 April 2004; 24 April 2008; 15 April 2010; 29 November 2012; 19 September 2013 / Amendments to Paragraph two shall come into force on 1 January 2014. See Paragraph 35 of Transitional Provisions]

Section 155. Payment of Share

(1) It shall be the obligation of the founders or shareholders to pay for the shares according to its nominal value.

(2) It may be provided for in the regulations for the increase of the equity capital that, in the case of the equity capital of the company being increased, the shareholders shall have to, in addition to the nominal value, also pay a share premium. The share premium shall be indicated in the regulations for the increase of the equity capital, and it shall not be included in the equity capital.

Section 156. Consequences of the Failure to Pay up Shares within the Time Period

(1) If a person fails to pay up the full subscribed price of the shares within the time period for full payment of shares as specified in the memorandum of association or in the regulations for the increase of equity capital, the board of directors shall send him or her a written notice by appropriate means of this. In this notice, shall be indicated the repeated time period for the full payment of shares specified by the board of directors, which may not be shorter than 15 days or longer than 30 days from the date when the notice is sent.

(2) If the person fails to pay up part of the shares within the time period specified by the board of directors referred to in Paragraph one of this Section, he or she shall forfeit the right to these shares, which shall devolve to the company. When the new owner of the shares has paid-up their sales price, the company shall withhold one-fifth of the sales price and the remainder of the amount shall be paid out to the relevant shareholder.

(3) It may be provided for in the regulations for the increase of equity capital that, in the case of the non-payment of the full price of the shares, a shareholder shall retain the number of shares which is proportional to his or her paid-up amount, if this is provided for in the articles of association.

(4) If the amount, which the company gains by selling the shares according to the procedures referred to in Paragraph two of this Section, is less than the amount which has already been paid by the first owner of the shares, the company may request the difference from the first owner of the shares.

(5) The memorandum of association, as well as the articles of association may specify a penalty for failure to observe the time period for the payment of shares. The amount withheld referred to in Paragraph two of this Section, shall not be deemed to be a penalty within the meaning of this Paragraph.

[14 February 2002]

Section 157. Rights of Several Persons to a Share

(1) In the company, one share may be owned by several persons jointly. These persons may use the rights arising from this share only by appointing a joint representative.

(2) [2 May 2013]

(3) Persons who jointly own one share in the company shall be solidarily liable for the obligations arising from this share.

[14 February 2002; 2 May 2013]

Section 158. Mandatory Reserves

[14 February 2002]

Section 159. Use of the Mandatory Reserves

[14 February 2002]

Section 160. Other Reserves

[14 February 2002]

Section 161. Dividends

(1) [14 February 2002]

(1^1) Dividends shall be determined by a decision of the shareholders.

(2) Dividends shall be paid to the shareholders in proportion to the total of the nominal value of the shares owned by them.

(3) Dividends shall be calculated and paid out for fully paid-up shares.

(4) Dividends may not be determined, calculated and paid out if it arises from the annual accounts or from the report of economic activity referred to in Section $161.^1$ of this Law that the own funds of the company are less than the total amount of the equity.

(5) Dividends shall be paid out only in money, based upon a decision on the division of profit.

(6) Dividends which have not been taken out within 10 years shall devolve to the ownership of the company, except in cases when, pursuant to law, the statute of limitations is deemed to be discontinued or suspended. Interest shall not be paid on dividends, which have not been taken out in time, if this is due to the fault of the shareholder.

(7) A decision of the shareholders of the company that the dividends, even temporarily, are left at the disposal of the company is void.

(8) The company may not request a shareholder to return dividends received, except in cases referred to in Section 162 of this Law.

[14 February 2002; 22 April 2004; 2 May 2013; 16 January 2014 / Amendments to Paragraph four shall come into force on 1 July 2014. See Paragraph 50 of Transitional Provisions]

Section $161.^1$ Extraordinary Dividends

(1) It may be stipulated in the articles of association that dividends may be determined and calculated also from the profit acquired during the time period after the end of the previous accounting year (within the meaning of this Section - extraordinary dividends). In this case the provisions of this Law regarding determination, calculation and paying out of dividends shall be applied, insofar as it is not otherwise provided for in this Section.

(2) A condition or time period shall be stipulated in the articles of association upon setting of which a deadline is to be determined by which the board of directors shall convene a meeting of shareholders in order to take a decision to determine extraordinary dividends. The board of directors shall not convene a meeting of shareholders if in accordance with a report of economic activity, which is drawn up regarding the period of paying out of extraordinary dividends, the company has no profit. Other cases may be laid down in the articles of association when the board of directors shall not convene a meeting of shareholders in order to take a decision to determine extraordinary dividends.

(3) The company may pay out in extraordinary dividends not more than 85 per cent of the profit gained within the time period regarding which extraordinary dividends are determined.

(4) The board of directors shall draw up and submit to the meeting of shareholders a report of economic activity of the company regarding the period for which extraordinary dividends are determined, and a proposal for the part of the profit to be paid out in extraordinary dividends. The meeting of shareholders cannot determine a greater part of profit to be paid out in extraordinary dividends than that determined in the proposal of the board of directors for the part of the profit to be paid out in extraordinary dividends.

(5) The report of economic activity of the company shall be drawn up in accordance with the requirements of the law on drawing up of annual accounts. The report of economic activity of the company and proposal of the board of directors for the part of the profit to be paid out in extraordinary dividends shall be sent to shareholders together with a notification regarding convening of the meeting of shareholders or announced in accordance with the provisions of Section 273 of this Law.

(6) A meeting of shareholders shall take a decision to determine extraordinary dividends:

1) not earlier than three months after the previous decision of the meeting of shareholders to determine dividends has been taken;

2) not later than three months after the end of the reporting period regarding which the report of economic activity of the company has been drawn up.

(7) In the meeting of shareholders the board of directors shall attest that:

1) the financial situation of the company has not significantly deteriorated until the day of the meeting of shareholders;

2) paying out of extraordinary dividends does not cause any risk to the fulfilment of the obligations of the company during the remaining months of the accounting year.

(8) According to the provisions of this Section dividends may be determined and paid out, if on the day of taking a decision of the meeting of shareholders:

1) the company has no tax debts;

2) the company has no tax payments deferred or divided in time periods, and the tax advance payments to be made by the company have not been reduced.

(9) A limited liability company, which conforms to the provisions of Section 185.[1], Paragraph one of this Law, may not determine and pay out extraordinary dividends.

[16 January 2014 / Section shall come into force from 1 July 2014. See Paragraph 50 of Transitional Provisions]

Section 162. Return of Unjustified Paid Out Amounts

(1) If a dividend has been paid out to a person to which or part of which he or she had no right, and this person, at the time of receipt of the dividend, knew or should have known that the payment was unjustified, it is his or her obligation to return the amount acquired without justification to the company.

(2) Other unjustified paid out amounts, which a shareholder has acquired in good faith, he or she has an obligation to repay when it became known to him or her that the payments were not justified. Unjustified paid out amounts, which a shareholder has acquired in bad faith or by gross negligence, he or she has an obligation to repay the company. In such case, the shareholder shall compensate the losses, which were incurred by the company as a result of this unjustified payment.

Chapter 4
Liability

Section 163. Liability for Obligations which have Arisen before Entering the Company in the Commercial Register

(1) A founder who has acted in the name of the company to be founded before entering the company in the Commercial Register, shall be liable for obligations which arise from such actions. In the case of actions by several founders, these founders shall be liable solidarily.

(2) Agreements which are in contrary to the provisions of Paragraph one of this Section shall be void as to third parties.

(3) The obligations referred to in Paragraph one of this Section shall devolve to the company, if the board of directors of the company or shareholders who represent not less than one twentieth of the equity capital do not object to the obligation devolving to the company within three months after entering the company in the Commercial Register. If such objections are raised, the issue of the devolvement of the obligations shall be decided by a meeting of shareholders. The devolvement of the obligations to the company shall not restrict its rights to request the fulfilment of the obligations by the founder.

(4) If the property of the company is not sufficient to satisfy the claims of creditors of the company, the founders shall be personally solidarily liable to the creditors for obligations of the company, to the extent of that reduction in the property of the company which has occurred because of the obligations which were undertaken by the company to be founded. The statute of limitations time period for such claims is three years from the date when the company was entered in the Commercial Register.

[14 February 2002]

Section 164. Acquisition of Property from Founders and Shareholders

[16 June 2005]

Section 165. Liability for Submitting False Information

(1) The founders of the company shall be solidarily liable for such losses caused as a result of false information, which is submitted up to the entering of the company in the Commercial Register.

(2) The members of the board of directors shall be solidarily liable for such losses caused as a result of false information, which is submitted after entering the company in the Commercial Register.

(3) For the submission of false information to the Commercial Register, persons shall be held to administrative liability or criminal liability.

Section 166. Liability of Founders

(1) Founders shall be solidarily liable for losses, incurred by the company and third parties, which occurred during the founding of the company as a result of the founders having acted maliciously or negligently.

(2) Actions which are in contradiction to law or the memorandum of association shall be in any case deemed to be malicious.

(3) The founders shall be solidarily liable to the company for any shortages which have been caused if a person is unable to fulfil their share payment obligations, in cases when these founders, in accepting the participation of such person, knew or should have known of the inability of this person to fulfil such obligations.

(4) The provisions referred to in this Section shall in no way limit the liability which is specified in Section 163 of this Law.

(5) For the claims referred to in this Section, the statute of limitation period shall be five years from the date of the entering of the company in the Commercial Register.

Section 167. Liability of Third Parties for Founding Process Violations

(1) A person, who has facilitated the malicious or negligent actions of the founders or has collaborated in them, shall be solidarily liable together with the guilty founders if he or she knew or should have known about the malicious or negligent character of such actions.

(2) A person on whose account a founder has undertaken an obligation to pay up the shares also shall be solidarily liable with the founders. Such person may not rely on not having known of such circumstances, of which the founder knew or should have known.

(3) For the claims referred to in this Section, the statute of limitation period shall be five years from the date of the entering of the company in the Commercial Register.

Section 168. Liability for Influencing Members of the Company Institution, Proctors and Persons with a Commercial Power of Attorney

(1) A person who in bad faith persuades a member of the board of directors or the council, a proctor or a person with a commercial power of attorney to act against the interests of the company or its shareholders shall be liable for any losses incurred as a result of such activities to the company.

(2) If, in the case referred to in Paragraph one of this Section, there is a basis for members of the board of directors or the council to be held liable in accordance with Section 169 of this Law, they shall be solidarily liable with the person who has used his or her influence. If there is a basis for holding a proctor or a person with a commercial power

of attorney liable, they shall be solidarily liable with the person who has used his or her influence.

(3) Members of the board of directors and the council, a proctor or a person with a commercial power of attorney shall not be liable in accordance with Paragraph two of this Section if they prove that they were acting as honest and careful managers.

(4) The provisions referred to in Paragraphs one and two of this Section shall not be applicable if the influence was exerted:

1) by using one's voting rights at a meeting of shareholders;

2) by lawfully using one's decisive influence in accordance with the Groups of Companies Law.

[14 February 2002; 22 April 2004]

Section 169. Liability of Members of the Board of Directors and of the Council

(1) Members of the board of directors and council shall perform their obligations as would an honest and careful manager.

(2) Members of the board of directors and council shall be solidarily liable for losses that they have caused to the company.

(3) Members of the board of directors and council shall not be liable in accordance with Paragraph two of this Section if they prove that they have acted, as would an honest and careful manager.

(4) A member of the board of directors and council shall not be liable for losses caused to the company if he or she has acted in good faith within the framework of a lawful decision of the meeting of shareholders. The fact that the council has approved the actions of the board of directors shall not release the members of the board of directors from liability to the company.

(5) Claims against a member of the board of directors and of the council shall expire within five years form the day of causing losses.

[14 February 2002; 22 April 2004; 15 June 2017]

Section 169.[1] Liability of Members of the Board of Directors for the Violation of Provisions for Keeping the Register of Shareholders

A member of the board of directors shall be liable for the losses caused to a shareholder, alienor of the share or acquirer of the share, which have arisen upon the member of the board of directors violating the provisions of Sections 187 and 187.[1] of this Law.

[2 May 2013]

Section 170. Creditor Claims for the Benefit of the Company

(1) A creditor of the company who cannot gain satisfaction for their claim against the company may, within a year from the day of coming into effect of the judgment, bring an action for the benefit of the company against the persons referred to in Paragraphs 166-169 of this Law who have caused losses for the company, but have not compensated them.

(2) Creditors of the company have the right to bring an action, and this right shall not be restricted also in the following cases if:

1) the company has withdrawn its action against the person at fault;

2) a settlement has been entered into;

3) the losses have been caused in the fulfilment of a decision of the meeting of shareholders or the council.

(3) [15 June 2017]

[16 June 2011; 15 June 2017]

Section 171. Prohibition of Competition in Relation to Members of the Board of Directors of the Company

(1) A member of the board of directors, without the consent of the council or, if such has not been formed - without the consent of the meeting of shareholders, may not:

1) be a general partner in a partnership, or a shareholder with supplemental liability in a capital company which is

engaged in the field of commercial activities of the company;

2) conclude transactions in the field of commercial activities of the company in his or her own name or in the name of a third party;

3) be a member of the board of directors of another company which is engaged in the field of commercial activities of the company, except in cases when the company and the other company are part of the same group of companies.

(2) If a member of the board of directors violates the provisions of Paragraph one of this Section, the company is entitled to request compensation for losses or the recognition of the relevant transactions as such that are concluded in the name of the company and the transfer the income acquired or the right of claim to such to the company.

(3) The statute of limitation period for claims referred to in Paragraph two of this Section shall be three months from the date when the other members of the board of directors or members of the council (if such has been formed) had found out about the violation against the prohibition of competition, but no more than five years from the day of the committing of the violation.

[14 February 2002]

Section 172. Bringing an Action by the Company

(1) The company may bring an action against the founders, members of the board of directors or council or the auditor, on the basis of a decision taken by a meeting of shareholders, which has been taken by a simple majority of votes of those present. The articles of association may not specify a larger majority for the bringing of an action.

(2) The company has the obligation to bring an action against the persons referred to in Paragraph one of this Section, also if that is requested by a minority of shareholders who jointly represent not less than one twentieth of the equity capital. Such request by a minority of shareholders shall be submitted to that institution of the company which, in accordance with this Law, has the right to bring an action, but if such institution does not bring the action in a court within one month, the minority of shareholders may bring an action in a court without the intermediation of this institution.

(3) Actions by the company against the board of directors shall be brought and maintained by the council. If the company has no council, then the meeting of shareholders, which took the decision on bringing of an action against the members of the board of directors, shall elect one or several representatives of the company to bring and maintain the action.

(4) Action by the company against the founders, the council and the auditor shall be brought and maintained by the board of directors if a meeting of shareholders does not decide otherwise.

(5) If the bringing of an action is requested by a minority of shareholders, a court shall allow the persons selected by them as representatives of the company in the examination of the matter, if there is an important reason for this. In any event the case referred to in Paragraph two of this Section, when the relevant institution, despite the request by the minority of shareholders, does not bring an action to a court, shall be deemed to be an important reason.

(6) An action shall be brought in a court within three months from the date when a meeting of shareholders has taken the decision on bringing of an action or when a request by the minority of shareholders was received. An appropriately certified excerpt of the minutes of the meeting shall be appended to the statement of the cause of action. When bringing an action in court, a minority of shareholders has an obligation to attach evidence that these shareholders represent not less than one twentieth of the equity capital of the company, as well as a power of attorney from the relevant minority of shareholders.

(7) In respect of losses which the company incurs due to an unjustified action, those shareholders who voted for the bringing of the action or the minority of shareholders in the actions of which has been determined maliciousness or gross carelessness shall be solidarily liable.

(8) [14 February 2002]

[14 February 2002; 19 September 2013; 15 June 2017]

Section 173. Release from Liability

(1) A meeting of shareholders may release members of the board of directors or council from liability or take a decision to enter into an amicable settlement only for specific actions which were actually performed by them and were revealed at the meeting of shareholders, and as a result of which the company has incurred losses.

(2) A decision of a meeting of shareholders regarding the release from liability or to enter into an amicable settlement with the members of the board of directors or council shall not restrict the right of a minority of shareholders to bring an action in accordance with the provisions of Section 172, Paragraph two of this Law.

(3) A decision of a meeting of shareholders to approve the annual accounts shall not of itself release members of

the board of directors and council from liability for their actions during the relevant accounting period.

[14 February 2002]

Chapter 5
Annual Accounts of the Company and Distribution of Profits

Section 174. Company Accounts

(1) After the end of the accounting year, the board of directors shall compile and sign the annual accounts of the company and submit them without delay to the auditor and the council (if such has been formed).

(2) Following receipt of the auditor's opinion and the report of the council, the board of directors shall convene a meeting of shareholders.

(3) If the company does not have a council, the board of directors shall convene a meeting of shareholders following the receipt of the auditor's opinion.

(4) The annual accounts, the auditor's opinion and the report of the council, together with a notice of the convening of a meeting of shareholders, shall be sent to all shareholders or promulgated in accordance with Sections 214 and 273 of this Law.

[22 April 2004]

Section 175. Council Report to the Meeting of Shareholders

(1) If the company has a council, it shall examine the annual accounts and proposals for use of profit submitted by the board of directors and shall complete a written report regarding it, which shall be attached to the annual accounts.

(2) The report shall also include:

1) an evaluation of the activities and financial condition of the company;

2) an evaluation of the work of the board of directors;

3) a report regarding the work of the council in the accounting period;

4) proposals for improvement of the activities of the company, if it is necessary.

[22 April 2004]

Section 176. Auditor

(1) The annual accounts of the company shall be audited and an opinion thereof shall be submitted by a sworn auditor elected in the meeting of shareholders, if it is provided for by the law. In other cases the annual accounts shall be audited and an opinion thereon shall be submitted by an auditor, if it is provided for in the articles of association or in the decision of the meeting of shareholders.

(2) The provisions of this Law regarding an opinion as regards the annual accounts shall be applicable, if in accordance with Paragraph one of this Section an auditor is intended in the company.

(3) [16 March 2006]

(4) An auditor may not be a shareholder, a member of the board of directors or council of the company itself, as well as a person who is otherwise interested in the commercial activities of the company. If the company is part of a group of companies, the auditor may not be also a person who is a member of the board of directors or council of a dependent company or the dominant undertaking.

(5) The board of directors, the council or shareholders, who jointly represent not less than one tenth of the equity capital, may, during a meeting of shareholders or not later than two months after the meeting of shareholders, raise substantiated objections to the elected auditor. Objections raised at a meeting of shareholders shall be immediately decided by the meeting itself, but if such objections are raised later, the disputed issue shall be decided by a meeting of shareholders to be convened not later than within two months after the objections have been received by the board of directors. If the objections are rejected, the shareholders who have raised them, who jointly represent not less than one tenth of the equity capital, have the right, at their own expense, to invite another auditor. If such other auditor is invited, the status and scope of the rights of the elected auditor shall not change.

(6) The auditor invited in accordance with the procedures specified in Paragraph five of this Section has the same rights as the elected auditor, and the same provisions of the law shall be applicable to him or her.

[14 February 2002; 16 March 2006]

Section 177. Obligations and Rights of an Auditor

The obligations and rights of an auditor shall be determined by the relevant laws.

Section 178. Liability of the Auditor

(1) An auditor shall be liable to the company and third parties regarding any losses caused due to his or her fault.

(2) An auditor shall not be liable for any losses caused as a result of violations committed by the administrative institutions of the company, except in cases when he or she knew or should have known about such violations but failed to indicate them in the opinion.

(3) If an auditor becomes liable in accordance with the provisions of Paragraph two of this Section, he or she shall be solidarily liable together with the members of the relevant administrative institutions.

Section 179. Approval of the Annual Accounts of the Company

(1) The annual accounts of the company shall be approved by a meeting of shareholders which has been convened by the board of directors after receipt of the auditor's opinion, but if the company has a council, also after the council's report has been received.

(2) The approval of the annual accounts of the company at a meeting of shareholders shall be postponed if the opinion of the auditor invited according to the procedures specified in Section 176, Paragraph five of this Law differs from the opinion of the elected auditor.

(3) The approval of the annual accounts of the company at a meeting of shareholders shall be postponed if, disputing the correctness of separate positions in the annual accounts, the postponement is requested by shareholders who represent at least one tenth of the equity capital.

(4) If the approval of the annual accounts is postponed in the case referred to in Paragraph three of this Section, then at the next meeting of shareholders, the agenda of which shall include the approval of the annual accounts of the same year, a minority of shareholders may again request the postponement of the approval of the annual accounts only if new circumstances have been determined which are a barrier to the approval of the annual accounts.

Section 180. Use of Company Profit

(1) The board of directors shall prepare and submit to a regular meeting of shareholders its proposal for the use of profit.

(2) The proposal for the use of profit shall be sent to shareholders together with a notice regarding the convening of a meeting of shareholders and annual accounts, or it shall promulgated in accordance with the provisions of Section 273 of this Law.

(3) The following shall be indicated in the proposal:

1) the amount of the profit of the accounting year of the company;

2) [14 February 2002];

3) [14 February 2002];

4) the part of the profit to be paid out as dividends;

5) the use of profit for other purposes.

(4) The meeting of shareholders shall decide on the use of profit after the annual accounts of the company have been approved.

(5) [14 February 2002]

(6) If the company has undistributed profits, shareholders may, in accordance with the procedures specified in this Law, request that the board of directors convenes a meeting of shareholders in order to take a decision on the use of profit. The board of directors shall append a proposal for the use of the profit, in which the information referred to in Paragraph three of this Section shall be indicated, to the notification regarding convening of the meeting.

[14 February 2002; 2 May 2013; 16 January 2014]

Section 181. Submission of the Annual Accounts to the Commercial Register Office

[24 April 2008 / See Paragraph 10 of Transitional Provisions]

Section 182. Payment of Cash Funds of the Company to Shareholders

(1) The company may make payments to its shareholders only if they are paid out as dividends or the equity capital is reduced, or if the company is liquidated and its property is divided among shareholders.

(2) Payments made to shareholders which are not referred to in Paragraph one of this Section shall be deemed as unjustified. As unjustified payments of company funds shall also be deemed cases when a shareholder uses the property of the company free-of-charge, when a shareholder is paid a higher remuneration than is specified in a contract for services provided, or when the company buys property from a shareholder at a higher than usual price.

(3) Payments may not be made to shareholders if the net value of the own funds of the company at the time of the closure of the accounting year or, if a decision to determine extraordinary dividends is taken - in the end of the relevant accounting year, are less or as a result of this payment shall become less than the total amount of the equity capital of the company. This condition shall not be applied in cases when the company is liquidated.

(4) The obligations referred to in Paragraphs one and three of this Section shall not apply to payments to shareholders against which obligations have arisen otherwise than from participation in the company.

[14 February 2002; 22 April 2004; 16 January 2014 / Amendments to Paragraph three shall come into force on 1 July 2014. See Paragraph 50 of Transitional Provisions]

Section 183. Internal Audit of the Company

(1) A decision on the conduct of an internal audit of the activities of the company on issues, which are related to the activities of the company and the economic condition thereof, conclusion of a transaction with a member of the board of directors or council, or a related person, shall be taken by shareholders or the board of directors, but if the company has a council, such a decision may be also taken by the council.

(2) Shareholders, who represent not less than one twentieth of the equity capital of the company, may request the conduct of an internal audit if there is a substantiated reason for it.

(3) If the board of directors does not agree to the conduct of an internal audit, it shall convene a meeting of the shareholders without delay, including in the agenda the issue of the conduct of an internal audit. If the meeting of shareholders rejects the request, the minority of shareholders who represent not less than one twentieth of the equity capital may elect a sworn auditor for conducting of the internal audit.

(4) The internal audit shall be conducted at the expense of the company. If the auditor has been invited by the shareholders themselves, such internal audit shall be conducted at the expense of these shareholders.

(5) The auditor shall prepare an opinion regarding the results of an internal audit, which shall be submitted to the institution of the company which had taken the decision to conduct the internal audit, or the minority of shareholders and the board of directors.

[14 February 2002; 16 March 2006; 15 April 2010; 14 June 2012]

Section 184. Company Controller

(1) Shareholders may elect one or more company controllers to perform internal audits and control of the company.

(2) The company controller shall be elected for a period, which does not exceed three years.

(3) The company controller shall examine the activities of the company, as well as in cases, when it is requested by the shareholders who represent not less than one tenth of the equity capital of the company, conduct an examination of the annual accounts of the company if he or she has been invited by a minority of shareholders in accordance with the provisions of Section 176, Paragraph five of this Law.

(4) The company controller has a right to request that the board of directors invite experts, if there is an important reason for it.

(5) The provisions of Sections 177 and 178 of this Law shall apply to the company controller.

Chapter 6
Transactions with Related Persons

[15 June 2017]

Section 184.[1] Persons Related to the Company:

Within the framework of this Law the following is meant by the concept "a person related to the company":

1) a shareholder of the company who has a direct decisive influence in the company;

2) a member of the board of directors or council;

3) a shareholder of the company who has a direct decisive influence in the company, member of the board of directors or council;

4) a person who is a relative of the person referred to in Clause 1 or 2 of this Section up to the second degree of kinship, the spouse or brother-in-law or sister-in-law up to the first degree of affinity, or a person with whom he or she has a shared household;

5) a legal person in which the person referred to in Clause 1, 2 or 4 of this Section has a decisive influence.

[15 June 2017]

Section 184.[2] Entering into Transaction with a Related Person

(1) Provisions of this Section apply to transactions which are not entered into within the framework of commercial activity usually carried out or fail to comply with market conditions. Provisions of this Section shall not apply to the cases when a transaction is entered into in accordance with a court ruling.

(2) If the company concludes a transaction with a related person, the council or, if none, the meeting of shareholders shall give a consent to the conclusion of the transaction.

(3) Before entering into a transaction the board of directors shall provide the following information on the transaction to the council or meeting of shareholders:

1) the information on the related person with whom the transaction is entered into;

2) the justification for the necessity of the transaction;

3) the provisions of the transaction;

4) the assessment of the impact of the transaction on the commercial activity of the company and financial standing of the company;

5) the assessment of the impact of the transaction on the shareholders of the company who are not regarded to be related persons in respect of the abovementioned transaction.

(4) If in the case referred to in Paragraph two of this Section there is a conflict of interests between the company and any member of the council or a person related to him or her, the interested member of the council shall not have the voting rights, and it shall be entered in the minutes of the council meeting.

(5) In the case referred to in Paragraph two of this Section also such member of the council who is a relative of the interested member of the council up to the second degree of kinship, the spouse or brother-in-law or sister-in-law up to the first degree of affinity, or a person with whom he or she has a shared household shall not have the voting right.

(6) If no member of the council has the voting rights, a consent for conclusion of the transaction shall be given by the meeting of shareholders.

(7) A transaction between the company and related person is not in effect if the procedures for entering into a transaction laid down in this Section are not complied with and the related person knew or should have known that a consent of the council or meeting of shareholders is required and it has not been provided.

(8) In addition to the provisions of this Section a transaction of one shareholder in the company between the company and its shareholder shall be entered into in writing.

[15 June 2017]

Division XII
Limited Liability Companies

Chapter 1
Equity Capital and Shares

Section 185. Amount of Equity Capital

The minimum amount of equity capital of a limited liability company (hereinafter in this Division - the company) shall be EUR 2800.

[19 September 2013 / Amendments to the Section shall come into force on 1 January 2014. See Paragraph 35 of Transitional Provisions]

Section 185.[1] Special Provisions in Relation to the Amount of the Equity Capital

(1) The equity capital of the company may be less than the minimum amount of the equity capital specified in Section 185 of this Law, if the company conforms to all of the following signs:

1) the founders of the company are natural persons, and there are not more than five of them;

2) the shareholders of the company are natural persons, and there are not more than five of them;

3) the board of directors of the company consists of one or several members, and they all are shareholders of the company;

4) each shareholder of the company is a shareholder of only one such company, the equity capital of which is less than the equity capital specified in Section 185 of this Law.

(2) If the equity capital of the company is less than the equity capital specified in Section 185 of this Law, it shall, each year, establish a mandatory reserve, making a deduction in the amount of at least 25 per cent from the profit of the accounting year.

(3) The mandatory reserve, on the basis of a decision of the meeting of shareholders, may be used:

1) for increasing the equity capital;

2) for covering the losses of the accounting year, if they have not been covered from the profit of the preceding accounting year;

3) for covering the losses of the preceding accounting year, if they have not been covered from the profit of the accounting year.

(4) If the equity capital of the company is less than the equity capital specified in Section 185 of this Law, the board of directors thereof shall indicate in a proposal for the use of the profit of the company, in addition to the information referred to in Section 180, Paragraph three of this Law, the amount of deductions to be performed for the establishment of the mandatory reserve.

(5) If the equity capital of the company is less than the equity capital specified in Section 185 of this Law, the company may disburse in dividends the part from the profit of the accounting year, which remains after deductions in the mandatory reserve.

(6) If the equity capital of the company is less than the equity capital specified in Section 185 of this Law and the company does not conform to any sign referred to in Paragraph one, Clause 2, 3 or 4 of this Section, the company has an obligation to increase the equity capital up to the amount specified in Section 185 of this Law within three months from the time when the non-conformity with the relevant sign occurs.

(7) If the equity capital of the company is less than the equity capital specified in Section 185 of this Law and the insolvency procedure of the company has been declared, the shareholders thereof shall be solidarily liable for the obligations of the company, the total amount of which does not exceed the difference between the amount of the equity capital specified in Section 185 of this Law and the amount of the equity capital paid up by the founders.

[15 April 2010; 16 January 2014]

Section 186. Shares

(1) The nominal value of a share shall be determined by the articles of association of the company, and shall be stated in whole euros. All shares shall have the same nominal value.

(2) Shares shall be indivisible.

(3) A share gives a shareholder rights to take part in the administration of the company, in the distribution of profit and in the division of property in the case of the liquidation of the company, as well as to other rights provided for by law and the articles of association.

(4) Each share shall be assigned an individual, fixed sequence number. The sequence number shall be assigned in the order of emission of shares.

[14 February 2002; 22 April 2004; 2 May 2013; 19 September 2013 / Amendments to Paragraph one shall come

into force on 1 January 2014. See Paragraph 35 of Transitional Provisions]

Section 187. Register of Shareholders

(1) For the registration of shares and disbursement thereof, for the reflection of transition of shares, as well as for the provision of the rights of shareholders the company shall keep a register of shareholders.

(2) The register of shareholders shall be a file formed by separate divisions. A division is a document that is formed by the aggregate of entries made in one occasion, which reflects a complete current composition of shareholders.

(3) A division of the register of shareholders shall be drawn up in two copies. One copy of the division shall be appended to the register of shareholders, and the other shall be submitted to the Commercial Register Office in accordance with the procedures specified in this Law.

(4) The register of shareholders shall be stored for 10 years after exclusion of the company from the Commercial Register.

(5) The firm name, registration number, legal address and - in the relevant cases - information regarding whether the company is undergoing liquidation or insolvency proceedings, as well as the title of the document "Division of the Register of Shareholders" shall be indicated in each division of the register of shareholders, and the following information shall be entered:

1) the sequence number and date of the division;

2) the sequence number of the entry, using continuous numbering of entries from the first division of the register of shareholders;

3) sequence numbers of shares;

4) information regarding shareholders:

a) for a natural person - the given name, surname, personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issuance of a personal identification document, the state and authority, which issued the document) and address where the person may be reached;

b) for a legal person - the name, registration number and legal address;

5) the nominal value of a share;

6) the number of shares of each shareholder;

7) the deadline for paying-up of shares provided for in the memorandum of association or the provisions for the increase of the equity capital, if shares has not been paid-up;

8) the date when paying-up of shares to full extent has been performed after founding of the company or increasing of the equity capital or, if an increase in the equity capital has occurred - also the time period for the payment of shares;

9) the joint representative of shareholders who has been appointed in accordance with the procedures specified in Section 157 of this Law, indicating the information referred to in Paragraph five, Clause 4, Sub-clause "a" or "b" of this Section regarding him or her;

10) information regarding shares, which have been acquired by the company itself, indicating the grounds for acquisition of shares.

(6) Entries in the register of shareholders shall be performed in conformity with the following provisions:

1) entries shall be made in chronological sequence;

2) deletion and exclusion of entries is not permitted;

3) each new division shall be added to the previous divisions of the register of shareholders;

4) upon creating a new division, complete current composition of shareholders shall be reflected;

5) payment conditions for completely paid-up shares need not be repeated.

(7) Entries in the first division of the register of shareholders shall be made in accordance with the information indicated in the memorandum of association.

(8) Further entries in the register of shareholders shall be in accordance with the information, which has been indicated in the application for the acquisition of new shares or the notification regarding transfer of shares, or other

changes in the information to be entered in the register of shareholders, as well as in the cases referred to in Section 192 of this Law.

(9) Each division shall be certified by the chairperson of the board of directors or an authorised member of the board of directors with his or her signature. The signature of the chairperson of the board of directors or a member of the board of directors shall be notarised. This provision need not be applied if in the register of shareholders changes in the information referred to in Paragraph five, Clause 4 of this Section are made.

(10) If a shareholder alienates shares, the entry in the division of the register of shareholders shall also be certified by the alienor of shares and the acquirer of shares with his or her signature. The signatures of the alienor and acquirer of shares shall be notarised.

(11) Shareholders, members of the board of directors and council, the auditor, as well as competent State authorities are entitled to become acquainted with the register of shareholders.

(12) A shareholder has the right to receive an extract from the register of shareholders of the company certified by the chairperson of the board of directors or an authorised member of the board of directors regarding the shares in the company that are owned by him or her, or a copy of the last division of the register.

[2 May 2013 / See Paragraph 31 of Transitional Provisions]

Section 187.[1] Making of an Entry in the Register of Shareholders and Submission of an Application for Changes in the Register of Shareholders to the Commercial Register Office

(1) A notification for making of an entry in the register of shareholders to the company shall be submitted by the person regarding whom the entry is to be made.

(2) In case of alienation of a share the acquirer and alienor of the share shall submit a joint notification, by which transfer of shares is certified, or the original or a notarised copy of such transaction deed, by which shares are transferred.

(3) A notification to the company shall be submitted by the acquirer of the share if the shares:

1) are acquired as an inheritance;

2) are acquired by a court judgment that has entered into effect;

3) have been alienated by the bailiff upon performing his or her office duties;

4) have been alienated by the administrator of the insolvency proceedings upon performing his or her office duties;

5) are acquired by using a commercial pledge.

(3[1]) The notification referred to in Paragraph three of this Section shall be appended by a document on the basis of which the shares are acquired, or a notarially certified copy thereof.

(4) A shareholder shall submit a notification regarding changes in the information to be entered in the register of shareholders regarding him or her.

(5) The board of directors shall make an entry in the register of shareholders without the relevant notification, if changes in the information to be entered in the register of shareholders arise only from increase or reduction of the equity capital or a valid reorganisation contract, or by transferring an unchanged entry from the previous division.

(6) The board of directors has an obligation to make an entry in the register of shareholders or to raise justified objections against making of an entry not later than on the following day after it has received a notification regarding changes in the information to be entered in the register of shareholders. The board of directors shall refuse making of an entry in the register of shareholders if alienation or acquisition of shares has occurred in contradiction with the law or founding documents, or transfer of shares is not clearly and unequivocally apparent from the documents submitted to the company.

(7) The board of directors shall, within three working days after signing of the new division, submit an application to the Commercial Register Office for changes in the register of shareholders. The lasts division of the register of shareholders shall be appended to the application. In the application the board of directors shall certify that the provisions of this Law and the articles of association of the company regarding alienation of shares have been complied with.

(8) If in the case referred to in Paragraph three of this Section the board of directors fails to make an entry in the register of shareholders within the specified deadline and in accordance with the laid down procedures, or fails to submit a division of the register of new shareholders to the Commercial Register Office, the acquirer of the share may submit a notification to the Commercial Register Office. The notification shall be appended by the document referred to

in Paragraph 3.[1] of this Section and it shall be certified in the notification that a notification has been submitted to the board of directors regarding alienation of the share by specifying the date on which the notification has been submitted to the board of directors.

(9) When making an entry in the register of shareholders, an official of the Commercial Register Office shall draw up a division of the register of new shareholders in two copies. A division shall be signed only by the official of the Commercial Register Office. One copy of the division shall be appended to the registration file of the company, but the other copy shall be sent to the company.

[2 May 2013; 15 June 2017]

Section 188. Alienation of Shares

(1) A shareholder has the right to freely alienate shares owned by him or her, unless it has been otherwise specified in the articles of association.

(2) A transaction of alienation, including transfer, of shares shall be concluded in writing.

(3) A shareholder may make a gift of, exchange, or otherwise alienate shares (except sell) only with the consent expressed in the decision of shareholders, unless it has been otherwise specified in the articles of association.

(4) Only fully paid-up shares may be alienated, unless it has been otherwise specified in the articles of association. In case of alienation of shares, which have not been paid up, the alienor and acquirer shall be responsible for paying up of shares as joint debtors.

[2 May 2013]

Section 188.[1] Acquisition of a Share in Good Faith

(1) The acquirer of shares shall be deemed as having good faith if he or she has acquired shares from an alienor, which has been entered as a shareholder of the company in the division of the register of shareholders, existing in the Commercial Register Office, appended to the registration file of the company.

(2) The acquirer of shares shall not be deemed as having good faith if he or she is aware that shares do not belong to the alienor, the alienor is not entitled to act with such shares, the alienor has been imposed a prohibition of alienation of shares, or the acquirer is not aware of such facts due to gross negligence thereof.

[2 May 2013]

Section 189. Right of First Refusal of Shareholders

(1) In case if shares of a shareholder are sold, other shareholders have the right of first refusal.

(2) The seller of shares or the acquirer of shares shall notify each shareholder and the board of directors regarding the sale of shares, appending the purchase agreement entered into or an accordingly certified copy thereof. If the notification is sent by the acquirer of shares, it shall also be sent concurrently to the seller of shares. The notification shall be sent to the shareholder to the address indicated in the register of shareholders.

(3) The time period for the utilisation of the right of first refusal shall be one month from the date when the notification regarding the sale of shares was sent to all shareholders, unless a shorter period of time has been specified in the articles of association. The shareholder may refuse from the utilisation of the right of first refusal in writing before the end of the specified time period.

(4) The shareholder shall notify the person who has sent a notification regarding the sale of shares and the board of directors regarding the utilisation of the right of first refusal, or refusal to utilise them.

(5) During the time period specified in Paragraph three of this Section the seller is prohibited to act with shares, to amend the provisions of the purchase agreement or to carry out other activities, which could deteriorate the condition of the shareholder with the right of first refusal in case if he or she utilised the right of first refusal.

(6) If the acquirer of shares is a shareholder of the company and shareholders utilise their right of first refusal, shares shall be divided between the acquirer of shares and shareholders in proportion to the shares owned by them.

(7) If two or more shareholders utilise their rights of first refusal and the number of the shares to be sold is sufficient, the shares shall be divided between these shareholders in proportion to the shares owned by them.

(8) If two or more shareholders utilise their rights of first refusal, but the number of the shares to be sold is not sufficient to divide them proportionally, a restricted auction shall be organised among these shareholders in respect of the remaining shares that cannot be proportionately divided. Other procedures may be provided for in the articles of association, by which the remaining shares shall be divided.

(9) The purchase price acquired in a restricted auction shall be transferred to the seller of the share.

[2 May 2013; 15 June 2017]

Section 189.[1] Right of First Refusal of a Shareholder if Shares are Sold by a Sworn Bailiff upon Performing his or her Office Duties

(1) A sworn bailiff shall notify the board of directors regarding the announcement of the auction. The board of directors shall, after receipt of the abovementioned notification, immediately send it to the shareholders.

(2) The sworn bailiff shall notify the board of directors regarding the rights of the shareholders to exercise the right of first refusal. The following shall be indicated in the notification:

1) the acquirer of the share that is determined in accordance with the procedures laid down in the Civil Procedure Law;

2) the purchase price that is determined in accordance with the procedures laid down in the Civil Procedure Law;

3) payment term which may not be shorter than 10 days (excluding holidays and public holidays) from the day of sending the notification;

4) the deposit account of the sworn bailiff.

(3) The board of directors shall, after receipt of the notification referred to in Paragraph two of this Section, immediately notify the shareholders regarding the rights to exercise the right of first refusal by specifying in the notification the time period for exercising the right of first refusal which may not be shorter than five days and longer than the time period for payment laid down in the notification referred to in Paragraph two of this Section.

(4) The shareholder shall immediately notify the board of directors regarding exercising the right of first refusal or refusal to exercise it. If the shareholder exercises the right of first refusal, he or she shall pay the relevant purchase price to the company account indicated by the board of directors within time period of exercising the right of first refusal indicated by the board of directors.

(5) If the acquirer of the share indicated in the notification referred to in Paragraph two of this Section is a shareholder of the company and other shareholders exercises their right of first refusal or if two or more shareholders exercise the right of first refusal, the shares shall be divided in accordance with the procedures laid down in Section 189 of this Law.

(6) If shareholders exercise the right of first refusal, the board of directors shall transfer the amounts paid by the shareholders in full amount of the purchase price to the account indicated by the sworn bailiff and notify the sworn bailiff regarding acquirers of shares, the number of shares acquired by them and the purchase price paid.

(7) If the purchase price is not paid within the time period for payment indicated in the notification referred to in Paragraph two of this Section, the board of directors shall immediately after expiry of the abovementioned time period make an entry in the register of shareholders regarding the acquirer of the share indicated in the notification referred to in Paragraph two of this Section.

(8) If a shareholder has not had an opportunity to exercise the right of first refusal due to the fault of the board of directors, the shareholder has the right of first refusal. The right of first refusal shall be exercised in accordance with the procedures laid down in Section 189.[3] of this Law.

[15 June 2017] Section shall come into force from 1 January 2018. See Paragraph 58 of Transitional Provisions]

Section 189.[2] The Right of First Refusal if Shares are Sold by an Administrator of Insolvency Proceedings or They are Sold by Using the Right of Commercial Pledge

The provisions of Section 189.[1] of this Law shall be applicable also for the sale of shares that is carried out by an administrator of insolvency proceedings and for the sale of shares by using the right of commercial pledge.

[15 June 2017 / Section shall come into force from 1 January 2018. See Paragraph 58 of Transitional Provisions]

Section 189.[3] The Right of Pre-emption of a Shareholder

(1) If a shareholder has not had an opportunity to exercise the right of first refusal due to the fault of the seller of shares or the acquirer of shares, the shareholder has the right of pre-emption.

(2) The provisions of The Civil Law regarding pre-emption shall be applied to the right of pre-emption of the shareholder, unless it has been otherwise specified in this Section.

(3) The right of pre-emption shall be utilised within one month from the day when the shareholder with the right of

pre-emption found out regarding non-compliance with the right of pre-emption, but not later than within a year from the day when a division of the register of shareholders was appended to the registration file of the company, in which the acquirer of shares has been entered as the shareholder.

(4) The right of pre-emption may also be utilised in relation to such shares, for which the acquirer has signed for in proportion to the shares to be redeemed or which have been acquired by him or her until the day when the right of pre-emption was utilised.

(5) If several shareholders with the right of pre-emption apply for the exercise of the right of pre-emption, shares shall be divided in accordance with the procedures specified in Section 189 of this Law.

[2 May 2013; 15 June 2017 / Amendment regarding the change of number of Section shall come into force on 1 January 2018. See Paragraph 58 of Transitional Provisions]

Section 190. Pledging of Shares

Shares may be pledged on the basis of commercial pledge regulations if the articles of association do not prohibit the encumbering of shares.

Section 191. Inheritance of Shares

(1) In the case of the death of a shareholder, the shares belonging to him or her shall be inherited by his or her heirs if the articles of association do not specify that the shares devolve to the company. If the articles of association provide for the shares of the deceased shareholder to devolve to the company, then the company has the obligation to pay out to the heirs, or in the case specified in Section 416 of The Civil Law - to the State, compensation in conformity with the liquidation quota which the deceased shareholder would have received at the moment of the opening of the succession.

(2) Shares which have no heirs shall be deemed property without heirs according to Section 416 of The Civil Law and escheat to the State. The State shall have no voting rights, and, when determining the norms for representation, these shares shall not be taken into account.

(3) The State shall offer the shares acquired for sale. Such shares shall be sold on behalf of the State by a sworn bailiff. The procedures, by which a sworn bailiff shall take over and sell shares that have been acquired by the State as property without heirs, shall be determined by the Cabinet.

(4) Shareholders of the company shall have the right of first refusal, if it has not been otherwise specified in the articles of association. The right of first refusal of shareholders of the company shall be utilised in accordance with the procedures specified in this Law.

(5) If shares have not been sold in accordance with the procedures specified in the law, they shall devolve to the company.

[6 June 2013]

Section 192. Acquisition of Own Shares

(1) The company may not acquire its own shares, except in cases when it acquires these shares:

1) by way of inheritance;

2) in the case of the death of a shareholder if the articles of association provide that the shares of the deceased shareholder devolve to the company;

3) by a shareholder renouncing his or her shares in writing;

4) by a shareholder losing rights to shares that have not been paid-up;

5) if a shareholder is expelled from the company;

6) in the case when a shareholder - a legal person - is terminated, if the shares of the legal person have not been acquired by another person; and

7) reducing of the equity capital by withdrawing shares and deleting them;

8) by acquiring another company or part thereof;

9) as a result of a transaction without compensation;

10) by recovering claims thereof from third parties;

11) as a result of re-organisation, disbursing a compensation in the specified cases;

12) in a case if shares that escheat to the State as property without heirs have not been sold in accordance with the procedures specified in the law.

(2) If the company acquires its own shares, it shall not have any of the rights of a shareholder. When determining the norms for representation, these shares shall not be taken into account.

[14 February 2002; 22 April 2004; 6 June 2013]

Section 193. Alienation of Own Shares

(1) The company shall alienate acquired own shares within a year from the day when they were acquired. In such case the provisions of Section 188, Paragraphs one, two and three, as well as the provisions of Section 189, Paragraph one of this Law shall be applicable accordingly.

(2) If the company fails to alienate its own shares within the time period specified, these shares shall be cancelled, correspondingly reducing the equity capital in accordance with the provisions of this Law regarding the reduction of equity capital.

[22 April 2004; 2 May 2013]

Section 194. Rights of Shareholders to Information

Shareholders have the right to receive information from the board of directors regarding the activities of the company and to become acquainted with all of the company's documents. These rights may be restricted in each concrete case by a decision of a meeting of shareholders if there is a justified suspicion that the shareholder may use the information acquired in contradiction to the aims of the company, and thus causing significant harm or losses to the company or to one of the subjects included with the company in a group of companies, or a third party.

[14 February 2002]

Section 195. Expulsion of a Shareholder

(1) A court may expel a shareholder from the company on the basis of an action by the company, if he or she has, without justifiable reason, failed to perform his or her obligations or have otherwise done substantial harm to the interests of the company or have not performed obligations or have not ceased to inflict harm after receiving a written warning from the company.

(2) Actions may be brought regarding the expulsion of a shareholder by shareholders who represent not less than one half of the equity capital of the company, if a larger number of votes is not specified in the articles of association.

(3) In the case of the expulsion of a shareholder, his or her shares shall be transferred to the company, which has the obligation to pay out to the expelled shareholder his or her contribution, which shall be determined in conformity with the provisions of Section 156, Paragraph two of this Law.

Chapter 2
Changes in Equity Capital

Section 196. Decision on Changes in Equity Capital

(1) Equity capital may be increased or reduced only on the basis of a decision of a meeting of shareholders in which the regulations for the increase or reduction of equity capital have been specified.

(2) A decision on changes in equity capital shall be regarded as taken, if not less than two-thirds of votes of the shareholders present vote for it, if a larger number of votes is not specified in the articles of association.

(3) If a decision is taken on changes in equity capital, relevant amendments shall be made at the same time to the articles of association.

[22 April 2004]

Section 197. Increase of Equity Capital

(1) The equity capital of the company may be increased:

1) by the existing shareholders or newly admitted shareholders making contributions to the equity capital of the company and receiving in return a relevant number of new shares;

2) after approval of the annual accounts or the report on economic activities for a shorter time period than a year, by increasing the nominal value of the existing shares or issuing new shares, by including fully or partially in the equity

capital the positive difference between own capital and the amount, which is formed by the equity capital and reserves, which in accordance with the law may not be included for increase of the equity capital. The new shares shall be divided pro rata to shares owned by them. The report on economic activities shall be drawn up in accordance with the requirements of the law regarding drawing up of the annual accounts;

3) by increasing the nominal value of the existing shares or issuing new shares, by including the mandatory reserve fully or partially in the equity capital. The new shares shall be divided pro rata to shares owned by them.

(2) Equity capital may only be increased when all the existing shares are fully paid-up.

(3) If the new shares are acquired for a price which exceeds the nominal value of the shares in accordance with the provisions of Section 155, Paragraph two of this Law, the difference between the acquisition price and the nominal value of the acquired shares shall not be included in the equity capital.

(4) Property contributions in the case of an increase of equity capital are permitted only if they are provided for in the regulations for the increase of equity capital.

(5) [14 February 2002]

(6) [15 June 2017]

(7) [15 June 2017]

(8) [15 June 2017]

(9) [15 June 2017]

[14 February 2002; 16 March 2006; 24 April 2008; 15 April 2010; 15 June 2017]

Section 198. Regulations for Increasing Equity Capital

(1) A decision on the increase of equity capital shall approve regulations for an increase of equity capital, which shall indicate:

1) the means of increasing the equity capital;

2) the size of the increased equity capital and the amount by which it shall be increased;

3) the number of new shares;

4) the nominal value of a share;

5) the price of a share, if a share premium has been specified;

6) the method of payment for shares;

7) the time period during which third parties shall submit applications for share acquisition, if the equity capital is increased by accepting new shareholders;

8) the time period within which the new shares must be paid-up, calculated with a view that the new shares shall be fully paid-up not later than six months from the date when a decision has been taken to increase the equity capital;

9) the time period from which the new shares shall give the right to receive dividends;

10) other provisions which are not in contradiction to law.

(2) If the equity capital of the company is less than the equity capital specified in Section 185 of this Law, the new shares shall be paid up in cash only.

[15 April 2010]

Section 199. Shareholder's Right of First Refusal

(1) Within 15 days from the date when a decision has been taken to increase equity capital, a shareholder has the right of first refusal to the acquisition of new shares, in proportion to the number of shares already owned by him or her.

(2) If a shareholder has not used the right of first refusal to acquire new shares, then, within 15 days after the end of the time period mentioned in Paragraph one of this Section, he or she may be acquired by those shareholders, who have used the right of first refusal referred to in Paragraph one of this Section

(3) If two or more other shareholders wish to acquire shares to which a shareholder has not used the right of first refusal, they shall be divided among these shareholders in proportion to the number of shares owned by them. If the

number of shares to be sold is not sufficient to divide them proportionally, the board of directors shall organise a restricted auction among these shareholders for the remaining shares that cannot be proportionately divided.

(3[1]) The purchase price acquired in a restricted auction shall be transferred to the account of the company.

(4) If the shareholders have not used the rights provided for in Paragraphs one or two of this Section, then third parties may acquire the new shares.

[14 February 2002; 15 June 2017]

Section 200. Application to Acquire Shares

(1) If a shareholder wishes to acquire new shares, they shall submit an application for the acquisition of shares to the company within the time period specified in Paragraph one or two of Section 199 of this Law.

(2) Third parties shall submit an application within the time period specified in the decision on increase of equity capital.

(3) An application shall be binding on the person who has submitted it.

(4) The following shall be indicated in an application:

1) the firm name of the company;

2) an offer to acquire shares in the company;

3) the number of shares which a person wishes to acquire;

4) the method by which the acquired shares will be paid-up in conformity with the regulations for the increase of equity capital;

5) the item of the property contribution (if a property contribution is made);

6) the time period within which the contribution shall be made, not exceeding the time period referred to in the regulations for the increase of equity capital.

Section 201. Procedures for the Payment of Equity Capital

In the case of an increase of equity capital, the provisions of Sections 151-154 of this Law shall be applied if it is not specified otherwise in this Chapter.

Section 202. Application for the Increase of Equity Capital to the Commercial Register Office

(1) After entering of new information in the register of shareholders, the board of directors shall submit an application for the increase of the equity capital to the Commercial Register Office.

(2) The following shall be attached to an application:

1) an extract of the minutes of the meeting of shareholders;

2) the regulations for the increase to the equity capital;

3) the text of amendments to the articles of association and the full text of the new version of the articles of association;

4) the last division of the register of shareholders;

4[1]) an updated copy of the register of shareholders;

5) if the equity capital is being increased by money contributions already made - a bank statement or another document regarding paid-up equity capital, except cases when the equity capital is increased in accordance with the procedures specified in Section 197, Paragraph one, Clauses 2 and 3 of this Law;

6) in the case of property contributions - documents which certify the value of the contributions. If the property contribution has been transferred to the company - documents attesting their transfer to the company;

7) a certification that no significant circumstances have arisen which affect the value of the property contribution referred to in Section 154, Paragraph 2.[1] of this Law;

8) [15 June 2017].

(3) Equity capital shall be deemed to be increased from the day when the new amount of equity capital is entered

in the Commercial Register.

[22 April 2004; 24 April 2008; 18 December 2008; 15 April 2010; 2 May 2013; 15 June 2017]

Section 203. Notice of the Increase of Equity Capital

Not later than within five days after the end of the time period for paying up the shares, the board of directors shall submit a copy of the corrected register of shareholders to the Commercial Register Office, in which is reflected the situation as to share payments after the increase of the equity capital.

Section 204. Means of Reducing Equity Capital

Equity capital may be reduced by cancelling shares or reducing the nominal value of the shares.

Section 205. Regulations for the Reduction of Equity Capital

(1) The regulations for the reduction of equity capital shall indicate:

1) the reasons for reducing equity capital;

2) the means and procedures for the reduction of the equity capital;

3) the size of the reduced equity capital and the amount by which it shall be reduced;

4) the nominal value of a share.

(2) A notice of the reduction in the equity capital shall be sent without delay to the Commercial Register Office. The notice shall have attached an extract of the minutes of the meeting of shareholders and the regulations for the decrease of equity capital.

[18 December 2008]

Section 206. Amount of Reduction of Equity Capital

Equity capital may be reduced up to the amount specified in Section 185 of this Law.

Section 207. Protection of Creditors

(1) Within five days after a decision has been taken to reduce equity capital, the board of directors shall send a written notice regarding the reduction of the equity capital and the size of the new equity capital of the company to all known creditors of the company, who have a right to claim against the company prior to when the decision to reduce equity capital was taken.

(2) The Commercial Register Office shall, at the expense of the company, in accordance with the procedures laid down in Section 11 of this Law, announce a notification regarding the decision taken by the company on the reduction of equity capital. The notice shall include the time period during which creditors may apply who wish to receive security, and the time period for creditor claim applications, which may not be less than one month from the date when the notice was published.

(3) The company shall provide security for creditors who have applied within the time periods specified (except the amount of secured claims of secured creditors).

[29 November 2012; 15 June 2017 / Amendments to Paragraph two determining the obligation for the Commercial Register Office to announce at the expense of a capital company a notification regarding the decision taken by the company on the reduction of equity capital shall come into force on 1 January 2018. See Paragraph 54 of Transitional Provisions]

Section 208. Application to the Commercial Register Office for the Reduction of Equity Capital

(1) After the time period for claim applications from creditors has ended and claims are secured, the board of directors shall submit an application for the reduction of the equity capital to the Commercial Register Office. The application shall have attached the text of amendments to the articles of association and the full text of the new version of the articles of association.

(2) In the application, the board of directors shall certify the provision of security to creditors or the satisfaction of their claims.

(3) The application shall be submitted to the Commercial Register Office not later than after six months from the day when the decision on reduction of equity capital was taken.

(4) Equity capital shall be deemed to have been reduced from the day when the new amount of equity capital has been entered in the Commercial Register.

Chapter 3
Administration of the Company

Section 209. Institutions of the Company

The administrative institutions of the company are the meeting of shareholders and the board of directors, as well as the council (if such has been formed).

Section 210. Competence of the Meeting of Shareholders

(1) The following are within the competence only of the meeting of shareholders:

1) making amendments to the articles of association;

2) increase or reduction of the equity capital;

3) election or recall of members of the council;

4) election or recall of members of the board of directors;

5) approval of the annual accounts and the distribution of profits;

6) election and recall of the auditor, company controller and liquidator;

7) the taking of decisions on the bringing of actions against members of the board of directors, council members, founders or shareholders, and regarding the appointment of a representative of the company for conducting the matter in court;

8) [14 February 2002];

9) the taking of decisions on termination, continuation, suspension, renewal or reorganisation of the activities of the company, as well as regarding entering into, amending or termination of a group of companies agreement;

10) other issues which in accordance with the law or the articles of association are transferred to the competence of the shareholders.

(2) The meeting of shareholders also has the right to take decisions on such issues as are within the competence of the board or directors or the council. In such case, the shareholders who voted for this decision shall be solidarily liable for any losses incurred as a result of such decisions.

[14 February 2002; 22 April 2004; 29 November 2012 / Amendments to Paragraph one, Clause 9 shall come into force on 1 January 2014. See Paragraph 26 of the Transitional Provisions]

Section 211. Voting Rights of Shareholders

(1) Only a fully paid-up share shall give a shareholder voting rights. Each fully paid-up share shall give a shareholder only one vote, if the articles of association do not specify otherwise.

(2) A shareholder shall not have the right to take part in voting if a decision is to be taken:

1) regarding releasing him or her from obligations or liability;

2) regarding the bringing of actions against him or her;

3) regarding conclusion of a transaction with him or her, or the related person;

4) in the case referred to in Section 210, Paragraph two of this Law and there is a conflict of interests between the shareholder and the company;

5) in the case referred to in Section 210, Paragraph two of this Law and the shareholder has been deprived of the right to perform commercial activities of all types or specific type. If the shareholder has been deprived of the right to perform commercial activities of specific type, he or she shall not have the right to participate in voting on issues related to the relevant type of commercial activities.

(3) In determining the norm of representation, the votes of the shareholder referred to in Paragraph two of this Section shall not be taken into account.

[14 February 2002; 14 June 2012; 29 November 2012]

Section 212. Meetings of Shareholders

(1) A meeting of shareholders is entitled to take decisions if shareholders, who jointly represent not less than one half of the equity capital with voting rights participate in it, if the articles of association do not provide for a larger norm for representation.

(2) If a meeting of shareholders convened according to the procedures specified by law is not entitled to take decisions due to the lack of a quorum, a reconvened meeting with the same agenda has the right to take decisions irrespective of the number of votes represented in it.

(3) A shareholder may participate at a meeting in person or through a representative who has a written authorisation. An authorisation is not necessary for a person who represents the shareholder on the basis of law. Such persons shall present a document which certifies the right of representation.

(4) A meeting of shareholders shall be chaired by the chairperson of the board of directors if the shareholders do not elect another chairperson of the meeting.

[14 February 2002]

Section 213. Convening a Meeting of Shareholders

(1) A regular meeting of shareholders shall be convened by the board of directors at least once a year in order to approve the annual accounts, to take a decision on distribution of profit, and to elect an auditor.

(2) If the board of directors has not convened a regular meeting of shareholders in the specified time period, it may be convened by:

1) the council (if such has been formed);

2) the Commercial Register Office for fee.

(3) The board of directors has an obligation to convene a meeting of shareholders in the cases specified in the articles of association, as well as if:

1) the conditions referred to in Section 219 of this Law have occurred;

2) the council has requested it; or

3) it is requested by shareholders who represent not less than 10 per cent of the equity capital of the company.

(4) If the board of directors does not convene a meeting of shareholders within one month after the day of receiving a request, the council shall convene the meeting upon the request of any shareholder. If the council does not convene a meeting of shareholders within one month after the day of receiving a request, it shall be convened by the Commercial Register Office for fee. The fee and expenses for convening a meeting shall be paid to the Commercial Register Office by the requester. The company shall cover the amount paid to the Commercial Register Office, if there was a good cause for convening the meeting.

(4^1) A meeting of shareholders shall be convened in the administrative territory, in which the legal address of the company has been registered, if not specified otherwise in the articles of association.

(5) If the meeting of shareholders has not been held due to the reason referred to in Section 212, Paragraph two of this Law, then a repeated meeting of shareholders shall be convened within one month.

(6) Minutes shall be kept of the proceedings of the meeting. The provisions of Section 285 of this Law shall apply to them.

[14 February 2002; 22 April 2004; 16 June 2005; 16 June 2011]

Section 214. Notice Regarding the Convening of a Meeting of Shareholders

(1) The board of directors shall send a notice regarding the convening of a meeting to all shareholders not later than two weeks before the meeting. The notices shall be sent to the addresses indicated in the company register of shareholders. The articles of association may provide for different notice procedures.

(2) There shall be set out in the notice:

1) the firm name and legal address of the company;

2) the place and time of the meeting;

3) the type of meeting (regular or extraordinary meeting);

4) the institution which is convening the meeting;

5) the provisions of the articles of association regarding participation of representatives of shareholders in the meeting (if the articles of association provide for such provisions);

6) the agenda;

7) the time and place, where and when the shareholders may become acquainted with draft decisions on issues included in the agenda of the meeting, as well as with other issues to be reviewed in the meeting.

(3) If the agenda of the meeting of shareholders includes the issue regarding amending of the articles of association, a draft decision on amendments to the articles of association shall be appended to the notice to be sent to shareholders, particularly indicating:

1) the provisions of the articles of association to be amended, supplemented or cancelled;

2) the new wording of provisions of the articles of association, if the articles of association are supplemented with new provisions.

(4) The shareholders have the right to receive a draft decision free of charge at least 14 days prior to the meeting.

[22 April 2004]

Section 215. Taking of a Decision without Convening a Meeting of Shareholders

(1) Shareholders have the right to take decisions without convening a meeting of shareholders, unless the law or the articles of association specify that certain issues shall only be decided at a meeting of shareholders.

(2) The board of directors shall send a written draft decision and documents that are of importance to the taking of the decision to all shareholders, indicating the time period within which shareholders may in writing vote "for" or "against" the taking of the decision. Such a time period may not be less than two weeks from the date the draft decision was sent out. If a shareholder has not given a written reply within the specified time period, it shall be deemed that he or she has voted against the taking of the decision.

(3) The board of directors shall complete minutes of voting regarding the results of the voting and shall immediately send the minutes to all shareholders. The following shall be indicated in the minutes of voting:

1) the firm name and legal address of the company;

2) the given name and surname of the person who compiled the minutes;

3) the decisions taken and the results of voting in respect of them;

4) pursuant to the request of a shareholder regarding the expression of a different viewpoint - the substance of such viewpoint;

5) other essential information in respect of the voting.

(4) If a decision is taken without convening a meeting of shareholders, the decision shall be considered taken if it has received more than half of all of the shareholders' votes, if a larger number of votes is not specified by law or the articles of association.

Section 216. Taking of Decisions by Shareholders

(1) A decision by the shareholders has been taken if it has received more than half of the votes represented at the meeting, if a larger number of votes is not specified by law or the articles of association.

(2) A decision of a meeting of shareholders shall be entered in the minutes or shall be prepared in the form of a separate document. The minutes shall be signed by the chairperson of the meeting, the recorder of the minutes and at least one shareholder elected by the meeting - a person who shall attest to the accuracy of the minutes. The decision shall be signed by the chairperson of the meeting. If the decision is to be submitted to the Commercial Register Office, the chairperson of the meeting and at least one shareholder who has been elected the person to attest to the accuracy of the decision shall sign the decision. The original of the minutes or decision or a derivative, the accuracy of which shall be confirmed by the same persons who signed the original, shall be submitted to the Commercial Register Office.

(3) A decision by the shareholders in respect of the company, members of its council and of the board of directors, the auditor and shareholders shall be in effect as of the time it was taken, if in the decision or the law another time period is not specified for the coming into effect of the decision.

[16 March 2006; 2 May 2013]

Section 217. Declaration of a Decision by Shareholders as Void

(1) A court, based upon a claim of a shareholder, a member of the board of directors or of the council, may declare a decision of shareholders as void, if such decision or the procedures for its taking are in contradiction to law or the articles of association, or a significant violation has been allowed in convening the meeting or taking the decision, including the rights of a shareholder to receive information in accordance with the procedures laid down in Section 214 of this Law, to participate or vote in the meeting have been infringed. An action may be brought within three months from the day when the person got to know or when he or she should have gotten to know the decision of the meeting, but not more than a year from the day of occurrence of the meeting.

(2) If a decision was taken in violation of the procedures for the taking of decisions, the decision may not be disputed on such grounds if all the shareholders voted for the taking of such decision.

[15 June 2017]

Section 218. Taking of Decisions on Essential Issues of the Articles of Association

(1) Decisions on amendments to the articles of association, termination, continuation, suspension or renewal of activities of the company, reorganisation of the company and entering into, amending and termination of a group of companies agreement shall be taken if not less than two-thirds of the votes represented at the meeting were given for such decision, if the articles of association do not specify a larger number of votes.

(2) In applying amendments to the articles of association to the Commercial Register Office, an extract from the minutes of the meeting of shareholders with a decision on amending the articles of association and the full text of the articles of association signed by the board of directors and the persons who have signed the relevant minutes of the meeting of shareholders, in the new wording shall be appended.

[22 April 2004; 29 November 2012; 2 May 2013 / Amendments to Paragraph one shall come into force on 1 January 2014. See Paragraph 26 of the Transitional Provisions]

Section 219. Convening of a Meeting of Shareholders in Special Cases

If the losses of the company reach at least a half of the equity capital of the company or the company has limited solvency, the signs of insolvency have been determined or they are likely to occur in the company, the board of directors shall notify the council (if such council has been established) thereof and convene a meeting of shareholders in which the board shall provide explanations.

[22 April 2004; 24 April 2008; 15 June 2017]

Section 220. Councils

(1) The company shall establish a council if it is provided for in the articles of association.

(2) The provisions of Sections 291-300 of this Law shall be applied to the activity and competence of the council, in so far as it is otherwise laid down in this Chapter.

(2^1) The council shall be elected for an indefinite period of time, if not specified otherwise in the articles of association.

(3) Members of the council shall be elected by simple majority of votes of the present shareholders, if it is not provided for in the articles of association that a larger number of votes is necessary for electing members of the council or the provisions of Section 296, Paragraphs four, five and six of this Law are applicable.

(4) Section 296, Paragraph nine of this Law shall be applicable, if it is determined in the articles of association that the election of the council shall be performed in accordance with the provisions of Section 296, Paragraphs four, five and six of this Law.

[22 April 2004; 18 December 2008; 15 April 2010]

Section 221. Board of Directors

(1) A board of directors is the executive institution of the company, which manages and represents the company.

(2) The board of directors may consist of one or more members.

(3) A natural person with the capacity to act may be a member of a board of directors.

(4) Members of the council of the company, the auditor of the company and members of the council of the dominant undertaking in a group of companies may not be members of the board of directors. Greater restrictions on members of the board of directors may be specified in the articles of association.

(5) The board of directors has the obligation to provide information to a meeting of shareholders regarding concluded transactions between the company and shareholders, members of the council or members of the board of directors.

(6) The board of directors has an obligation to submit to the council, at least once every quarter, a report on the activities and financial circumstances of the company, as well as it shall, without delay, notify the council regarding deterioration of the financial condition of the company, or other significant circumstances related to the company's commercial activities.

(7) The board of directors shall elect a chairperson of the board of directors from among themselves, who shall organise the activities of the board of directors. If the company has established a council, the articles of association may provide that the chairperson of the board of directors is appointed by the council.

(8) The members of the board of directors have a right to remuneration which is commensurate with their obligations and the financial circumstances of the company. The amount of the remuneration shall be determined by a decision of the council, but if the company has no council - by a decision of shareholders.

(9) [14 February 2002]

(10) [14 February 2002]

(11) [22 April 2004]

[14 February 2002; 22 April 2004; 29 November 2012]

Section 222. Rights of a Board of Directors to Manage the Company

The members of a board of directors shall manage the company only jointly.

[14 February 2002]

Section 223. Representation Rights of a Board of Directors

(1) All members of the board of directors have representation rights. Members of the board of directors shall represent the company jointly if the articles of association do not specify otherwise.

(2) In the case of joint representation, the members of the board of directors may authorise from among themselves one or more members of the board of directors to conclude specific transactions or specific types of transactions.

(3) The representation rights of the board of directors in respect of a third party may not be restricted. The rights of the members of the board of directors, which are specified in the articles of association, to represent the company jointly or individually shall not be deemed to be restrictions of the representation rights of the board of directors within the meaning of this Section.

(4) In relation to the company, the board of directors shall observe the restrictions of representation rights, which are specified in the articles of association, by decisions of the meeting of shareholders and of the council, as well as the prohibition of performance of commercial activities of all types or specific type, or holding specific offices.

[14 February 2002; 22 April 2004; 29 November 2012]

Section 224. Election and Recall of Members of the Board of Directors

(1) Members of the board of directors shall be elected and recalled by a decision of the meeting of shareholders. In submitting an application to the Commercial Register Office regarding the termination of the authorisation of a member of the board of directors or regarding the election of a new member of the board of directors, the application shall have appended to it an extract of the minutes of the meeting of shareholders with the relevant decision.

(1^1) A decision on the election of a member of the board of directors shall also be in effect if it has been taken by a person who has not been entered in the register of shareholders, however has acquired all shares of the company provided that all shares:

1) are acquired as an inheritance;

2) are acquired by a court judgment that has entered into effect;

3) have been alienated by the bailiff upon performance of his or her office duties;

4) have been alienated by the administrator of the insolvency proceedings upon performance of his or her office duties;

5) are acquired by using a commercial pledge.

(1[2]) The decision referred to in Paragraph 1.[1] of this Section shall be appended by a document on the basis of which all shares are acquired, or a notarially certified copy thereof and a division of the register of new shareholders.

(2) In order to elect a person as a member of the board of directors, a consent from the relevant person shall be necessary. The candidate for the member of the board of directors shall indicate the potential obstacles for holding the office in accordance with Sections 4.[1], 4.[2], 171 and 221 of this Law and the potential obstacles for implementation of the right of representation of the company in accordance with Sections 4.[1] and 4.[2] of this Law, or certify that he or she does not have such obstacles.

(2[1]) A written consent of the member of the board of directors shall be submitted to the Commercial Register Office in which he or she shall indicate the firm name and the registration number of the company in which he or she agrees to become the member of the board of directors.

(3) A member of the board of directors shall be elected for an indefinite period of time, if not otherwise specified in the articles of association.

(4) A member of the board of directors may be recalled by a decision of the shareholders. If the company has a council, the council may suspend any member of the board of directors from his or her position until the meeting of shareholders but not for longer than two months.

(5) [14 February 2002]

(6) It may be provided for by the articles of association, that a member of the board of directors may be recalled only if there is an important reason. Such reasons shall, in any case, be considered to be gross violations of authority, failure to perform or to appropriately perform his or her obligations, an inability to manage the company, or causing harm to the interests of the company, as well as loss of confidence.

(7) [14 February 2002]

(8) A member of the board of directors may leave the position of the member of the board of directors, by submitting a notification thereof to the company.

[14 February 2002; 22 April 2004; 16 March 2006; 15 April 2010; 29 November 2012; 2 May 2013; 15 June 2017]

Division XIII
Stock Companies

Chapter 1
Capital and Securities of Stock Companies

Section 225. Equity Capital of a Stock Company

(1) The equity capital of a stock company (hereinafter in this Division - the company) may not be less than EUR 35 000.

(2) The equity capital specified in the articles of association when founding the company shall be fully paid-up not later than within one year from the date of the signing the memorandum of association of the company.

[19 September 2013 / Amendments to Paragraph one shall come into force on 1 January 2014. See Paragraph 35 of Transitional Provisions]

Section 226. Stock and the Legal Relations Associated with It

(1) Stocks are securities, which certify the stockholder's participation in the equity capital of the company and gives them the right, in conformity with the relevant category of stock, to take part in the administration of the company, to receive dividends and, in the case of the liquidation of the company, a liquidation quota.

(2) Stocks are indivisible.

(3) The legal relations which arise in relation to stock which is in public circulation shall be regulated by this Law insofar as the Financial Instrument Market Law does not specify otherwise.

[24 April 2008]

Section 227. Categories of Stock

(1) Different rights may be fixed in stock in respect to:

1) receiving dividends;

2) receiving a liquidation quota;

3) voting rights at a meeting of stockholders.

(2) Stock in which an equal amount of rights are fixed is stock of one category. If the company has several categories of stock, each category of stock shall be given a different designation.

Section 228. Registered Stock and Bearer Stock

(1) Stock may be registered stock or bearer stock.

(2) The rights arising from registered stock belong to the person who, as a stockholder, is entered in the register of stockholders.

(3) The rights arising from bearer stock belong to the person the share of whom has been registered in the financial instrument account in accordance with the provisions of the Financial Instrument Market Law.

(4) A stockholder may request that the company convert the bearer stock owned by them into registered stock and vice versa if the articles of association provide for conversion.

[24 April 2008]

Section 229. Form of Stock

(1) Registered stock may be issued in printed form or dematerialised.

(2) Bearer stock may only be dematerialised.

[24 April 2008]

Section 230. Nominal Value of Stock

(1) The nominal value of stock shall be laid down in the articles of association of the company and shall be expressed in euros.

(2) The nominal value of stock may not be less than 10 cents.

(3) The nominal value of stock can be divided by the smallest nominal value of the stock of the company and 10 cents without a remainder.

[19 September 2013 / The new wording of Section shall come into force on 1 January 2014. See Paragraph 35 of Transitional Provisions]

Section 231. Preference Stock

(1) Preference stock give a stockholder special rights in relation to dividends and liquidation quotas, as well as receiving dividends and liquidation quotas.

(2) The company may issue preference stock if such category of stock is provided for by its articles of association.

(3) [22 April 2004]

[22 April 2004; 16 March 2006]

Section 232. Rights Arising from Preference Stock

(1) The rights arising from preference stock shall be determined in the articles of association.

(2) Preference stock does not give voting rights.

(3) If a stockholder who owns preference stock with special rights in relation to receiving dividends is not paid dividends for two accounting years in succession or is paid only part of them, they shall acquire voting rights in the next accounting year under general provisions in proportion to the amount of the nominal value of the preference stock owned by them.

(4) The acquisition of voting rights shall not release the company from the obligation to pay the arrears of dividends, as well as shall not impact upon other rights which arise from preference stock.

(5) Stockholders who own preference stock with special rights in relation to receiving dividends shall lose their voting rights on the last day of that accounting year during which they have fully received all previous arrears of

dividends.

Section 233. Changes in, Restrictions on or Revocation of Preferences

(1) A meeting of stockholders by making relevant amendments in the articles of association, may take decisions on the changing, restricting or revoking of those preferences, which arise from preference stock.

(2) The decision referred to in Paragraph one of this Section shall be in effect if the relevant category of holders of preference stock have also voted for the taking of it with a number of votes which is not less than three quarters of the total number of this category of votes.

(3) The provisions of Paragraph two of this Section regarding consent by the holders of preference stock shall also apply in the case when a decision is taken to issue new preference stock which have larger or equal preferences in comparison with the already existing preference stock.

(4) The provisions of Paragraphs two and three of this Section shall not apply to any of the following cases:

1) if the articles of association provide for priority right to holders of preference stock to preference stock to be issued; or

2) if it is explicitly specified in the memorandum of association or in the regulations for the increase of equity capital that when issuing the existing preference stock, the provisions of Paragraphs two and three of this Section shall not apply.

[14 February 2002]

Section 234. Register of Stockholders

(1) For the entering of registered stock and their holders, the board of directors shall ensure the maintenance of a register of stockholders.

(2) The correctness of the record in the register of stockholders with his or her signature shall be certified by the chairperson of the board of directors or a member of the board of directors authorised by the board of directors.

[22 April 2004]

Section 235. Information to be Entered in the Register of Stockholders

(1) In the register of stockholders shall be entered:

1) information on stockholders:

a) for a natural person - given name, surname, personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) and residential address;

b) for a legal person - name, registration number and legal address;

2) category and number of stock, nominal value, serial numbers if such have been assigned, and the number of votes arising from them;

3) the date by which the stockholder has fully paid-up his or her stock or, if it has not yet been paid-up in full - the time period by which the stock shall be paid-up;

4) the joint representative of shareholders who has been appointed in accordance with the procedures specified in Section 157 of this Law, indicating the information referred to in Paragraph one, Clause 1, Sub-clause "a" or "b" of this Section regarding him or her.

(2) The initial records in the register of stockholders shall be made in accordance with information which is indicated in the memorandum of association.

(3) Further records in the register of stockholders shall be made not later than the next day after the board of directors has received information regarding changes which have occurred in the entries of the Commercial Register.

(4) [14 February 2002]

[14 February 2002; 15 April 2010; 2 May 2013]

Section 236. Right to Become Acquainted with the Register of Stockholders

(1) Stockholders, members of the board of directors and of the council, the auditor, and competent State authorities have the right to become acquainted with the register of stockholders.

(2) The persons referred to in Paragraph one of this Section have the right to receive an extract from the register of stockholders free of charge, which shall be certified by the chairperson of the board of directors or a member of the board of directors authorised by the board of directors upon request.

(3) Stockholder has the right to receive an extract from the register of stockholders of the company certified by the chairperson of the board of directors or a member of the board of directors authorised by the board of directors regarding stocks owned by him or her in the company.

[22 April 2004]

Section 236.[1] Registration of Bearer Stock

(1) The board of directors shall ensure record of bearer stocks in the Latvian Central Depository in accordance with the provisions of the Financial Instrument Market Law.

(2) A stockholder has the right to transfer bearer stock entered in the Latvian Central Depository to his or her financial instruments account.

[24 April 2008]

Section 236.[2] Requesting of Information on the Holders of Bearer Stock

The company and competent authorities are entitled to request the information from the Latvian Central Depository on the holders of bearer stock in accordance with the procedures specified in the Financial Instrument Market Law.

[24 April 2008]

Section 237. Payment of Stock

(1) Stockholders shall pay up their stock to the amount, according to the procedures and within the time periods specified in the memorandum of association or the regulations for an increase of equity capital.

(2) The time period for fully paying up registered stock in the case when equity capital is being increased, may not exceed one year from the date when the subscription to the stock was opened.

(3) Bearer stock may not be paid-up by instalments. They shall be fully paid-up when subscribing to the stock.

(4) Following the end of the time period for the payment of stock, the board of directors shall notify the Commercial Register Office regarding the stock being fully paid-up or regarding the status of the payment of stock.

[22 April 2004]

Section 238. Alienation of Stock

(1) A stockholder may freely alienate their stock.

(2) The articles of association may provide that the sale of registered stock shall require the consent of a general meeting of stockholders, as well as the grounds on which such consent may be refused, and the right of first refusal of other stockholders to the stock to be sold. If the rights of first refusal have been provided for in the articles of association, then the time period for the use thereof shall be one month from the date when the notice regarding the sale of stock was submitted to the board of directors. The board of directors shall, after receipt of such notice, without delay publish it in accordance with the procedures specified in Section 252 of this Law. The stockholder may waive the right of first refusal prior to the end of the specified time period.

(3) Alienation of dematerialised stock shall be by transferring them to the financial instruments account of the acquirer.

(4) Alienation of the registered stock in paper form shall be by making a transfer record upon them (endorsement).

(5) The acquirer of registered stock shall notify the company regarding the acquisition of stocks by submitting an application and presenting registered stock in paper form with a transfer notation upon them (endorsement), but in the case of alienation of dematerialised registered stock - by submitting a joint alienor and acquirer application or transaction document. An entry shall be made in the register of stockholders in accordance with the provisions of Section 235 of this Law regarding such.

[14 February 2002; 22 April 2004; 24 April 2008]

Section 238.[1] Inheriting of Stock

(1) The stock which have no heirs shall be deemed property without heirs according to Section 416 of The Civil Law

and escheat to the State. The State shall have no voting rights and, when determining the norms for representation, this stock shall not be taken into account.

(2) The State shall offer the stock acquired for sale. Such stock shall be sold on behalf of the State by a sworn bailiff. The procedures, by which a sworn bailiff shall take over and sell the stock that has been acquired by the State as property without heirs, shall be determined by the Cabinet.

(3) Stockholders of the company shall have the right of first refusal, if it has not been otherwise specified in the articles of association. The right of first refusal of stockholders of the company shall be exercised in accordance with the procedures specified in this Law.

(4) If the stock has not been sold in accordance with the procedures specified in the law, it shall devolve to the company.

[6 June 2013]

Section 239. Prohibition on Companies to Subscribe to Their Own Stock

(1) The company may not subscribe to its own stock.

(2) A dependent company may not subscribe to the stock of its dominant undertaking.

(3) If such person subscribes to the stock of the company who acts in their own name but for the benefit of the company or its dependent companies, then it shall be deemed that such person has subscribed to the stock on their own account. An agreement which is in contradiction with this provision shall be void.

Section 240. Prohibition to Acquire Own Stock

(1) The company may not acquire its own stock, except in the following cases:

1) if the company reduces its equity capital by withdrawing a part of the stock from circulation and cancelling it;

2) if the company acquires its own stock in order to protect itself from substantial direct losses;

3) if the company acquires its own stock in order to grant them to employees and members of the board of directors and of the council;

4) if the company acquires its own stock as a result of reorganisation, by paying compensation in the cases specified by law;

5) if the company acquires its own stock when it acquires some other undertaking or its part;

6) if the company acquires its own stock as a result of a free-of-charge transaction;

7) if the company acquires its own stock by way of inheritance;

8) if the company acquires its own stock by collecting on its claims from third parties;

9) if the stock held by a stockholder who has not paid-up such stock within the specified time period to the company is devolved;

10) [22 April 2004];

11) the company shall acquire its stock if the stock that escheats to the State as property without heirs has not been sold in accordance with the procedures specified in the law.

12) if the company acquires its own stock in order to convert debentures.

(1^1) The provisions of this Law regarding prohibition of acquisition of own stock shall be applied for consent of own stock as a security.

(2) In the case referred to in Paragraph one, Clauses 2, 3, 6, 8 and 12 of this Section the company may acquire only fully paid-up stock.

(3) In the case provided for in Paragraph one, Clauses 2, 3 and 12 of this Section the company may acquire its stock on the basis of the decision of the meeting of stockholders where the maximum number of the stock to be acquired, and also the time period during which such stock is to be acquired and which may not exceed five years shall be indicated. If the stock is acquired for compensation, the decision shall indicate the minimum and maximum amount of compensation.

(3^1) In the case provided for in Paragraph one, Clauses 2, 3 and 12 of this Section the company may acquire its

stock by not taking into account the provisions of Paragraph three of this Section if the company alienates the stock within a year from the day of acquisition thereof.

(4) Stock of the company, belonging to a person who has acquired such stock in his or her own name but for the benefit of such company, as well as company stock held by a dependent company of such company shall be deemed to be owned by that company if the law does not specify otherwise.

(5) If the company acquires its own stock in violation of the provisions of this Section, then the members of the board of directors who are at fault, shall be solidarily liable for the payment of any illegally acquired stock.

(6) As a result of the acquisition of its own stock, the value of the own funds of the company may not become smaller than the amount of the equity capital of the company.

(7) Own stock, owned by the company, shall not give the company any of the rights which arise from such stock, and such rights shall not be taken into account when determining the quorum of a meeting of stockholders and in the distribution of profit.

(8) The acquisition of own stock shall be reflected by the company in the annual accounts, setting out the following information regarding the stock acquired in the relevant accounting year:

1) reason for the acquisition;

2) the number of stock acquired, the total of the nominal value and the share of equity capital represented by the stock;

3) if the stock are acquired by payment - the form of payment and the amount.

(9) The annual accounts in addition to the information referred to in Paragraph eight of this Section shall also indicate the total number of own stocks owned by the company and the share of equity capital represented by the stock.

[14 February 2002; 22 April 2004; 24 April 2008; 6 June 2013; 15 June 2017]

Section 241. Prohibition on Financing of the Acquisition of Own Stock

(1) The company is prohibited from issuing loans or otherwise, directly or indirectly, financing third parties in the acquisition of the stock of such company.

(2) [14 February 2002]

[14 February 2002]

Section 242. Alienation and Cancellation of Own Stock Owned by the Company

(1) If the company has acquired its own stock in accordance with Section 240 of this Law, such stock shall be alienated within one year from the day when they were acquired, except in the cases referred to in Section 240, Paragraph one, Clause 1 and Section 240, Paragraph four of this Law. This provision is not applied to stock the total amount of nominal values of which does not exceed one tenth of the paid-up equity capital of the company.

(2) If the company has acquired its own stock in violation of the provisions of Section 240 of this Law, such illegally acquired stock shall be alienated within three months from the day when they were acquired.

(3) [15 June 2017]

(4) If the company does not alienate its own stock within the time periods specified in Paragraphs one, two and three of this Section, or if it has acquired stock in the case referred to in Section 240, Paragraph one, Clause 1 of this Law, such stock shall be cancelled, and correspondingly the equity capital shall be reduced in accordance with the provisions of Sections 262 -265 of this Law.

[22 April 2004; 15 June 2017]

Section 243. The Condition under which the Company Takes its Own Stock as Pledge

(1) The company may take its own stock as a pledge only if it is fully paid-up.

(2) If the provisions referred to in Paragraph one of this Section are violated, then the members of the board of directors who are at fault shall be liable for full payment of the stock and for losses inflicted on third parties.

Section 244. Convertible Debentures

(1) The company may issue convertible debentures which a debenture holder in a specified time period is entitled to exchange for the stock of such company. Conversion of debentures shall not be regarded as performance of the

property contribution.

(2) Convertible debentures may be issued both as registered and as bearer securities.

(3) The provisions of this Law in respect of convertible debentures shall also be applicable to other securities that can be exchanged for company stock.

[14 February 2002; 15 June 2017]

Section 245. Issuance of Convertible Debentures

(1) [18 December 2008]

(2) With the decision to issue convertible debentures the regulations for the issue of debentures shall also be approved, which shall indicate:

1) the number of debentures to be issued, the nominal value of one debenture and the total amount of nominal value;

2) the price of debentures;

3) the time period for conversion of debentures;

4) the interest which the company undertakes to pay to the debenture holder and their payment provisions (if such are provided for);

5) the procedures and time periods for the payment of debentures;

6) the procedures by which the debentures shall be exchanged for stock;

7) the rights of debenture holders;

8) other provisions which are not in contradiction to law.

(2^1) A meeting of stockholders shall concurrently with the decision on the issuance of convertible debentures take a decision on the conditional increase of equity capital in accordance with the procedures laid down in Section $261.^1$ of this Law.

(3) Debenture holders shall acquire convertible debentures after their full selling price has been paid.

(4) [15 June 2017]

[18 December 2008; 15 June 2017]

Section 246. Priority Right of Convertible Debentures

(1) In the case of the issuance of convertible debentures, the stockholders of the company have a priority right to acquire such debentures.

(2) The priority right of stockholders may be cancelled in accordance with the procedures laid down in Paragraph two, Section 253 of this Law. The cancellation of the priority right shall be provided for in issue provisions.

[14 February 2002; 15 June 2017]

Section 247. Register of Debenture Holders

(1) The board of directors shall maintain a record of the convertible debentures and their holders in a register of debenture holders. The following shall be entered in the register of debenture holders:

1) information regarding debenture holders:

a) for a natural person - given name, surname, personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) and residential address;

b) for a legal person - name, registration number and legal address;

2) the number of debentures owned by each debenture holder, their nominal value and ordinal number if such has been allocated;

3) information regarding the conversion of the debentures.

(2) Debenture holders, members of the board of directors and of the council and competent public persons have the right to become acquainted with the register of debenture holders.

(3) A debenture holder has the right to receive an extract from the register of debenture holders certified by the chairperson of the board of directors or a member of the board of directors authorised by the board of directors regarding the debentures owned by him or her.

[15 April 2010; 15 June 2017]

Section 248. Rights of Debenture Holders

(1) Those rights of debenture holders, who own convertible debentures, shall be determined by this Law, the articles of association and the regulations for the issuance of debentures.

(2) Debenture holders have the right to become acquainted with the documents of the company according to the procedures and in the amount specified by a meeting of stockholders. They shall also have the right to take part at meetings of stockholders without voting rights and, in cases specified by law - in the taking of decisions.

Section 248.[1] Personnel Options

(1) The company may issue personnel options which give the right to employees, members of the board of directors and council of this company or to that of the companies within one group of companies to acquire its stock.

(2) If upon using personnel options the stock is acquired free of charge or for charge that is less than the nominal value of the stock at the time of use of the personal option, the company shall issue the stock on the account of the undistributed profit of the company or the payment thereof shall be carried out from especially made reserves.

(3) Personnel options may not be alienated unless it is otherwise provided for in the articles of association or regulations for issuance of personnel options.

(4) The total amount of the stock which may be acquired by using personnel options may not exceed 10 per cent of the paid-up equity capital of the company at the time when the decision to grant personnel options is taken.

(5) The provisions for convertible debentures of this Law shall be applicable to the issuance of personnel options. The following shall be additionally indicated in the provisions for convertible debentures:

1) the purposes for the issuance of personnel options;

2) the range of those persons who may acquire personnel options;

3) the number, nominal value, category of the stock intended for covering personnel options and the rights corroborated therein;

4) the procedures for granting and transfer of personnel options including the type of payment and procedures for payment (if any intended);

5) the number of stock to be obtained as a result of use of each personnel option and the price of one stock (if any intended);

6) the procedures and time periods for use of personnel options;

7) establishment of reserves if upon use of personnel options the stock may be acquired free of charge or for charge which is less than a nominal value of the stock at the time of exercising the right of purchase of employee stock.

(6) The board of directors shall ensure conducting the register of personnel options in accordance with the procedures laid down Section 247 of this Law for recording personnel options and holders thereof. The number of stock to be obtained by each employee, member of the board of directors and council shall be indicated in the Register in addition to the information laid down in Section 247 of this Law.

[15 June 2017]

Chapter 2
Increase and Reduction of Equity Capital

Section 249. Right to Increase or Reduce Equity Capital

(1) The equity capital may be increased or reduced only on the basis of a decision of a meeting of stockholders, in which the regulations for an increase or reduction of the equity capital shall be approved, and amendments to the articles of association of the company made, except the case referred to in Paragraph four of this Section.

(2) If there are several categories of stock in the company, voting on a decision on an increase or reduction of the equity capital at a meeting of stockholders shall be in accordance with the provisions of Section 284, Paragraph three of this Law.

(3) [18 December 2008]

(4) The authorisation for the board of directors may be specified in the articles of association for a period of time up to five years to increase the equity capital in amount specified in the articles of association or in the meeting of stockholders, not exceeding 30 per cent of the equity capital of the company at the time of coming into effect of the authorisation.

(5) Upon increasing the equity capital in the case referred to in Paragraph four of this Section, the amendments to the articles of association of the company shall be made by the council. The board of directors shall prepare and sign complete text of the articles of association in the new wording.

(6) The board of directors may use the authorisation referred to in Paragraph four of this Section insofar as it is not otherwise provided for in the articles of association or in the decisions of the meeting of stockholders.

[24 April 2008; 18 December 2008; 15 June 2017]

Section 250. Increase of Equity Capital

(1) The company may increase its equity capital by issuing new stock in accordance with a decision to increase the equity capital and by opening subscription to them.

(1^1) The company may increase the equity capital after the approval of the annual accounts or a report on economic activities for a shorter time period than a year by increasing the pro rata the nominal value of the existing shares or issuing new shares, by including fully or partially in the equity capital the positive difference between the own capital and the sum formed by the equity capital and reserves, which in accordance with the law may not be included for the increase of the equity capital. New stock shall be divided pro rata the nominal value of the shares owned by them. The report on economic activities shall be drawn up in accordance with the requirements of the law regarding drawing up of the annual accounts.

(2) The equity capital may only be increased after the previous issue of stock is fully paid-up.

(3) If stock of the new issue is paid-up by a property contribution, this contribution shall be evaluated and a valuator's opinion shall be submitted regarding it in accordance with the procedures specified in Section 154 of this Law.

(4) [14 February 2002]

[14 February 2002; 24 April 2008; 15 April 2010; 15 June 2017]

Section 251. Priority Right of Stockholders

(1) In the case of the increase of equity capital the current stockholders have priority right to purchase the newly issued stock in proportion to the total of the nominal value of the stock already owned by them.

(2) [14 February 2002]

(3) If any of stockholders do not exercise their priority right within the specified time period, the relevant newly issued stock shall be offered for subscription according to the procedures specified in the regulations for increasing equity capital, to those current stockholders who have already exercised their priority right.

[14 February 2002]

Section 252. Notice Regarding Priority Right of Stockholders

(1) A notice regarding a priority right of stockholders to the newly issued stock shall be published in the official gazette *Latvijas Vēstnesis*.

(2) The company shall send a notice regarding their priority to the newly issued stock to all stockholders registered in the register of stockholders according to the procedures specified in Section 273, Paragraph two of this Law.

(3) If the company has only registered stock, then the notice referred to in Paragraph one of this Section is not mandatory, if the articles of association do not specify otherwise.

(4) The notice referred to in Paragraphs one and two of this Section shall indicate:

1) the firm name and legal address of the company;

2) the size of the equity capital and the planned amount by which the equity capital would be increased;

3) the category, number and nominal value of the stock to be issued;

4) the selling price of the stock;

5) the time period during which the stockholders must exercise their priority right, and which may not be less than 15 days from the date when the notice is published, or in the case of registered stock - from the date when the notice was sent.

[14 February 2002; 29 November 2012; 15 June 2017]

Section 253. Restrictions on and Revocation of Priority Right of Stockholders

(1) The priority right of stockholders may not be revoked or restricted by the memorandum of association or the articles of association. When increasing the equity capital in the cases provided for in Section 261.[1], Paragraph two of this Law, stockholders shall not have priority rights.

(2) The priority rights of stockholders may be cancelled by a decision of the meeting of stockholders taken in accordance with the procedures laid down in Paragraph two, Section 284 of this Law. The meeting of stockholders which decides on the cancelling of the priority rights shall provide a written justification for the necessity to cancel the priority rights and the sales price for the stock of new issue.

(3) Cancellation of the priority rights of stockholders shall be provided for in the provisions for increasing the equity capital.

(4) A decision of a meeting of stockholders regarding the organisation of the subscription of stock for the transfer to third parties (Section 260, Paragraph one), shall not be deemed to be a restriction of the priority right. These persons shall ensure the priority right of stockholders.

[15 June 2017]

Section 254. Increase of Equity Capital for a Special Purpose

[15 June 2017]

Section 255. Employee Stock

(1) Employee stock shall be registered stock which may not be alienated and which the company grants to its employees, members of the board of directors and council or to those of the companies within one group of companies.

(2) Employee stock may be granted free of charge of for charge. If employee stock is granted free of charge, the stock shall be issued on the account of the undistributed profit of the company.

(3) The company may issue employee stock of different categories. Employee stock gives the right to receive dividends and, if the stock is granted for charge - the right to the liquidation quota. The employee stock gives the right to vote and other rights if they are provided for in the articles of association.

(4) The total nominal value of unused employee stock may not exceed 10 per cent of the paid-up equity capital of the company.

(5) Employee stock regardless of their form shall be kept by the company.

(6) Upon expiration of the status of employee, member of the board of directors or council the employee stock shall transfer to the company. In case of the death of the stockholder the employee stock shall transfer to the company.

(7) Regarding the transfer of the employee stock to the company in the case referred to in Paragraph six of this Section relevant entries shall be made in the register of stockholders without consent of the former stockholder.

(8) If employee stock is granted for charge, the company shall pay a compensation to the former stockholder of employee stock or his or her heir in the case referred to in Paragraph six of this Section the amount of which must be equal to the amount which the stockholder would acquire by dividing the property of the company in the case of liquidation if such would occur at the time of alienation of the stock.

(9) The provisions may be provided for in the articles of association and increasing equity capital which differ from that referred to in Paragraph six of this Section.

(10) Employee stock shall be converted or cancelled in accordance with the general procedures.

[15 June 2017 / The new wording of Section shall come into force on 1 January 2018. See Paragraph 55 of

Transitional Provisions]

Section 256. Increase of the Equity Capital by Replacing the Debts of the Company with its Stock

[14 February 2002]

Section 257. Regulations for Increasing Equity Capital

(1) The regulations for increasing equity capital shall indicate:

1) the purposes of or reasons for increasing equity capital;

2) the existing equity capital, categories of stocks, their number and nominal value;

3) the intended increase of the equity capital (the promulgated equity capital);

4) the category or categories of the stock of the new issue, as well as the rights which arise from these categories of stock, and the number of these stocks;

5) the nominal value, the selling price of the newly issued stock and the minimum first payment to be made when subscribing to the stock;

6) the type of payment for the newly issued stock (in cash or by a property contribution);

7) the category, number and the total of the nominal value of those newly issued stocks which shall be paid-up by property contributions, indicating each item of property contribution and its value;

8) the subscription and payment time periods with the calculation that each of the newly issued stocks shall be fully paid-up not later than one year from the date of the decision to increase the equity capital was taken;

9) the time period within which the existing stockholders may use their priority right in respect of the newly issued stock if they have such rights;

10) the place and time, where and when subscription to the stock shall take place.

(2) When taking a decision to increase equity capital in the case referred to in Section 261.[1] of this Law, the data laid down in Paragraphs 8 and 9 of this Section shall not be provided for in the case of increase in equity capital.

(3) Upon increasing the equity capital in the case referred to in Section 249, Paragraph four of this Law, the newly issued stock shall be paid up only by cash.

(4) Upon increasing the equity capital in the case referred to in Section 249, Paragraph four of this Law, the time period for payment of the newly issued stock shall be determined not longer than three months from the day when a decision on increase of the equity capital is taken.

[14 February 2002; 24 April 2008; 15 June 2017]

Section 258. Notice to Stockholders Regarding Increasing Equity Capital

(1) The company shall send the regulations for increasing equity capital to all stockholders entered in the register of stockholders. If the company has also issued bearer stock, a notice regarding increasing equity capital shall be published also in the official gazette *Latvijas Vēstnesis*, indicating the place and time, where and when one may become acquainted with the regulations for increasing equity capital.

(2) To the regulations for increasing equity capital shall be appended those document forms, which are necessary for the existing stockholders to exercise their priority right.

(3) In cases specified by law, the company shall prepare a prospectus regarding the issue.

[14 February 2002; 29 November 2012]

Section 259. Nominal Value and Selling Price of Newly Issued Stock

(1) The nominal value of newly issued stock shall be determined in the regulations for increasing equity capital.

(2) For each newly issued stock shall be paid the selling price of such stock, which shall be determined by the board of directors, but which may not be less than the nominal value of the stock. The selling price of stock is composed of the nominal value of the stock, and the additional payment and the mark up of the issue. The board of directors may change the selling price of stock within limits provided for in the regulations for increasing equity capital.

(3) [14 February 2002]

[14 February 2002; 22 April 2004]

Section 260. Subscription to a New Issue of Stock

(1) The company may itself organise subscription to a new issue of stock or entrust the organisation to a third party (a bank, brokerage company, stock exchange, etc.).

(2) When subscribing to a new issue of registered stock, at least 25 per cent of the nominal value of subscribed new issue of stock, and all the additional payment and the mark up of the issue shall be paid, but the remainder of the amount shall be paid within the time periods specified in the regulations for increasing equity capital.

(3) If the promulgated equity capital is not fully subscribed within the time periods specified in the regulations for increasing equity capital, the issue of stock shall be deemed to have taken place to the value of the subscribed stock, except in cases when such is not allowed for in the regulations for increasing equity capital.

(4) If the issue of stock is recognised as not having taken place, the moneys collected shall be repaid to the subscribers of the stock.

(5) If the issue of stock is recognised as having taken place only to the value of the subscribed stock, the council shall make the relevant amendments to the articles of association.

[15 June 2017]

Section 261. Application Regarding an Increase of Equity Capital to the Commercial Register Office

(1) After the subscription time period according to the regulations for increasing equity capital has ended or after all the announced equity capital has been subscribed in conformity with the regulations for increasing equity capital (if the equity capital has been subscribed before the end of the relevant time period), the council shall submit an application to the Commercial Register Office regarding an increase of equity capital.

(2) The following shall be attached to an application:

1) an extract of the minutes of the meeting of stockholders with the decision to increase the equity capital and the regulations for increasing equity capital;

1^{1}) an extract of the minutes of the meeting of the board of directors with the decision to increase the equity capital in the case referred to in Section 249, Paragraph four of this Law and an extract from the minutes of the meeting of the council with a decision to allow the board of directors to increase the equity capital;

2) the text of amendments to the articles of association and the full text of the new version of the articles of association;

3) a notice from the board of directors regarding the situation of payments of equity capital;

4) documents certifying the valuation of each item of a property contribution and its transfer to the company (if the payment was made by property contribution);

5) a certification that no significant circumstances have arisen which affect the value of the property contribution referred to in Section 154, Paragraph $2.^{1}$ of this Law.

(3) Equity capital shall be deemed to have been increased from the date when a record is made in the Commercial Register.

(4) [22 April 2004]

[22 April 2004; 24 April 2008; 15 June 2017]

Section $261.^{1}$ Increase of Equity Capital with a Condition

(1) A meeting of stockholders may take a decision to increase equity capital with a condition (conditional equity capital) that newly issued stock is used for a special purpose which is indicated in the regulations for increasing equity capital. In such cases the increase in the equity capital may not exceed the amount necessary for the special purpose.

(2) According to the procedures specified in Paragraph one of this Section, equity capital may be increased only for the following purposes:

1) for the exchange of newly issued stock for convertible debentures;

2) for the exchange of newly issued stock for the stock of the company to be merged in the case of a re-organisation;

3) as compensation to minority stockholders which as an exchange of stock is conducted by the dominant undertaking of a group of companies;

4) granting of newly issued stock to employees and members of the board of directors and council.

(3) Upon increasing the equity capital in accordance with the procedures laid down in this Section, the range of those persons having the right to acquire newly issued stock shall be additionally indicated in the regulations for increasing equity capital.

(4) The board of directors shall submit to the meeting of stockholders, which is examining the question of increasing equity capital with a condition, a justification for the necessity of such an increase.

(5) Equity capital may be increased in accordance with the procedures laid down in this Section also if the stock of the previous issue have not been completely paid up.

(6) Upon increasing the equity capital in the case laid down in Paragraph two, Clause 4 of this Section, the newly issued stock shall be paid up only by cash.

(7) After the meeting of stockholders has taken a decision to increase equity capital with a condition the board of directors shall submit an application to the Commercial Register Office in which the amount of the conditional equity capital is indicated. The application shall be appended an extract from the minutes of the meeting of stockholders with the relevant decision and regulations for increasing equity capital.

(8) After the conditions provided for in the regulations for increasing equity capital have set in a person who in accordance with the regulations for increasing equity capital is entitled to acquire the stock of the company shall submit an application to the company. A person who submits the application shall completely pay up the stock if the payment of the stock is necessary.

(9) The board of directors shall take a decision to issue the stock (to increase equity capital) within 10 days after the application of the person referred to in Paragraph eight of this Section is received. In this case the provisions of Section 302 of this Law shall not be applied. The board of directors shall firstly use own stocks belonging to the company for the achievement of the purposes laid down in Paragraph two of this Section, unless it is otherwise provided for in the regulations for increasing equity capital.

(10) The council shall within a month after the board of directors has taken a decision referred to in Paragraph nine of this Section regarding issue of stock, make amendments to the articles of association by adjusting the amount of equity capital. The board of directors shall prepare and sign complete text of the articles of association in new wording.

(11) After the issue of stock referred to in Paragraph nine of this Section, the board of directors shall submit an application regarding the increase of the equity capital to the Commercial Register Office. In the application it shall confirm the status of payment of the equity capital, include reference to the decision of the meeting of stockholders abovementioned in Paragraph one of this Section and indicate the remaining amount of conditional equity capital that is necessary for performance of a special purpose. The following shall be attached to the application:

1) a decision of the board of directors on the issue of stock;

2) a decision of the council on the amendments to the articles of association;

3) the text of amendments to the articles of association and the full text of the new wording of the articles of association.

(12) Equity capital shall be considered as to be increased by the amount of the issue of stock laid down in the decision of the board of directors from the time when the entry is made in the Commercial Register.

[15 June 2017]

Section 262. Reduction of Equity Capital

(1) Equity capital may be reduced:

1) by the company itself acquiring and cancelling its own stock;

2) by cancelling stock which have been submitted by stockholders; or

3) by reducing the nominal value of stock.

(2) Equity capital may not be reduced below the amount specified in Section 225, Paragraph one of this Law.

(3) In the case when equity capital is to be reduced, the equity capital shall first of all be reduced on the account of the own stock owned by the company.

(4) In the case when equity capital is to be reduced, stockholders may be paid the nominal value of the cancelled stock only after the creditor protection measures specified in Section 264 of this Law have been fully implemented.

[14 February 2002]

Section 263. Regulations for the Reduction of Equity Capital

(1) The regulations for the reduction of equity capital shall indicate:

1) the reasons for reducing equity capital;

2) the amount by which equity capital will be reduced;

3) the means of reducing the equity capital;

4) the number of stock to be cancelled or the amount by which the nominal value is to be reduced;

5) the time periods within which stock shall be returned or exchanged;

6) if it is provided that a part of the equity capital shall be paid out to stockholders - the provisions for payments.

(2) A notice of the reduction in the equity capital shall be sent without delay to the Commercial Register Office. An extract of the minutes of the meeting of stockholders with the decision to increase the equity capital and the regulations for increasing equity capital shall be appended to the notice.

Section 264. Protection of Creditors in the Case of Reduction of Equity Capital

(1) Within five days from the date when a decision is taken to reduce the equity capital, the board of directors shall send a written notice regarding the reduction of equity capital and the new amount of equity capital to all known creditors of the company whose claim rights against the company have arisen prior to the taking of the decision to reduce the equity capital.

(2) The Commercial Register Office shall, at the expense of the company, in accordance with the procedures laid down in Section 11 of this Law, announce a notice regarding the decision taken regarding reduction in equity capital. The notice shall indicate the time period within which creditors who wish to receive security may apply. The notice shall indicate a time period for the submission of creditor claims which may not be shorter than one month from the day of publication of the notice.

(3) The company shall provide security for creditors who have applied within the time periods specified (except the amount of secured claims of secured creditors).

[29 November 2012; 15 June 2017 / Amendments to Paragraph two determining the obligation for the Commercial Register Office to announce at the expense of a capital company a notification regarding the decision taken by the company on the reduction of equity capital shall come into force on 1 January 2018. See Paragraph 54 of Transitional Provisions]

Section 265. Application to the Commercial Register Office for the Reduction of Equity Capital

(1) After the time period for the submission of creditor claims has expired, and the claims have been secured, the board of directors shall submit an application regarding reduction of equity capital to the Commercial Register Office. The application shall have attached the text of amendments to the articles of association and the full text of the new version of the articles of association.

(2) In the application, the board of directors shall certify the provision of security to creditors or the satisfaction of their claims.

(3) The application shall be submitted to the Commercial Register Office not later than after six months from the day when the decision on reduction of equity capital was taken.

(4) Equity capital shall be deemed to have been reduced from the day when the new amount of equity capital has been entered in the Commercial Register.

Chapter 3
Organisational Structure of the Company

Section 266. Institutions of the Company

The company shall be administered by meetings of stockholders, a council and a board of directors.

Section 267. Meeting of Stockholders

(1) Stockholders exercise their rights to take part in the administration of the company at a meeting of stockholders.

(2) Regular and extraordinary meetings of stockholders shall be convened.

(3) A meeting of stockholders shall be convened in the administrative territory, in which the legal address of the society has been registered, if not specified otherwise in the articles of association.

[16 June 2011]

Section 268. Competence of a Meeting of Stockholders

(1) Only a meeting of stockholders has a right to take decisions on:

1) the annual accounts of the company;

2) the use of the profit from the previous year of activities;

3) the election and recall of members of the council, the auditor, the company controller, and liquidator;

4) the bringing of actions against members of the board of directors, the council and the auditor or withdrawing actions against them, as well as regarding the appointment of a representative of the company to maintain actions against members of the council;

5) [14 February 2002];

6) amending the articles of association of the company;

7) increasing or reducing equity capital;

8) the issuance and conversion of the company's securities;

9) specifying the remuneration for members of the council and the auditor;

10) the termination of the activities of the company or their continuation, suspension or renewal or regarding the reorganisation of the company;

11) the general principles, types and criteria for determination of remuneration intended for the members of the board of directors and the council;

12) granting of company stock to employees and members of the board of directors and council.

(2) A meeting of stockholders shall take decisions on other issues only if it is provided for by law.

[14 February 2002; 24 April 2008; 29 November 2012; 15 June 2017]

Section 269. Regular Meeting of Stockholders

(1) A regular meeting of stockholders shall take a decision on the annual accounts, on the reports of the board of directors and the council and on the use of the profit from the previous accounting year, as well as on other issues included in its agenda.

(2) A regular meeting of stockholders shall be convened by the board of directors each year. In convening a regular meeting the time period provided for by law for the approval of annual accounts shall be observed.

(3) If the board of directors has not convened a regular meeting of stockholders within the time period provided for, it may be convened by:

1) the council;

2) the Commercial Register Office; or

3) [16 June 2005].

(4) The Commercial Register Office shall convene a regular meeting of stockholders for fee upon the request of one or more stockholders, if the meeting has not taken place within the time period specified in law.

[16 June 2005; 16 June 2011]

Section 270. Extraordinary Meeting of Stockholders

(1) An extraordinary meeting of stockholders may be convened by the board of directors pursuant to its own

initiative and shall be convened if it is requested by the council, the auditor or stockholders who jointly represent not less than one twentieth of the equity capital of the company, if a lower representation norm is not specified in the articles of association.

(2) In their request to convene an extraordinary meeting of stockholders, the initiators shall indicate the reasons for convening the meeting and the agenda. The request to convene a meeting shall be submitted to the board of directors and to the council, and the auditors shall be notified of it.

(2^1) An extraordinary meeting of stockholders shall be convened not later than within three months after the day when the request was received.

(3) The board of directors shall announce the convening of an extraordinary meeting of stockholders not later than within two weeks from the day when it receives a request.

(4) If the board of directors does not convene an extraordinary meeting of stockholders within the time period referred to in Paragraph three of this Section, it shall be convened by the council.

(5) The Commercial Register Office shall convene an extraordinary meeting of stockholders for fee, if the meeting has not taken place within the time period specified in Paragraph $2.^1$ of this Section and it is requested by an auditor or stockholders which in total represent not less than one twentieth of the equity capital of the company, unless the articles of association provide for a smaller norm of representation.

[14 February 2002; 16 June 2005; 16 June 2011]

Section 271. Convening of the Meeting of Stockholders in Special Cases

If the losses of the company reach at least half of the equity capital of the company or the company has limited solvency, the signs of insolvency procedures have been determined or they are likely to occur in the company, the board of directors shall notify the council thereof and convene a meeting of stockholders, where it shall provide explanations. The meeting of stockholders shall decide regarding submission of an application for legal protection proceedings or application for insolvency proceedings, termination of the activities and liquidation, reorganisation of the company, changes to the equity capital or shall take another decision on improvement of the economic standing of the company.

[24 April 2008; 15 June 2017]

Section 272. Costs of Convening Meetings of Stockholders

(1) The company shall cover the costs related to the convening of meetings of stockholders.

(2) The fee and expenses for convening the meeting of stockholders shall be paid by a requester to the Commercial Register Office. The company shall cover the amount paid to the Commercial Register Office, if there was a substantiated reason for convening the meeting of stockholders.

[16 June 2005]

Section 273. Procedures for Convening a Meeting of Stockholders

(1) A notice regarding the convening of a meeting of stockholders shall be promulgated not later than 30 days prior to the planned meeting of stockholders.

(2) The notice regarding the convening of a meeting of stockholders shall be promulgated:

1) if the company has bearer stock - by publishing the announcement in the official gazette *Latvijas Vēstnesis* and in at least one other newspaper;

2) if the company has also registered stock or only registered stock - by sending written notices to the stockholders entered in the register of stockholders by registered mail.

(3) There shall be set out in the notice:

1) the firm name and legal address of the company;

2) the place and time of the meeting;

3) the type of meeting (regular or extraordinary meeting);

4) the institution which is convening the meeting;

5) the activities which have to be conducted by the stockholders up to the meeting, in order that they may participate and vote;

6) the provisions in the articles of association regarding the participation of representatives of stockholders at the meeting (if such provisions are provided for in the articles of association);

7) the agenda;

8) the place and time, where and when stockholders may become acquainted with draft decisions on the issues included in the agenda, as well as with other issues to be examined at the meeting.

(4) If it is intended to amend the articles of association during the meeting of stockholders, the notice sent to stockholders shall have appended thereto the draft decision on amendments to the articles of association of the company indicating the clauses of the articles of association proposed to be recognised as void or to be amended, and new wording of these clauses.

(5) Stockholders have the right to receive copies of the draft decisions free-of-charge at 14 days before the meeting.

(6) [22 April 2004]

[14 February 2002; 22 April 2004; 29 November 2012]

Section 274. Agenda of a Meeting of Stockholders

(1) The issues to be included in the agenda of the meeting of stockholders shall be determined by the persons or the institution which initiated the meeting.

(2) Stockholders who represent at least one twentieth of the equity capital of the company have the right, within seven days from the day of publication of the advertisement or within five days from the day when they receive the notice, to request the institution convening the meeting of stockholders to include additional issues in the agenda of the meeting.

(3) The board of directors or another institution which is convening the meeting of stockholders shall include the additional issues in the agenda of the meeting of stockholders and shall announce them in the same manner as the notice regarding the convening of the meeting not later than fourteen days prior to the meeting.

[14 February 2002]

Section 275. Capacity to Act of a Meeting of Stockholders

A meeting of stockholders is entitled to take decisions irrespective of the equity capital represented there if the articles of association do not specify a representation norm.

[14 February 2002]

Section 276. Issues to be Examined at a Meeting of Stockholders

(1) A meeting of stockholders may take decisions only regarding those issues of the agenda which are indicated in the publication or notice regarding the convening of the meeting, except for the cases referred to in Paragraphs two and three of this Section.

(2) If all the equity capital with voting rights is represented at a meeting of stockholders, the meeting shall be deemed to have the capacity to act irrespective of the time and manner it was convened and the place where it occurs. Such meeting may also discuss issues not included in the agenda and to take decisions on them, if all the stockholders with voting rights unanimously agree to such.

(3) A meeting of stockholders may take decisions on the following issues (even if they are not included in the agenda):

1) recall of the council, the auditor, company controller or liquidator, provided that in case of recall of the council or liquidator a new council or liquidator is elected during the same meeting;

2) the bringing of actions against members of the council and of the board of directors, the company controller, liquidator or auditor if the issue of the annual accounts of the company is discussed during the same meeting;

3) the convening of a new meeting.

(4) If a stockholder has submitted a written request to the board of directors at least seven days before the meeting of stockholders, the board of directors must provide to him or her, not later than three days before the meeting of stockholders, all the requested information regarding the issues included in the agenda. The board of directors may refuse to issue such information only if there are the reasons provided for in Section 283, Paragraph two of this Law. Disputes between stockholders and the board of directors on these issues, shall be decided by the meeting of stockholders.

[14 February 2002; 22 April 2004; 16 June 2011]

Section 277. Participation at a Meeting of Stockholders

(1) Stockholders may participate at a meeting of stockholders either in person or through a representative. A proxy shall be completed in writing and attached to the minutes of the meeting. A proxy may be submitted up to the beginning of the meeting. A special proxy is not necessary for persons who represent a stockholder on the basis of law. These persons shall present documents which certify their authorisation.

(2) It is the obligation of members of the board of directors and the auditor, as well as at least one member of the council to participate in meetings of stockholders. Non-compliance with this provision shall not be a basis for regarding the meeting of stockholders as invalid, or to dispute decisions taken by the meeting.

[14 February 2002]

Section 278. List of Stockholders

(1) Not later than three days prior to a meeting of stockholders, the board of directors shall compile a list of stockholders which shall be accessible to stockholders.

(2) The list shall indicate:

1) the given name, surname, and personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) of the stockholder, but for legal persons - name and registration number;

2) the category, number and nominal value of stocks owned by the stockholder;

3) the number of votes arising from the stock owned by the stockholder.

(3) Prior to the opening of the meeting of stockholders the board of directors shall compile a list of the stockholders who are participating in the meeting, indicating the information referred to in Paragraph two of this Section. In addition the given name, surname, and personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) of the representative of the stockholder (if a proxy has been issued), but for legal persons - the name (firm name), registration number and the given name, surname, and personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) of the representative thereof shall be indicated in the list.

(3^1) Information on the stockholders to whom the bearer stocks or the stocks in public circulation belong shall be indicated in the list referred to in Paragraphs one and three of this Section in accordance with the information provided by the Latvian Central Depository on the stockholders of the company.

(4) The list of stockholders referred to in Paragraph three of this Section shall be signed by the authorised representative of the board of directors, and the stockholders shall be acquainted with it prior to the first vote.

[14 February 2002; 15 April 2010; 16 June 2011]

Section 279. Voting Rights of Stockholders

(1) Each minimum nominal value stock with voting rights gives the right to one vote at a meeting of stockholders. A stockholder has voting rights in conformity with the total of the nominal values of the stock with voting rights belonging to them.

(2) In a meeting of stockholders, those stockholders shall have voting rights who are entered in the list referred to in Section 278, Paragraph three of this Law.

(3) If a meeting of stockholders has to decide the issue of terminating the activities of the company, then the holders of preferential stock shall also have the right to vote on this issue.

(4) If a meeting of stockholders has to decide the issues of re-organisation of the company, increase or reduction of the equity capital, or amendments to the articles of association, then the holders of preferential stock shall also have the right to vote on these issues, if such issues may affect their interests.

[14 February 2002]

Section 280. Restrictions on Voting Rights

(1) It may be provided for in the articles of association that only a certain amount of the nominal value of stock gives a right to one vote, if such provisions in the articles of association were in effect prior to the issuance of the stock.

(2) A stockholder shall not have voting rights, if:

1) he or she is a member of the council or of the board of directors, a liquidator, an auditor or a company controller - in the taking of a decision on the recall of him or her, or the expression of no confidence in him or her, or the bringing of an action against him or her;

2) a decision is to be taken in respect of rights which the company may use against him or her;

3) a decision is to be taken regarding the release of him or her from obligations or liability towards the company;

4) [14 February 2002];

5) a decision is to be taken regarding the conclusion of a transaction with the person related to him or her.

(3) The voting rights of a stockholder may also be restricted in other cases specified by law.

[14 February 2002; 22 April 2004; 14 June 2012]

Section 281. Void Stockholder Obligations

Obligations shall be void, in which a stockholder undertakes:

1) to always fulfil the instructions of the company or its institutions;

2) to always accept the proposals of the company or its institutions;

3) to base their attitude in voting on remuneration.

Section 282. Course of a Meeting of Stockholders

(1) In the case referred to in Section 269, Paragraph three, Clause 2 and Section 270, Paragraph four of this Law a meeting of stockholders shall be opened by an official of the Commercial Register Office.

(2) The meeting of stockholders shall elect tellers of votes.

(3) After the meeting of stockholders is opened, the stockholders with voting rights shall elect the chairperson of the meeting.

(4) On the basis of a proposal of the chairperson of the meeting of stockholders, the meeting shall elect a meeting secretary (recorder of minutes).

(5) The meeting of stockholders shall also elect at least one stockholder with voting rights who shall attest to the correctness of the minutes of the meeting.

(6) Voting at the meeting of stockholders shall be open, except for cases when a secret ballot is requested by stockholders who represent at least one tenth of the equity capital.

[14 February 2002; 22 April 2004; 16 June 2011; 15 June 2017]

Section 283. Information to be Submitted to a Meeting of Stockholders

(1) Pursuant to the request of stockholders, the board of directors has an obligation to submit to a meeting information about the economic circumstances of the company to such an extent as is necessary to examine the relevant issue on the agenda and to objectively take a decision.

(2) A board of directors may refuse to submit this information only if:

1) its disclosure may cause serious losses to the company or to its transaction partners; or

2) such information is not to be disclosed in accordance with law or the articles of association.

(3) Even if the circumstances referred to in Paragraph two of this Section exist, the board of directors shall not refuse to submit information regarding:

1) the profit and losses of the company;

2) the solvency of the company;

3) the development perspectives of the company;

4) concluded transactions between the company and stockholders, members of the council or members of the board of directors, or related persons.

(4) Disputes regarding the refusal to disclose information by the board of directors shall be decided by a court.

[14 February 2002; 14 June 2012]

Section 284. Taking of Decisions by a Meeting of Stockholders

(1) A meeting of stockholders shall take decisions by a majority of votes of the stockholders with voting rights present if the law or articles of association does not specify a larger number of votes.

(2) Decisions on the making of amendments to the articles of association, the issuance of convertible debentures, the reorganisation of the company, entering into a group of companies agreement, amending or termination thereof, inclusion of the company, consent for inclusion and the termination, continuation, suspension or renewal of activities shall be taken by a meeting of stockholders if not less than three quarters of the stockholders with voting rights present vote for them, if the articles of association do not specify a larger number of votes.

(3) If there are several categories of stock in the company, a decision on an issue which affects the rights of stockholders of the relevant category of stock shall be taken if the stockholders of each of the relevant categories of stock, by a majority of votes of the stockholders with voting rights present as specified by law or the articles of association, vote for it in each of such groups of stockholders.

(4) A decision of a meeting of stockholders in respect of the company, members of its council and its board of directors, the auditor, company controller and stockholders shall come into effect from the time of being taken if a different time period for the coming into effect of such decision is not specified in this decision or by law.

(5) In applying amendments to the articles of association to the Commercial Register Office, an extract from the minutes of the meeting of stockholders with a decision on amending the articles of association and the full text of the new wording of the articles of association signed by the board of directors and the persons who have signed the relevant minutes of the meeting of stockholders shall be appended.

[14 February 2002; 22 April 2004; 18 December 2008; 29 November 2012; 2 May 2013 / Amendments to Paragraph two shall come into force on 1 January 2014. See Paragraph 26 of the Transitional Provisions]

Section 285. Minutes of a Meeting of Stockholders

(1) The minutes of a meeting of stockholders shall indicate:

1) the firm name of the company;

1^1) the authority which convenes the meeting of stockholders and the time when a notice regarding convening of the meeting of stockholders has been sent and when it was published, if the publication is provided for in the law;

2) the time and place of the meeting of stockholders;

3) the amount of the subscribed equity capital, paid-up equity capital and equity capital with voting rights of the company;

4) the amount of the equity capital represented at the meeting of stockholders and the number of votes of stockholders with voting rights present;

5) the given names and surnames of the chairperson of the meeting, secretary, tellers of the votes and the shareholders who will attest to the correctness of the minutes;

6) the agenda of the meeting;

7) the course and content of the discussion of the issues on the agenda;

8) the decisions taken, indicating the number of votes given "for" and "against" each decision;

9) the objections by members of the council or of the board of directors, the auditor, the liquidator or stockholders.

(2) The minutes shall be signed by the chairperson and secretary of the meeting of stockholders, as well as by at least one stockholder elected by the meeting - a person who shall attest to the accuracy of the minutes. The original of the minutes or a derivative, the accuracy of which shall be confirmed by the same persons who signed the original, shall be submitted to the Commercial Register Office.

(3) The list of stockholders which was compiled in accordance with Section 278 of this Law, and documents that pertain to the meeting of stockholders shall be appended to the minutes.

(4) Stockholders have the right to become acquainted with the minutes and the documents appended to it and to receive a copy or an extract from the minutes free of charge.

[14 February 2002; 16 March 2006; 2 May 2013]

Section 286. Declaration of a Decision Taken by a Meeting of Stockholders as Void

(1) A court may declare a decision taken by a meeting of stockholders as void if:

1) it is in contradiction to the purposes of the company, the public interest or morality;

2) it infringes the rights of third parties;

3) it is in contradiction with law or the articles of association;

4) the provisions of the law or of the articles of association regarding the convening of the meeting or the announcement of information associated with it have been violated;

5) stockholders were unlawfully not allowed to participate in the meeting;

6) stockholders were unlawfully not allowed to become acquainted with draft decisions, the list of stockholders participating at the meeting or the minutes of the meeting of stockholders;

7) stockholders were unjustifiably refused the provision of information requested by them, if such has significantly affected their attitude regarding the relevant issue;

8) the voting provisions were not observed at the meeting and thereby the results of the voting were significantly affected, or the provisions of law for the number of votes given were not observed;

9) the requirements referred to in Section 284, Paragraph three of this Law were not observed.

(2) Declaration of a decision taken by a meeting of stockholders as void shall not affect the rights of third parties obtained in good faith.

[14 February 2002; 22 April 2004]

Section 287. Persons who have the Right to Bring an Action before a Court

(1) The following persons may bring an action before a court to declare a decision taken by a meeting of stockholders as void:

1) a member of the board of directors or council;

2) any stockholder - in the cases referred to in Section 286, Clauses 1, 2 and 3 of this Law if he or she has voted against the disputed decision and have requested that this be entered in the minutes, but if the voting was by secret ballot - has objected to the disputed decision and has requested that this be entered in the minutes;

3) a stockholder who did not take part in the meeting - in the cases referred to in Section 286, Clauses 4 and 5 of this Law;

4) a stockholder who was not allowed to become acquainted with the documents specified by law - in the case referred to in Section 286, Clause 6 of this Law;

5) a stockholder, to whom the provision of information requested by him or her was unjustifiably refused - in the case referred to Section 286, Clause 7 of this Law if the vote of this stockholder will be decisive for the voting result;

6) a stockholder whom an opportunity to vote was not given or who disputes the right of another stockholder to vote or otherwise disputes the voting procedure - in the case referred to in Section 286, Clause 8 of this Law;

7) an interested stockholder - in the case referred to in Section 286, Clause 9 of this Law.

(2) [15 June 2017]

[14 February 2002; 15 June 2017]

Section 288. Bringing of an Action

(1) The time period for the bringing an action to declare a decision of a meeting of stockholders as void shall be three months from the day when a person should have got to know the decision of the meeting, but not more than a year from the day of occurrence of the meeting.

(2) [15 June 2017]

(3) An action to declare a decision of a meeting of stockholders as void shall be brought against the company.

(4) If an action is brought by a member of the board of directors, the company shall be represented in court by the council.

[15 June 2017]

Section 289. Procedures for the Enforcement of a Court Ruling to Recognise a Decision of a Meeting of Stockholders as Void

(1) [15 June 2017]

(2) If a court declares a decision taken by a meeting of stockholders as void, the company has an obligation to submit to the Commercial Register Office an application for the amendment of the entry, which was made based upon the referred to decision of the meeting of stockholders.

[15 June 2017]

Section 290. Liability for Unjustifiably Disputing a Decision of a Meeting of Stockholders

If plaintiffs have brought an action in bad faith or because of gross carelessness, they shall be solidarily liable for any losses incurred by the company due to the unjustified disputing of decision of a meeting of stockholders.

[14 February 2002]

Section 291. Council

Council is the supervisory institution of the company, which represents the interests of stockholders during the time periods between the meetings of stockholders and supervises the activities of the board of directors within the scope specified in this Law and the articles of association.

Section 292. Functions of a Council

(1) The council shall have the following functions:

1) to elect and recall members of the board of directors and to continually supervise the activities of the board of directors;

2) to monitor that the business of the company is conducted in accordance with law, the articles of association and the decisions of the meeting of stockholders;

3) to examine the annual accounts of the company and the proposal of the board of directors for the use of the profits and draw up a report (Section 174);

4) to represent the company in a court in all actions brought by the company against members of the board of directors as well as in actions brought by the board of directors against the company and to represent the company in other legal relations with members of the board of directors;

5) to approve the concluding of a transaction or to give a consent for the concluding of a transaction between the company and member of the board of directors or council, or the related person, or the auditor;

6) to examine in advance all issues which are within the competence of the meeting of stockholders or which, pursuant to the proposal of members of the board of directors or the council, have been proposed for discussions at the meeting, and to provide its opinion on such issues;

7) to give a consent for a decision of the board of directors to increase the equity capital in the case referred to in Section 249, Paragraph four of this Law and to make amendments to the articles of association of the company in the case referred to in Section 249, Paragraph five of this Law.

(2) Stockholders who jointly represent not less than one tenth of the equity capital of the company have the right to request of the council in writing, indicating the reasons, that the council examine the activities of the board of directors. If within a month the council has not carried out such examination or submitted a reply, the stockholders have the right to give this issue to the meeting of stockholders for examination.

(3) The council shall provide explanations to the meeting of stockholders regarding the report thereof (Section 175), if it is requested by at least one stockholder.

[14 February 2002; 22 April 2004; 24 April 2008; 14 June 2012]

Section 293. Rights of a Council

(1) The council has the right at any time to request that the board of directors report on the circumstances of the company and to become acquainted with all of the activities of the board of directors.

(2) The council has the right to examine the company's registers and documents, as well as the cashier's office and all of the property of the company.

(3) The council may entrust one of its members to perform an examination or invite experts to perform the examination or to clarify separate issues.

(4) The council has the right to convene a meeting of stockholders or to request that the board of directors convene the meeting if the interests of the company so require.

(5) The council does not have the right to decide issues, which are within the competence of the board of directors.

Section 294. Consent of a Council for the Activities of the Board of Directors

(1) It may be specified in the articles of association that the board of directors shall require the consent of the council to decide on issues of major importance. The following shall be deemed to be such issues of major importance:

1) acquiring participation in other companies and increasing or decreasing such participation;

2) acquisition or alienation of undertakings;

3) acquisition of immovable property, alienation or encumbering rights pertaining to property;

4) opening or closing of branches and representative offices;

5) concluding of such transactions as exceed the amounts specified in the articles of association or a decision of the council;

6) issuing of such loans as are not related to the usual commercial activities of the company;

7) issuing loans to employees of the company;

8) starting new kinds of activities or ceasing existing activities;

9) determining the general principles for activities.

(2) The company may also provide for other issues in its articles of association, for the deciding of which the board of directors must receive the consent of the council.

(3) If the council rejects a proposal of the board of directors with respect to the issues referred to in Paragraphs one and two of this Section, the board of directors has the right to convene an extraordinary meeting of stockholders, which shall take a decision on the relevant issue.

(4) The fact that the board of directors has not received the consent of a council shall not be binding as to third parties. The announcement of the fact referred to or the existence of relevant provisions of the articles of association shall not be sufficient grounds to recognise this fact as binding on third parties, except in cases when the person knew that the consent of the council was necessary and that it was not given.

Section 295. Composition of a Council

(1) Only natural persons with the capacity to act may be council members.

(2) The following may not be council members:

1) members of the board of directors, the auditor, proctor or commercial representative of the company;

2) members of the board of directors of any dependent company of the company or any person with the right to represent the dependent company; or

3) [22 April 2004].

(3) The articles of association may specify stricter restrictions for council members.

(4) The minimum number of council members shall be three, but if the stock of the company is in public turnover - the minimum number of council members shall be five.

(5) The maximum number of council members shall be twenty.

(6) A council member may not entrust to another person the performance of his or her obligations.

[22 April 2004]

Section 296. Election and Recall of Council Members

(1) The council shall be elected for a period which is not longer than five years.

(2) A council member may not be elected without his or her consent. In his or her written consent, the council member candidate shall indicate any potential obstacles for holding the office in accordance with the provisions of law or the articles of association, or certify that he or she does not have such obstacles.

(2^1) The Commercial Register Office shall be submitted a written consent of the member of the council, in which he or she shall indicate the firm name and the registration number of the company, in which he or she agrees to become the member of the council.

(3) [15 June 2017]

(4) A stockholder or group of stockholders are entitled to nominate for election their candidates on the basis of a calculation such that by dividing the capital with voting rights represented by the stockholder or group of stockholders by the number of candidates to be nominated, each of the candidates shall have not less than five per cent of the capital with voting rights represented at the meeting of stockholders. Each of such nominated candidates shall be included in the council members voting list.

(5) Voting shall take place in one ballot for all the council member candidates included on the list voting by all the stockholders at the same time. A stockholder is entitled to give his or her vote for one or more of the candidates included in the list in any proportion of whole numbers.

(6) As elected to the council shall be considered those persons who have gained the most votes, taking into account the maximum number of council members specified in the articles of association. If two or more council member candidates have gained an equal number of votes and therefore it cannot be determined which of them is to be considered elected, the issue shall be decided by a vote of the meeting of stockholders for each of these candidates, and as elected shall be considered that candidate who in the repeated ballot has gained the largest number of votes.

(7) Council members may be recalled from their office at any time by a decision of a meeting of stockholders.

(8) A member of the council may relinquish his or her office at any time, submitting a notice to the company.

(9) If a council member leaves his or her office or is recalled from office before the expiration of the time period of the council, new council member elections shall take place in which the whole composition of the council shall be re-elected.

(10) The board of directors shall inform the Commercial Register Office regarding changes in the composition of the members of the council and submit a list of council members, a written consent of each member of the council and the relevant decision of a meeting of stockholders or the relevant council member notice.

(11) The company which has one stockholder has the right not to apply the re-election procedures laid down in Paragraph nine of this Section. In such case a member of the council shall be elected for a time period which is not longer than five years and a written consent of the member of the council shall be submitted to the Commercial Register Office by the new member of the council.

[14 February 2002; 22 April 2004; 16 March 2006; 15 April 2010; 29 November 2012; 15 June 2017]

Section 297. Management of a Council

(1) Members of the council shall elect a chairperson of the council and at least one deputy chairperson.

(2) A deputy chairperson of the council shall perform the duties of the chairperson of the council only if the chairperson of the council is absent (illness, business trip, vacation and the like), or has assigned such a task.

Section 298. Convening of Council Meetings

(1) The chairperson of the council shall convene council meetings, but in his or her absence or by assignment - his or her deputy, according to necessity, but not less than once per quarter.

(2) Every council member, as well as the board of directors, has the right to request the council to convene a meeting, substantiating the necessity to convene a meeting and its purpose.

(3) If the chairperson of the council does not fulfil the request regarding the convening of a council meeting within two weeks from the time of its receipt, the initiator of the meeting has the right to convene a council meeting, explaining the circumstances of the matter.

Section 299. Taking of Decisions by a Council

(1) A council shall be entitled to take decisions if more than one half of the council members participate at the

council meeting. If a council is composed of fewer members than is provided for in the articles of association, the quorum shall be determined according to the number of council members specified in the articles of association.

(2) A council shall take its decisions by a simple majority of votes of those present, if the articles of association do not specify a larger majority of votes. It may be determined in the articles of association that in the event of tied vote, the vote of the chairperson of the council shall prevail.

(2^1) If a member of the council does not have the voting rights, the majority of votes shall be determined according to the votes of the present members of the council with the right to vote.

(3) A council member who does not take part in a council meeting, may give his or her vote in writing, submitting it to another council member. Voting may be done by telephone or other means only if the means of communication used allows council members to simultaneously participate in the discussion of the issue and the taking of the decision, and if such activities are appropriately documentarily recorded.

(4) Minutes shall be taken of council meetings. The following shall be indicated in a protocol:

1) the firm name of the company;

2) the place and time of the council meeting;

3) the participants at the meeting;

4) the issues on the agenda;

5) the course and content of the discussion of the issues on the agenda;

6) the results of the voting, indicating each council member's vote "for" or "against" each decision;

7) the decisions taken.

(5) If a council member disagrees with a decision of the council and votes against it, his or her differing view shall be recorded in the minutes of the council meeting pursuant to his or her request.

(6) The minutes of a council meeting shall be signed by the members of the council who participated in the relevant meeting of the council. The original of the minutes or a derivative, the accuracy of which shall be confirmed by the chairperson of the council meeting, shall be submitted to the Commercial Register Office.

[14 February 2002; 16 June 2005; 14 June 2012; 15 June 2017]

Section 300. Remuneration for Council Members

The meeting of stockholders shall determine the remuneration for council members.

Section 301. Board of Directors

(1) A board of directors is the executive institution of the company, which manages and represents the company.

(2) A board of directors shall supervise and manage the affairs of the company. It shall be responsible for the commercial activities of the company, as well as for accounting, in compliance with law.

(3) A board of directors shall administer the property of the company and shall act with its means according to the requirements of law, the articles of association and decisions of meetings of stockholders.

Section 302. Rights of a Board of Directors to Manage the Company

The members of a board of directors shall manage the company only jointly.

Section 303. Representation Rights of a Board of Directors

(1) All members of the board of directors have representation rights. Members of the board of directors shall represent the company jointly if the articles of association do not specify otherwise.

(2) In the case of joint representation, the members of the board of directors may authorise from among themselves one or more members of the board of directors to conclude specific transactions or specific types of transactions.

(3) The representation rights of the board of directors in respect of a third party may not be restricted. The rights of the members of the board of directors, which are specified in the articles of association, to represent the company jointly or individually shall not be deemed to be restrictions of the representation rights of the board of directors within the meaning of this Section.

(4) In relation to the company, members of the board of directors shall observe the restrictions of representation

rights, which are specified in the articles of association, by decisions of the meeting of shareholders and of the council, as well as the prohibition to perform commercial activities of all types or specific type or to hold specific offices.

[14 February 2002; 22 April 2004; 29 November 2012]

Section 304. Composition of a Board of Directors

(1) The board of directors may consist of one or several members of the board of directors. If the stock of the company is in public turnover, the minimum number of members of the board of directors shall be three members.

(2) Only natural persons with the capacity to act may be members of a board of directors.

(3) The following may not be members of a board of directors:

1) members of the council of the company;

2) the auditor of the company;

3) [29 November 2012];

4) a member of the council of the dominant undertaking of a group of companies.

(4) The articles of association may provide for stricter restrictions to be applied to members of the board of directors.

(5) [22 April 2004]

[22 April 2004; 29 November 2012]

Section 305. Election of Members of a Board of Directors and Specification of Representation Rights

(1) Members of a board of directors shall be elected by the council.

(2) A member of a board of directors may not be elected without his or her consent. The member of the board of directors shall indicate the potential obstacles for holding the office in accordance with Sections $4.^1$, $4.^2$ 171 and 304 of this Law and the potential obstacles for the implementation of the right of representation of the company in accordance with Sections $4.^1$ and $4.^2$ of this Law, or certify that he or she does not have such obstacles.

(2^1) The Commercial Register Office shall be submitted a written consent of the member of the board of directors in which he or she shall indicate the firm name and the registration number of the company in which he or she agrees to become the member of the board of directors.

(3) Members of a board of directors shall be elected to office for five years if the articles of association do not specify a shorter term.

(4) The council shall appoint the chairperson of the board of directors from among the members of the board of directors.

(5) [14 February 2002]

[14 February 2002; 16 March 2006; 15 April 2010; 29 November 2012; 2 May 2013]

Section 306. Recall of Members of a Board of Directors and Their Rights to Withdraw from Office

(1) Members of a board of directors may be recalled by the council if there are important reasons.

(2) Such important reason shall, in any case, be considered to be gross violations of authority, failure to perform or to appropriately perform his or her obligations, an inability to manage the company, or causing harm to the interests of the company, as well as loss of confidence expressed at a meeting of stockholders.

(3) A member of the board of directors may leave the position of the member of the board of directors, by submitting a notification thereof to the company.

[14 February 2002; 22 April 2004]

Section 307. Announcement of Changes in the Composition of a Board of Directors and Representation Rights

The board of directors shall declare changes in the composition of the board of directors and representation rights to the Commercial Register Office, submitting a list of members of the board of directors and the relevant decision of the council or the notice of the member of the board of directors.

[14 February 2002; 22 April 2004]

Section 308. Remuneration of Members of a Board of Directors

(1) Members of a board of directors have the right to receive remuneration according to the scope of their obligations and the financial circumstances of the company.

(2) The amount of remuneration for members of the board of directors shall be determined by the council.

[14 February 2002]

Section 309. Restrictions on Members of a Board of Directors of the Company

(1) [14 February 2002]

(2) [14 February 2002]

(3) If there is a conflict of interest between the company and any member of the board of directors or the related person, the issue shall be decided at a board of directors meeting, in which the interested member of the board of directors shall not have voting rights, and this shall be noted in the minutes of the board of directors meeting. A member of the board of directors has an obligation to notify of such interests before the beginning of a board of directors meeting.

(4) The provisions of Paragraph three of this Section shall also apply to such members of the board of directors, who are a relative of the interested member of the board of directors up to the second degree of kinship, the spouse or brother-in-law or sister-in-law up to the first degree of affinity, or a person with whom he or she has a shared household.

(5) The non-compliance with the requirements of this Section shall not affect the validity of the transaction concluded between the company and a member of the board of directors or the related person. A member of the board of directors who violates the requirement of this Section shall be liable for the losses incurred by the company.

[14 February 2002; 14 June 2012]

Section 310. Taking of Decisions by a Board of Directors

(1) A board of directors has the right to take decisions if more than one half of the members of the board of directors take part in the meeting of the board of directors. If a specific number of the members of the board of directors is provided for in the articles of association and if the board of directors has fewer members than provided for in the articles of association, the quorum shall be determined according to the number of members of the board of directors laid down in the articles of association.

(2) The board of directors shall take its decisions with simple majority of votes of those present, if the articles of association do not specify a larger majority of votes. It may be determined in the articles of association that in the event of tied vote the vote of the chairperson of the board of directors shall prevail.

(2^1) If a member of the board of directors does not have the voting rights, the majority of votes shall be determined according to the votes of the present members of the board of directors.

(3) The board of directors meeting shall be recorded in minutes. A protocol shall indicate:

1) the firm name of the company;

2) the place and time of the meeting;

3) the participants at the meeting;

4) the issues on the agenda;

5) the course and content of the discussion of the issues on the agenda;

6) the results of the voting, indicating the vote of each member of the board of the directors "for" or "against" each decision;

7) the decisions taken.

(4) If a member of the board of directors disagrees with a decision of the board of directors and votes against such, his or her different opinion shall be recorded in the minutes of the meeting at his or her request.

(5) The minutes of a board of directors meeting shall be signed by the chairperson of the board of directors and all the members of the board of directors who participated in the meeting.

[16 June 2005; 14 June 2012; 15 June 2017]

Section 310.[1] Invalidation of a Decision Taken by the Board of Directors on Increase of the Equity Capital

(1) The court may recognise as invalid a decision of the board of directors on increase of the equity capital in the cases referred to in Section 286, Paragraph one, Clauses 1, 2 and 3 of this Law, as well as if the procedures for increase of the equity capital have been violated.

(2) Any stockholder may bring an action to the court regarding recognition of a decision of the board of directors on increase of the equity capital as invalid.

(3) The time period for bringing the action referred to in Paragraph two of this Section shall be three months from the day when the stockholder got to know or when he or she should have get to know the decision of the board of directors, but not more than a year from the day of taking of the decision.

[24 April 2008]

Section 310.[2] Procedures for the Enforcement of a Court Ruling to Recognise a Decision of the Board of Directors on Increase of the Equity Capital as Void

[15 June 2017]

Section 310.[3] Liability for Unjustified Contesting of a Decision of the Board of Directors on Increase of the Equity Capital

The claimants shall be solidarily liable for the losses caused to the company upon unjustified contesting of a decision of the board of directors on increase of the equity capital, if they have brought an action in bad faith or by gross negligence.

[24 April 2008]

Section 311. Report of a Board of Directors

(1) The board of directors has an obligation to report in writing regarding its activities to the council once every quarter, but at the end of the year - to a meeting of stockholders. The report shall reflect:

1) the results of the commercial activities of the company;

2) the economic circumstances of the company, profitability, turnover and movement of securities;

3) the circumstances, which could have impact upon the economic circumstances of the company;

4) the planned policies for commercial activities of the company in the next accounting period.

(2) The board of directors shall inform the council also regarding other significant aspects of the company's activities.

Division XIV
Termination of Activities and Liquidation of Capital Companies

Section 312. Grounds for Terminating the Activities of a Capital Company

(1) The activities of a capital company (hereinafter in this Division - the company) shall be terminated:

1) by a decision of shareholders;

2) by a court ruling;

3) with the commencement of bankruptcy procedures;

4) with the termination of the time period specified in the articles of association (if the company was founded for a definite time period);

5) having achieved the purposes specified in the articles of association (if the company was founded to achieve specified purposes); or

6) in other cases as specified by law or the articles of association.

(2) The termination of activity of a partnership shall be applied for entering in the Commercial Register by indicating

in the application the reason for termination of activity of the partnership.

[15 June 2017]

Section 313. Termination of Activities of the Company based upon a Decision of Shareholders

(1) A decision on the termination of the activities of the company shall be taken at a meeting of shareholders.

(2) The board of directors has the obligation to provide to the shareholders a report regarding the previous accounting year and regarding the activities of the company in the current year.

(3) In the report on economic activities, the time period during which the company may satisfy the claims of its creditors shall be indicated.

Section 314. Termination of Activities of the Company based upon a Court Ruling

(1) The activities of the company may be terminated based upon a court ruling if:

1) the documents of incorporation of the company are in contradiction to law;

2) the equity capital of the company does not comply with the requirements of law;

3) the company has not submitted to the Commercial Register Office the information or documents required by law;

4) the shareholders have not taken a decision on the termination of the activities of the company in cases when they should have done so in accordance with law or the articles of association;

5) [29 November 2012];

5^1) the limited liability company referred to in Section 185.^{1}, Paragraph one of this Law has not increased the equity capital according to the provisions of Section 185.^{1}, Paragraph six of this Law;

6) in other cases specified by law.

(2) An action before a court may be brought by a member of the board of directors or of the council, a shareholder, the Commercial Register Office, as well as third parties whose lawful rights have been infringed.

(2^1) The third party whose lawful rights have been infringed may bring an action in a court in the case referred to in Paragraph one, Clause 2 or 3 of this Section.

(3) The Commercial Register Office may bring an action in a court in the cases referred to in Paragraph one, Clauses 1, 3 and 5.^{1} of this Section if the company has not rectified the indicated deficiencies within three months after receiving a written warning.

(4) Up to the time of making of the ruling to terminate the activities of the company, a court may specify a time period within which the company must rectify the deficiencies, which would be the grounds for the termination of its activities. The time period for rectification of deficiencies shall not exceed three months.

[22 April 2004; 15 April 2010; 29 November 2012; 15 June 2017]

Section 314.^{1} Termination of Activities of the Company on the Basis of a Decision of the Commercial Register Office or Tax Authority

(1) Activities of the company may be terminated on the basis of a decision of the Commercial Register Office if:

1) the board of directors of the company has not had the right of representation for more than three months and the society has not rectified the indicated deficiency within three months after receipt of a written warning;

2) the company in conformity with Section 12, Paragraph four of this Law cannot be reached at its legal address and has not rectified the indicated deficiency within two months after receipt of a written warning.

(2) Activities of the company may be terminated on the basis of a decision of the tax authority if:

1) the company has not submitted an annual report within one month after administrative punishment was imposed and at least six months have passed since the violation was committed;

2) the company has not submitted the declarations for the time period of six months, provided for in tax laws, within one month after administrative punishment was imposed;

3) activities of the company have been suspended on the basis of a decision of the tax authority, and the company has not rectified the indicated deficiency within three months after activities thereof were suspended.

(3) A decision of the Commercial Register Office or tax authority on termination of activities of the company shall enter into effect within one month after notification thereof to the company, if the decision has not been contested or appealed in accordance with the procedures specified by law.

(4) Paragraph one and Paragraph two, Clause 2 of this Section shall not be applied, if an entry has been made in the Commercial Register regarding suspension of activities of a merchant on the basis of a decision of the merchant.

[29 November 2012; 15 June 2017]

Section 315. Termination of Activities of the Company in the Case of Bankruptcy

Procedures by which the activities of the company shall be terminated in the case of bankruptcy, shall be regulated by a separate law.

Section 316. Continuation of the Activities of the Company after the Expiration of the Time Period for Activities or after the Achievement of Purposes

If the time period for the activities of the company, as specified in the documents of incorporation, expires or if the specified purpose has been achieved, the shareholders may take a decision to continue activities, or to reorganise the company and make the necessary amendments to the documents of incorporation.

Section 317. Liquidation

(1) In the case of the termination of the activities of the company, it shall be liquidated if the law does not specify otherwise.

(2) Liquidation of the company shall not take place and the Commercial Register Office shall take a decision on exclusion of the company from the Commercial Register, if none of the persons interested in liquidation of the company submits an application to a court of the Commercial Register Office regarding appointing of a liquidator and insolvency proceedings have not been applied in relation to the company.

(3) The property, which has remained after exclusion of the company from the Commercial Register in accordance with the procedures specified in Paragraph two of this Section, shall be considered as equivalent to property without heirs.

[29 November 2012]

Section 318. Appointment of Liquidators

(1) Liquidation shall be performed by the members of the board of directors if the articles of association, the decision of a meeting of shareholders or a court ruling does not specify otherwise.

(2) If a meeting of shareholders appoints a liquidator, it shall determine the amount of and procedures for the remuneration of the liquidator.

(3) If the activities of the company are terminated on the basis of a court ruling and the person interested in liquidation of the company has recommended a candidate for the liquidator to the court, or if it is requested by the shareholders who represent not less than one tenth of the equity capital, the liquidator shall be appointed and the amount of and procedures for the remuneration of the liquidator shall be determined by the court.

(4) One liquidator or several liquidators may be appointed.

[29 November 2012]

Section 318.[1] Appointing of a Liquidator on the Basis of an Application of the Person Interested in Liquidation of the Company

(1) A liquidator, on the basis of an application of the person interested in liquidation, may be appointed by a court or the Commercial Register Office.

(2) If a claim has been brought before a court regarding the termination of activities of the company, any person interested in liquidation of the company may recommend a candidate for the liquidator to the court.

(3) If the activities of the company have been terminated on the basis of a decision of the Commercial Register Office or tax administration, or activities of the company have been terminated on the basis of a court ruling, and none of the interested persons has recommended a candidate for the liquidator, the Commercial Register Office shall, after an entry regarding termination of activities of the company has been made in the Commercial Register, promulgate a notification regarding termination of activities of the company in accordance with the procedures specified in Section 11 of this Law. In the notification the persons interested in liquidation of the company shall be invited to submit an application to the Commercial Register Office regarding appointing of a liquidator within one month after the day when it

was published.

(4) A person interested in liquidation of the company shall indicate the place and time period for applying claims of creditors in the application referred to in Paragraphs two and three of this Section. The document referred to in Section 320, Paragraph one, Clause 2 of this Law may be appended to the application.

(5) The Commercial Register Office shall make an entry regarding appointing of a liquidator on the basis of the application submitted by the person interested in liquidation of the company regarding appointing of a liquidator.

(6) The Commercial Register Office shall, at the expense of the company to be liquidated, promulgate the notification regarding appointing of a liquidator in accordance with the procedures specified in Section 11 of this Law.

(7) The amount and procedures for disbursement of remuneration of a liquidator shall be determined by the person interested in liquidation of the company, which has submitted the application referred to in Paragraph five of this Section.

[29 November 2012; 15 June 2017]

Section 318.^{2} Covering of Costs of Liquidation if the Liquidator has been Appointed on the Basis of an Application of the Person Interested in Liquidation of the Company

(1) The costs of liquidation shall be covered by the person interested in liquidation of the company, who has submitted the application referred to in Section 318.^{1}, Paragraph five of this Law.

(2) The costs of liquidation covered by the person interested in liquidation of the company shall be repaid from the property of the company.

[29 November 2012]

Section 319. Requirements Set for Liquidators

(1) A natural person with the capacity to act may be a liquidator.

(2) [15 April 2010]

(3) A person who may not be a member of the board of directors of the company in accordance with the restrictions specified in the first sentence of Section 221, Paragraph four and Section 304, Paragraph three of this Law may not be a liquidator.

(4) The liquidator has an obligation to notify shareholders regarding potential obstacles for holding of the office in accordance with Sections 4.^{1}, 4.^{2}, 221 and 304 of this Law and the potential obstacles for the implementation of the right of representation of the company in accordance with Sections 4.^{1} and 4.^{2} of this Law, or certify that he or she does not have such obstacles.

[15 April 2010; 29 November 2012]

Section 320. Application regarding the Termination of the Activities of the Company and the Liquidation Thereof

(1) The board of directors shall, within three days from the date of taking a decision on the termination of the activities of the company, submit the decision for entering in the Commercial Register. The place and time period for applying claims of creditors shall be indicated in the application. The following shall be attached to the application:

1) an extract of the minutes of the meeting of shareholders with the decision on termination of the activities of the company; and

2) a written consent of each liquidator to be a liquidator. The liquidator shall indicate the firm name and the registration number of the company, in which he or she agrees to become a liquidator.

(2) If the activities of the company are terminated on the basis of a court ruling, the court shall send the relevant ruling for making of an entry in the Commercial Register within three days after the day of entering into effect of the ruling.

(2^{1}) If the activities of the company are terminated on the basis of a decision of the tax authority, the tax authority shall send a relevant decision for making of an entry in the Commercial Register within three days after the day of entering into effect of the decision.

(3) If the liquidation is carried out by members of the board of directors, this fact shall be indicated in the application or the court ruling, and the documents referred to in Paragraph one, Clause 2 of this Section need not be appended thereto.

[15 April 2010; 29 November 2012; 2 May 2013; 15 June 2017]

Section 321. Removal of Liquidators

(1) Liquidators may be removed by a decision of the meeting of shareholders, except the case referred to in Paragraph 3.[1] of this Section.

(2) Liquidator may be removed by a court ruling based upon the application of the shareholder or a third party if there are important reasons for it.

(3) A liquidator appointed by a court may only be removed by a court ruling based upon the application of the shareholder or a third party if there are important reasons for it, and by concurrently appointing a new liquidator.

(3[1]) A liquidator appointed on the basis of an application of the person interested in liquidation of the company to the Commercial Register Office, may be suspended by the interested person who appointed the liquidator, appointing a new liquidator.

(4) The decision to remove a liquidator shall be submitted by the new liquidator to the Commercial Register Office within three days from the day when the decision was taken.

[29 November 2012]

Section 322. Rights and Obligations of Liquidators

(1) Liquidators shall have all the rights and obligations of the board of directors and the council which are not in contradiction with the purposes of the liquidation.

(2) Liquidators shall collect debts including amounts, which are due the company regarding unpaid capital shares, sell the property of the company and satisfy the claims of creditors.

(3) Liquidators may only conclude such transactions as are necessary for the liquidation of the company.

(4) If the liquidation of the company is performed by several liquidators, they have the right to represent the company only jointly. Liquidators may authorise one or several persons from among themselves for the performance of particular activities or particular types of activities.

(5) Any restrictions on representation of a liquidator shall not be binding on third parties.

(6) During the liquidation, the word "likvidējamā" [under liquidation] must be added to the firm name of the company.

[29 November 2012]

Section 323. Submission of an Insolvency Petition

If it is found during the course of the liquidation that the property of the company is not sufficient to satisfy all the legitimate claims of creditors, the liquidator has an obligation to submit an insolvency petition in accordance with the procedures specified by law.

Section 324. Informing the Creditors

(1) The Commercial Register Office shall, at the expense of the company under liquidation, in accordance with the procedures specified in Section 11 of this Law, announce the notification regarding the termination of the company's activities and the commencement of liquidation.

(2) A liquidator shall, not later than on the day of publication of the notification referred to in Paragraph one of this Section, send a notification regarding the commencement of liquidation to all known creditors of the company.

(3) In the notification referred to in Paragraphs one and two of this Section and Section 318.[1], Paragraph six of this Law, the creditors of the company shall be invited to submit their claims within one month after the day of publication of the notification if a longer period of time for submissions by creditors has not been specified in a decision of a meeting of shareholders or a court ruling.

(4) [15 June 2017]

[15 April 2010; 29 November 2012; 15 June 2017]

Section 325. Submission of Claims

Creditors shall submit their claims against the company to the liquidator within the specified time period. In the claims, creditors shall state the contents of their claims, the basis and amount, and append documents on which the

claims are based.

Section 326. Liquidation Initial Financial Accounts

[15 June 2017]

Section 327. Protection of Creditors

(1) If a known creditor has not submitted his or her claim, does not accept fulfilment or the obligation is not ripe for fulfilment, the amounts due to him or her shall be deposited at a sworn notary according to the legal address of the company.

(2) When there exist disputable creditor claims, the property of the company may be divided among the shareholders only if the relevant creditor is given security.

[29 November 2012]

Section 328. Closing Financial Accounts and Plan for Division of Property

(1) After the claims of creditors have been satisfied or the monies due them are deposited and the liquidation expenditures have been covered, the liquidator shall compile a liquidation closing financial account and a plan for the division of the remaining property, in which a liquidation quota shall be determined.

(2) An auditor shall examine the liquidation closing financial account and the plan for division of the remaining property. For limited liability companies, an examination by an auditor shall be performed if, in accordance with the articles of association of the company, it is provided that the annual accounts of the company shall be examined by an auditor or if it is so decided by a meeting of shareholders.

(3) The liquidator shall send the liquidation closing financial account and the plan for division of the remaining property to all shareholders. The notice to the holders of bearer stock shall be published in the official gazette *Latvijas Vēstnesis,* indicating the place where the liquidation closing financial account and the plan for division of the remaining property are accessible.

(4) If violations of the law, the articles of association or the decisions of a meeting of shareholders have been made in the preparation of the liquidation closing financial account and the plan for division of the remaining property, a court, based upon an action by an interested person, may decide regarding the preparation of a new liquidation closing financial account and plan for division of the remaining property or the performance of additional liquidation activities. The time period for bringing an action shall be two months from the day when the liquidation closing financial account and the plan for division of the remaining property were sent to shareholders, but in relation to holders of bearer stock - two months from the day of publication of the notice.

[14 February 2002; 29 November 2012]

Section 329. Preservation of Company Documents

A liquidator shall, in conformity with the provisions of the Law on Archives, ensure the preservation of and access to the documents of the company. The liquidator shall give the documents of the company for preservation to one of the shareholders of the company or to the third party in Latvia, co-ordinating the place of storage thereof with the National Archives of Latvia. The documents of archival value of the company, shall be given for preservation to the National Archives of Latvia in conformity with the provisions of the Law On Archives. Expenditures related to the giving of the documents for preservation to the National Archives of Latvia shall be covered from the property of the company to be liquidated.

[29 November 2012]

Section 330. Division of the Remaining Property of the Company

(1) The remaining property of the company shall be divided among the shareholders in accordance with the plan for division of the remaining property prepared by the liquidator, in proportion to the shares owned by each shareholder, if the founding documents do not specify otherwise.

(2) The property may be divided not earlier than two months from the day when the liquidation closing financial account and the plan for division of the remaining property has been sent to shareholders or a notice was published regarding the opportunity to become acquainted with them (if such publication is required by law).

(2^1) The property may be divided before the term laid down in Paragraph two of this Section, if all shareholders agree thereto.

(3) [15 April 2010]

(4) All disbursements to the shareholders shall be conducted in money, if the articles of association do not specify

otherwise.

(5) Liquidators also may not sell property if it is not necessary for satisfaction of the claims of creditors and if it is specified in the decision on the termination of the activities of the company.

[14 February 2002; 15 April 2010; 15 June 2017]

Section 331. Continuation of the Activities of the Company

(1) If the company is liquidated on the basis of the provisions referred to in the articles of association of the company regarding the termination of the activities of the company or a decision taken by a meeting of shareholders, the shareholders, up to the commencement of the division of property may take a decision on continuation of the activities of the company or its reorganisation. The decision shall be considered as taken if it is voted for by the shareholders present with the same number of votes as is provided for the taking of a decision on the termination of the company's activities.

(2) In taking a decision on the continuation of the activities of the company, the board of directors and the council of the company shall also be formed concurrently, as well as the equity capital of the company shall be reduced in conformity with the amount of the remaining property. If the amount of the remaining property is less than the minimum amount of equity capital as specified by law, the meeting of shareholders shall decide on an increase of the equity capital.

(3) A liquidator shall submit an application to the Commercial Register Office regarding continuation of the activities by appending the decision on the continuation of the activities thereto. The decision on the continuation of the activities of the company shall come into effect after entering thereof in the Commercial Register.

[15 June 2017]

Section 332. Deletion from the Commercial Register

(1) After the division of the remaining property of the company, the liquidator shall submit an application for the completion of liquidation to the Commercial Register Office. The liquidation closing financial account and the plan for division of the remaining property, as well as the opinion of the auditor (if an audit examination was performed), shall be appended to the application.

(2) In the application, the liquidator shall certify that:

1) the liquidation closing financial account and the plan for division of the remaining property have not been disputed in a court or that an action was rejected;

2) all the creditors' claims have been satisfied or that the amounts to meet the claims were deposited and all liquidation expenditure has been covered;

3) the documents of the company were transferred to the archive for preservation;

4) in the case referred to in Section 330, Paragraph 2.^{1} of this Law all shareholders have agreed to the division of the remaining property of the company prior to the term specified in Section 330, Paragraph two of this Law.

[14 February 2002; 15 April 2010]

Section 333. Liability of Liquidators

(1) A liquidator shall be liable for any losses incurred through his or her own fault.

(2) If there are several liquidators, they shall be solidarily liable for the losses incurred through their own fault.

Division XIV^{1}
Suspension and Renewal of Activities of a Merchant

[29 November 2012 / Division shall come into force on 1 May 2014. See Paragraph 26 of the Transitional Provisions]

Section 333.^{1} Basis for Suspension and Renewal of Activities

Activities of a merchant may be suspended and renewed:

1) by a decision of the merchant;

2) by a decision of the tax authority;

3) by a ruling made within the criminal proceedings.

Section 333.[2] Entry Regarding Suspension and Renewal of Activities

(1) Activities of a merchant shall be suspended from the day when information regarding suspension of activities of the merchant has been entered in the Commercial Register.

(2) Activities of a merchant shall be renewed from the day when information regarding renewal of activities of the merchant has been entered in the Commercial Register.

Section 333.[3] Suspension of Acitivities on the Basis of a Decision of the Merchant

(1) A merchant may take a decision on suspension of activities if:

1) it does not have tax debts and it has settled tax liabilities for the time period when the activities were suspended;

2) it does not have employees;

3) it has submitted an annual report - or in the cases specified by law - a financial report on the last accounting year;

4) it has submitted a report on economic activities to the tax authority regarding the time period after the end of the preceding accounting year;

5) it has satisfied the claims of creditors regarding liabilities, the term for execution of which sets it prior to or during the time period of suspending the economic activities;

6) it has ensured the applied claims of creditors in accordance with the procedures specified in Section 333.[4] of this Law, the term for execution of which sets it prior to or during the time period of suspending the activities of the merchant.

(2) Activities of the merchant shall be suspended for three years from the day when an entry has been made in the Commercial Register, if another time period for suspending the activities has not been specified in the decision on suspension of activities.

(3) Suspension of activities shall be applied for entering in the Commercial Register. In an application a merchant shall indicate the date when the notice regarding intention to suspend the activities was published in the official gazette *Latvijas Vēstnesis*, and attest that the requirements of Paragraph one of this Section are complied with.

(4) An application of a partnership shall be signed by all members.

(5) An extract from the minutes of the meeting of shareholders (stockholders) with a decision on suspension of activities of a capital company shall be appended to the application of the capital company.

(6) [2 May 2013]

[2 May 2013; 15 June 2017]

Section 333.[4] Protection of Creditors

(1) Prior to taking of a decision on suspension of activities, a merchant shall inform all the known creditors in writing regarding the intent of suspending the activities and shall publish a notification in the official gazette *Latvijas Vēstnesis* about it. The following shall be indicated in the notification:

1) the firm name, registration address and legal address of the merchant;

2) the place and time period for applying claims of creditors, which shall not be less than a month from the day when the notification was published.

(2) Liabilities of a merchant, the time period for execution of which sets in during the time period of suspending the activities, shall be deemed such the time period for execution of which sets in prior to the day when a decision on suspension of activities has been taken.

(3) If a creditor requests it and has applied a claim within the time period specified in Paragraph one of this Section, the merchant shall ensure such claims of creditors, the time period for execution of which sets in after the period of suspending the activities of the merchant.

Section 333.[5] Renewal of Activities on the Basis of a Decision of the Merchant

(1) If activities of a merchant have been suspended on the basis of a decision of the merchant, the merchant may

take a decision on renewal of activities prior to the end of the time period referred to in Section 333.[3], Paragraph two of this Law. Renewal of activities shall be applied for entering in the Commercial Register.

(2) After the end of the time period specified in the decision on suspension of activities or - if a time period has not been indicated in the decision - after the end of the time period referred to in Section 333.[3], Paragraph two of this Law an official of the Commercial Register Office, without taking a separate decision, shall make an entry in the Commercial Register regarding renewal of the activities of the merchant.

(3) [2 May 2013]

[2 May 2013 / See Paragraph 34 of Transitional Provisions]

Section 333.[6] Suspension and Renewal of Activities on the Basis of a Decision of the Tax Authority

Suspension and renewal of activities of a merchant, on the basis of a decision of the tax authority, shall be regulated by tax laws.

Part C
Reorganisation of Commercial Companies

Division XV
General Provisions for the Reorganisation of Commercial Companies

Section 334. Definition and Types of Reorganisation

(1) A commercial company (hereinafter in this Part - the company) may be reorganised by way of merging, division or restructuring.

(2) Companies involved in the reorganisation process may be companies of the same type or various types if the law does not specify otherwise.

[24 April 2008]

Section 335. Merging of Companies

(1) Merging of companies may take the form of acquisition or consolidation.

(2) Acquisition is a process in which the company (the acquired company) transfers all of its property to another company (the acquiring company).

(3) Consolidation is a process in which two or more companies (acquired companies) transfer all of their property to a newly founded company (the acquiring company).

(4) In the case of merging, the acquired company ceases to exist without liquidation procedures.

(5) In the case of merging, all the rights and obligations of the acquired companies are transferred to the acquiring company.

(6) In the case of merging, the stockholders, shareholders or members (hereinafter in this Part - shareholders) of the acquired companies shall become shareholders of the acquiring company.

[24 April 2008]

Section 335.[1] Cross-border Merger

(1) Cross-border merger shall be such merger of two or more capital companies, of which at least one is registered in Latvia, but the others have been established in accordance with regulatory enactments of the European Union Member States.

(2) The Member State within the meaning of this Section and Division XIX shall be a European Union Member State, the Republic of Iceland, the Kingdom of Norway and the Principality of Liechtenstein.

(3) The merger shall not be considered as a cross-border merger in such case, when there is a capital company involved, which has intended to perform collective contributions of the capital of inhabitants in accordance with the principle of risk division and the capital chares (stocks) are bought back or redeemed upon the request of shareholders (stockholders) directly or indirectly from the assets of this capital company. The activities by which the capital company wants to ensure that the market value of its shares does not differ significantly from the net value of assets

thereof shall be equalled to such buy-back procedure or pre-emption.

(4) The provisions of this Law regarding the merger of capital companies shall be applied to cross-border merger insofar as it is not otherwise provided for in Division XIX of this Law. If the acquiring capital company is registered in another Member State, the capital company registered in Latvia, upon involving in the cross-border merger, shall observe the provisions of this Law regarding merging of capital companies in respect of the procedures for taking of decisions in relation to merging and protection of creditors, shareholders (stockholders), debenture holders, as well as employees of the capital company.

[24 April 2008]

Section 336. Division of Companies

(1) Division is a process in which the company (the dividing company) transfers all of its property to one or more other companies (the acquiring companies) through splitting up or divestiture.

(2) In the case of splitting up, the dividing company transfers all of its property to two or more acquiring companies and ceases to exist without liquidation procedures.

(3) In the case of splitting up, shareholders of the dividing company shall become shareholders of the acquiring company in accordance with a decision on splitting up of the company.

(4) In the case of divestiture, the dividing company transfers part of its property to one or more acquiring companies. In the case of divestiture, the dividing company shall continue to exist.

(5) In the case of divestiture, all the shareholders of the dividing company or part of them become shareholders of the acquiring company, or the dividing company may become the sole shareholder of the acquiring company in accordance with a decision on divestiture of the company.

(6) The acquiring company may be an already existing company or a company to be newly founded.

Section 337. Restructuring of Companies

(1) Restructuring is a process in which one type of company (the restructured company) is restructured into a different type of company (the acquiring company).

(2) In the case of restructuring, all the rights and obligations of the restructured company are transferred to the acquiring company.

(3) In the case of restructuring, the shareholders of the restructured company become shareholders of the acquiring company.

(4) In the case of restructuring, the restructured company ceases to exist without liquidation procedures.

Division XVI
Reorganisation Procedures

Section 338. Reorganisation Agreement

(1) If two or more already existing companies are involved in the reorganisation process, they shall enter into a reorganisation agreement (hereinafter - the agreement). A contract shall be entered into in writing.

(2) The agreement shall indicate:

1) the firm names, legal addresses and registration numbers of all the companies involved in the reorganisation;

2) the companies' capital shares (stocks) exchange coefficient and the amount of premium (if such is provided for);

3) the division of the capital shares (stocks) among the shareholders of the acquiring company;

4) the provisions for the transfer of the capital shares (stocks) of the acquiring company to the shareholders of the companies to be acquired, divided or restructured;

5) the time from which the capital shares (stocks) transferred give a right to receive dividends or a profit share from the acquiring company and any provisions affecting this time (if such is provided for);

6) the rights granted by the acquiring company to stockholders of each category of shares of the acquired, dividing or restructured company, and debenture holders, who own convertible debentures;

6^1) the rights granted by the acquiring company to members of supervisory authorities and executive bodies of the

acquired, dividing or restructured company, as well as to the controller of the company;

7) the day from which the transactions of the acquired, dividing or restructured company shall be included in the accounting of the acquiring company and shall be regarded as transactions of the acquiring company;

8) the consequences of reorganisation for the employees of the acquired, dividing or restructured company;

9) the activities to be conducted in the reorganisation process and the time periods for conducting them.

(3) If all the capital shares (stocks) of the acquired or dividing company are owned by the acquiring company, the information referred to in Paragraph two, Clauses 2, 3, 4 and 5 of this Section shall not be included in the agreement.

(4) If the agreement provides for conditions precedent and if these conditions do not come into effect within three years from the day when the agreement is entered into, each of the companies involved in the reorganisation process may unilaterally withdraw from the agreement notifying the other contracting parties not later than six months in advance, if a shorter period for notice is not specified in the agreement.

(5) Each of the companies involved in the reorganisation process shall submit a notice of reorganisation, with the draft agreement appended, to the Commercial Register Office. The date of registration of a draft agreement and its amendments and the number of the Commercial Register file in which the draft agreement is located shall be promulgated in the official gazette *Latvijas Vēstnesis*.

[16 June 2005; 24 April 2008; 29 November 2012]

Section 339. Reorganisation Prospectus

(1) Each of the companies involved in the reorganisation process shall prepare in writing a reorganisation prospectus (hereinafter - the prospectus), in which the following is indicated and explained:

1) the provisions of the draft agreement;

2) the legal and economic aspects of the reorganisation;

3) the capital shares (stocks) exchange coefficient and the amount of premium (if such is provided for);

4) the methods used to determine the capital shares (stocks) exchange coefficient and the amount of premium, as well as problems which arose in the use of these methods.

(2) Companies may prepare a joint prospectus. In such case each of the companies involved in the reorganisation process shall indicate the data referred to in Paragraph one of this Section.

(3) The company need not prepare a prospectus if all shareholders agree thereto. The company to be acquired or divided need not prepare a prospectus, if all capital shares (stocks) of the company to be acquired or divided belong to the acquiring company.

[24 April 2008; 16 June 2011]

Section 340. Examination by an Auditor

(1) The draft agreement of companies involved in the reorganisation process shall be examined by a sworn auditor. The companies involved in the reorganisation process may elect a joint auditor.

(2) [15 April 2010]

(3) The reorganisation agreement shall not be checked by the auditor, if all shareholders or members agree thereto. The auditor need not examine the draft agreement of the acquired or dividing company if all the capital shares (stocks) of the acquired or dividing company are owned by the acquiring company.

(4) The companies which are involved in a reorganisation process shall ensure that the auditor has access to all the documents and information which have significance for performing the obligations of an auditor.

[16 March 2006; 24 April 2008; 15 April 2010]

Section 341. Opinion of the Auditor

(1) The auditor shall draft a written opinion regarding the results of the examination of the draft agreement and shall submit it to the company. If one auditor is elected for all the companies, he or she shall submit the opinion to all the companies.

(2) The following shall be indicated in the opinion:

1) whether all the necessary documents were submitted to the auditor;

2) whether the capital shares (stocks) exchange coefficient and the amount of premium are fair and justified;

3) whether the reorganisation may cause losses to the creditors of the company;

4) whether the methods which were used to determine the capital shares (stocks) exchange coefficient and the amount of premium are adequate;

5) special problems which have arisen in the application of the valuation methods used.

[16 March 2006; 24 April 2008]

Section 342. Liability of the Auditor

The auditor shall be liable for losses incurred through his or her fault while conducting the examination.

Section 343. Decision on Reorganisation

(1) A meeting of shareholders of each of the companies involved in the reorganisation process shall examine the draft agreement and take a decision on reorganisation, and the meeting shall take place not earlier than a month after information regarding the draft agreement has been notified in accordance with Section 338, Paragraph five of this Law.

(2) If amendments in relation to the reorganisation need to be made in the articles of association of a capital company or in a partnership agreement, a decision on such amendments shall be taken concurrently with the decision on reorganisation.

(3) For not less than one month before the day of the meeting of shareholders regarding approval of the agreement is to be held, all shareholders shall be given an opportunity to become acquainted to the following documents at the legal address of the company:

1) the draft agreement;

2) the prospectus;

3) the opinion of the auditor;

4) the annual accounts of all the companies involved in the reorganisation process for the last three accounting years; and

5) the report about the commercial activities of the company which shall be prepared not earlier than three months before the reorganisation notice is submitted to the Commercial Register Office if the previous annual accounts were completed more than six months before the submission of the notice.

(4) The report on the commercial activities of the company referred to in Paragraph three, Clause 5 of this Section shall be prepared in accordance with the requirements of law regarding the preparation of annual accounts.

(4^1) The company need not prepare a report on the commercial activities, if all shareholders agree thereto or if the company, in accordance with the provisions of the Financial Instrument Market Law has published an interim report for a time period of six months.

(5) Shareholders have the right to receive copies of or extracts from the documents referred to in Paragraph three of this Section free of charge.

(6) At the meeting of shareholders of a capital company, the board of directors of the company shall, pursuant to a request by the shareholders, submit explanations regarding the draft agreement and prospectus, regarding the legal and economic consequences of the reorganisation, as well as information regarding the other companies involved in the reorganisation process.

(7) The decision on reorganisation shall be compiled in the form of a separate document.

(8) On the basis of a decision on reorganisation the relevant company shall enter into an agreement.

(9) A list of those shareholders (with their signatures), who voted in the meeting of shareholders against the decision on reorganisation shall be appended to the decision on reorganisation.

[16 March 2006; 16 June 2011]

Section 343.^{1} Right of Participant to Electronic Access to Documents

(1) If the company ensures access to the documents specified in Section 343, Paragraph three of this Law on the Internet home page thereof, the company need not ensure the participants with a possibility of getting acquainted with

the relevant documents at the legal address of the company.

(2) In the case referred to in Paragraph one of this Section the company shall ensure continuous access to the documents on the Internet home page thereof free-of-charge for not less than a month until the day when a meeting of shareholders regarding approval of an agreement is planned, and not less than one year after the day when a decision was taken in the meeting of shareholders on approval of the reorganisation agreement.

(3) If due to technical or other reasons the company is not able to ensure continuous access to the documents on the Internet home page thereof during the specified period of time, a shareholder has the right to get acquainted with the relevant documents at the legal address of the company.

(4) The company shall not have an obligation to ensure the shareholders with a possibility of receiving the copies of the documents specified in Section 343, Paragraph three of this Law free of charge, if the relevant documents may be downloaded and printed out free-of-charge from the Internet home page of the company for not less than a month until the day when a meeting of shareholders regarding approval of an agreement is planned.

(5) The board of directors of the company shall be responsible for the conformity of the documents inserted on the Internet home page of the company with the originals of the documents specified in Section 343, Paragraph three of this Law.

[16 June 2011; 16 January 2014]

Section 344. Obligation to Inform

The board of directors of the acquired or dividing company has an obligation to inform the general meeting and the acquiring company regarding all substantial changes in the status of the property of the acquired or dividing company which have occurred up to the expiry of the powers of the board of directors or up to the time the reorganisation comes into effect.

Section 345. Protection of Creditors

(1) Within fifteen days from the day when a decision is taken regarding reorganisation, each of the companies involved in the reorganisation process shall inform in writing all of its known creditors which have had claim rights against the company up to the taking of the decision on reorganisation.

(2) Each of the companies involved in the reorganisation process has an obligation to publish in the official gazette *Latvijas Vēstnesis* a notice that a decision on reorganisation has been taken. The notice shall indicate:

1) the firm name, registration number and legal address of the company;

2) the firm names, registration numbers and legal addresses of the other companies involved in the reorganisation;

3) the type of reorganisation;

4) the fact that a decision on reorganisation has been taken;

5) the place and time period for creditors to submit their claims, which may not be less than one month from the day when the notice is published.

(3) The acquired or dividing company shall secure the claims of creditors if so requested and submitted by them within the time period in the notice referred to in Paragraph two of this Section.

(4) Creditors of the acquiring company may request to have their claims secured only if they can prove that the reorganisation threatens the satisfaction of their claims.

(5) Secured creditors may request security only for the amount of the unsecured part of a debt.

[14 February 2002; 29 November 2012]

Section 346. Disputing a Decision on Reorganisation

(1) On the basis of a request of a shareholder or a member of a board of directors or of a council of the company involved in a reorganisation, a court may declare the decision on reorganisation as void if it was taken in violation of law, the articles of association of a capital company or a partnership agreement, and it is not possible to rectify these violations or they are not rectified within the time period specified by the court.

(2) The time period for bringing an action in a court shall be three months from the day when the notice, referred to in Section 345, Paragraph two of this Law, is published.

(3) The company, the decision on reorganisation taken by a meeting of shareholders or board of directors of which has been recognised as void, has an obligation to publish a notice regarding this in the official gazette *Latvijas*

Vēstnesis within 15 days from the day when the court ruling has come into effect.

(4) The declaration of a decision on reorganisation as void shall not impact upon obligations which the company has assumed during the reorganisation process with respect to third parties.

(5) A decision on reorganisation shall not be applied void only because the capital share (stock) exchange coefficient or the amount of premium has been fixed too low.

(6) If the capital share (stock) exchange coefficient has been fixed too low, then a shareholder of the acquired, dividing or restructured company may request that the acquiring company pays a once only supplementary payment.

[16 June 2011; 29 November 2012]

Section 347. Application to the Commercial Register Office

(1) Each of the companies involved in the reorganisation process shall, not earlier than three months after the day when the notice is published, submit an application to the Commercial Register Office in order that the entering of the reorganisation is made in the Commercial Register. The following shall be attached to the application:

1) the agreement or its copy appropriately certified;

2) an extract of the minutes and the decision on reorganisation;

3) the list of the shareholders who voted against the reorganisation;

4) in cases specified by law - the reorganisation permit;

5) the prospectus (if the law requires the preparation of a prospectus);

6) the opinion of the auditor (if the law requires an auditor's examination);

7) the closing financial account of the acquired or by way of splitting up dividing company (if the application is being submitted by the acquired or the dividing company);

8) the articles of association of the acquiring capital company (if a new company is formed as a result of the reorganisation, or if the company is being restructured);

9) the list of the members of the board of directors of the acquiring capital company or the shareholders of a partnership who have the right to represent the company (if a new company is formed as a result of the reorganisation); and

10) the list of council members of the acquiring capital company (if a new company is formed as a result of the reorganisation and if the acquiring company is to have a council).

(2) In its application, the company shall certify that:

1) the claims of those creditors who have submitted their claims within the time period specified have been secured or satisfied;

2) the decision on reorganisation has not been disputed in court or that the relevant action has not been satisfied;

3) in the case referred to in Section 339, Paragraph three of this Law all shareholders have agreed that a prospectus on reorganisation will not be prepared;

4) in the case referred to in Section 340, Paragraph three of this Law all shareholders have agreed that the auditor will not examine the agreement on reorganisation;

5) in the case referred to in Section 343, Paragraph $4.^1$ of this Law all shareholders have agreed that a report on economic activities will not be prepared.

(3) In order to make an entry in the Commercial Register regarding reorganisation, in the application the company shall indicate the firm names and registration numbers of all companies involved in the reorganisation, and also the date when the notice regarding the reorganisation was published in the official gazette *Latvijas Vēstnesis*.

[14 February 2002; 16 March 2006; 15 April 2010; 16 June 2011; 15 June 2017]

Section 348. Firm Name of the Acquiring Company

(1) If there is only one acquiring company, it may after reorganisation use the firm name of the acquired company.

(2) The provisions for the continued use of the firm name of a dividing company shall be provided for in the agreement.

(3) The acquiring company may use the firm name of the restructured company, except for indications of the restructured company's type.

(4) If a natural person has been a shareholder of the acquired, dividing or restructured company and is not a shareholder of the acquiring company, the acquiring company may use the name of such person in the firm name only with the written consent of such person or his or her heirs.

[14 February 2002]

Section 349. Entering of the Reorganisation in the Commercial Register

(1) The entering of the acquired or dividing company in the Commercial Register shall be made only after entries have been made regarding all the acquiring companies.

(2) After making of the record regarding reorganisation in the Commercial Register, the acquired company shall be deleted from the Commercial Register.

(3) After entering of the reorganisation of a dividing company has been made, extracts from the file of the dividing company shall be attached to the files of the acquiring companies, and in cases when the division was by the way of splitting up, the dividing company shall be deleted from the Commercial Register.

(4) In the case of restructuring the entry of the acquiring company may be made in the Commercial Register after entering of the reorganisation of the restructured company has been made.

(5) Entries made in the Commercial Register regarding reorganisation shall be promulgated in accordance with the procedures specified in Section 11 of this Law.

[22 April 2004]

Section 350. Legal Meaning of the Commercial Register Entry of the Reorganisation

(1) Reorganisation shall be considered as being in effect from the time when entries have been made in the Commercial Register regarding all the companies involved in the reorganisation process including newly founded companies.

(2) From the time when a reorganisation comes into effect:

1) the property of the acquired company shall be considered to have been transferred to the ownership of the acquiring company;

2) the property of the dividing company shall be considered to have been transferred to the ownership of the acquiring companies according to the agreement.

(3) From the time when the company is deleted from the Commercial Register, such company shall be considered to be liquidated.

(4) From the time when a reorganisation has come into effect, the shareholders of the acquired, dividing or restructured company shall become shareholders of the acquiring company, and their capital shares (stocks) shall be exchanged for the capital shares (stocks) of the acquiring company in proportion to the capital shares (stocks) owned by them. This provision shall not be applied if the dividing company which is divided by divestiture becomes the sole shareholder of the acquiring company.

(5) The rights of third parties to the capital shares (stocks) of the acquired, dividing or restructured company shall be preserved in relation to the capital shares (stocks) of the acquiring company.

(6) The capital shares (stocks) of the acquired or dividing company, which were owned by the acquiring company or the acquired or dividing company itself, or by a person who acted in his or her own name but for the benefit of the relevant acquired, dividing or acquiring company, shall not be exchanged and shall be extinguished, except for cases when the dividing company as a result of apportionment becomes the sole shareholder of the acquiring company.

(7) A reorganisation after it has come into effect may not be disputed.

Section 351. Liability of Companies Involved in the Reorganisation Process

(1) The acquiring company shall be liable for all the obligations of the acquired or restructured company.

(2) All the companies involved in the division of the company shall be solidarily liable for obligations of the dividing company which have been incurred up to the reorganisation coming into effect. In the mutual relations between such solidarily liable debtors, only that person shall be deemed as the obligated subject whose obligations are provided for in the agreement.

(3) If the obligations of the company involved in a division are not specified in the agreement, it shall be solidarily liable, together with other companies involved in the reorganisation process, for those obligations of the dividing company which shall become due within five years from the time when the reorganisation comes into effect.

Section 352. Liability of Members of the Board of Directors and of the Council

(1) The members of the council and of the board of directors of companies and the shareholders of partnerships, who have representation rights involved in the reorganisation shall be solidarily liable for any losses caused to the company, its shareholders or creditors during the course of the reorganisation through their fault.

(2) The limitation period for any claims arising from Paragraph one shall be five years from the time when reorganisation comes into effect.

(3) If an acquiring company owns all shares (stocks) of the acquired company, the members of the board of directors and of the council of the acquired company shall not be responsible for loss caused during the reorganisation process for a shareholder of the acquired company.

[16 January 2014]

Section 353. Compensation

(1) Shareholders of the acquired, dividing or restructured company, who did not agree to the reorganisation, are entitled, within two months from the time when reorganisation comes into effect, to request the acquiring company to redeem their shares for money (compensation).

(2) Compensation may be requested also by shareholders of the company newly formed established as a result of division, who voted against the approval of the articles of association.

(3) The rights referred to in Paragraphs one and two of this Section shall not apply to those shareholders who are not entered in the list referred to in Section 343, Paragraph nine and in the minutes referred to in Section 355, Paragraph five of this Law.

(4) The amount of compensation shall be equal to the amount which the shareholder would have acquired by dividing the property of the acquired or restructured company in the case of liquidation if it took place at the time when the decision on reorganisation was taken.

(5) The restrictions specified by law regarding the procedures by which the company may acquire its own shares shall not apply with respect to the compensation.

(6) From the time when the reorganisation comes into effect, the acquiring company shall pay the interest set by law on any compensation not paid out in the amount provided for and within the time period.

(7) If shareholders of the acquired or dividing company, who do not agree with the reorganisation, do not request compensation, they may alienate their shares within two months, irrespective of any restrictions provided for in the decision, the articles of association or law.

Division XVII
Special Provisions for Particular Types of Reorganisation

Chapter 1
Special Provisions for Merging

Section 354. Founding of a New Company through Consolidation of Companies

(1) Companies which unify by way of consolidation, shall be considered to be acquired companies, and a newly founded company - as the acquiring company.

(2) In founding a new company, the provisions for the founding of the relevant type of company shall be applied, if in this Section it is not specified otherwise.

(3) In addition to the information referred to in Section 338, Paragraph two of this Law, the reorganisation agreement shall indicate the firm name and legal address of the acquiring company. To the agreement shall be appended the founding company's draft articles of association or, if the acquiring company is a partnership - the partnership agreement which shall be approved by a decision on reorganisation of a meeting of all the shareholders of the acquired company.

(4) The acquired companies shall submit to the Commercial Register Office a joint application regarding entering of the new company in the Commercial Register.

Chapter 1.[1]
Special Provisions for Acquisition, if the Acquiring Company Owns at Least 90 Per cent of the Shares (Stocks) of the Acquired Company

[16 June 2011]

Section 354.[1] Notification Regarding Reorganisation to the Shareholders of the Acquiring Company

(1) The board of directors of the acquiring company shall, within 15 days from the day when information regarding an agreement on reorganisation has been notified in accordance with Section 338, Paragraph five of this Law, shall send a notification to all shareholders regarding the intent of the board of directors to enter into an agreement on reorganisation and a draft decision of the board of directors on reorganisation.

(2) If the company owns the bearer stock, the notification addressed to the shareholders shall be published in the official gazette *Latvijas Vēstnesis* and at least one more newspaper.

(3) The following shall be indicated in a notification to participants:

1) the firm name, registration number and legal address of the company;

2) the firm names, registration numbers and legal addresses of the other companies involved in the reorganisation;

3) the type of reorganisation, indicating the acquiring company and the acquired company;

4) the place and time where and when the shareholders may become acquainted with a draft agreement on reorganisation and annual reports of all companies involved in reorganisation regarding the preceding three accounting years;

5) the time period, during which the shareholders of the acquiring company may request that a meeting of shareholders is convened in order to take a decision on reorganisation. Such time period shall be not less than a month from the day of sending the notification - or in case of the bearer stock - from the day of publishing the notification.

(4) If as a result of reorganisation the acquiring company must increase the equity capital thereof, a draft decision on amendments to the articles of association shall be appended to the notification to be sent to the shareholders, specifically indicating the provisions of the articles of association, which are intended to be amended.

[29 November 2012]

Section 354.[2] Right of the Shareholder of the Acquiring Company to Convene a Meeting of Shareholders

(1) The shareholders of the acquiring company who represent not less than one twentieth part from the equity capital of the company have the right, within the time period indicated in Section 354.[1], Paragraph three, Clause 5 of this Law, to request that a meeting of shareholders is convened in accordance with the provisions of Section 213 or 273 of this Law in order to examine the draft agreement on reorganisation and to take a decision on reorganisation.

(2) If the shareholders of the acquiring company who represent not less than one twentieth part from the equity capital of the company request that a meeting of shareholders is convened, the provisions of Section 354.[3] of this Law shall not be applied.

Section 354.[3] Decision of the Acquiring Company on Reorganisation

(1) A decision on reorganisation shall be taken by the board of directors of the acquiring company.

(2) The board of directors shall take a decision on reorganisation within a month after expiration of the time period indicated in Section 354.[1], Paragraph three, Clause 5 of this Law, if the shareholders of the acquiring company do not request convening of a meeting of shareholders for approval of an agreement on reorganisation.

(3) A decision on reorganisation may be taken prior to expiration of the time period indicated in Section 354.[1], Paragraph three, Clause 5 of this Law, if all shareholders of the acquiring company agree thereto.

(4) If as a result of reorganisation the acquiring company must increase the equity capital thereof in order to ensure the exchange coefficient of the capital shares (stocks) of the company and supplements (if any), the board of directors shall take a decision on amendments to the articles of association concurrently with a decision on reorganisation. If a joint stock company is involved in reorganisation, amendments to the articles of association thereof shall be made by the council.

(5) The board of directors of the acquiring company shall, within 15 days after taking of a decision on reorganisation, inform the shareholders of the company thereof.

Section 354.[4] Decision of the Acquired Company on Reorganisation

(1) A decision on reorganisation shall be taken by the board of directors of the acquired company.

(2) The board of directors shall take a decision on reorganisation not less than within a month after information regarding a draft agreement on reorganisation has been notified in accordance with Section 338, Paragraph five of this Law.

Section 354.[5] Right of the Shareholders of the Acquired Company to Remuneration

(1) If a shareholder of the acquired company owns not more than 10 per cent from the shares (stocks) of the acquired company, the shareholder of the acquired company is entitled, within two months from the time of entering into effect of reorganisation, to request that the acquiring company repurchases his or her shares (stocks).

(2) The amount of remuneration shall be equal to the amount, which the shareholder would obtain by dividing the property of the acquired company in case of liquidation that would take place at the time when a decision on reorganisation was taken.

Chapter 2
Special Provisions for Division

Section 355. Founding of a New Company through Division of the Company

(1) The newly founded company shall be considered to be the acquiring company.

(2) In the founding of the acquiring company, the provisions for the founding of the relevant type of company shall be observed, if in this Chapter it is not specified otherwise.

(3) If when the company is being divided, a new acquiring company is founded and no other existing company is involved in the reorganisation, the dividing company shall take a decision on division, which shall substitute for the agreement referred to in Section 338 of this Law. In addition to the information referred to in Section 338, Paragraph two of this Law, the decision on reorganisation shall indicate the firm name and legal address of the acquiring company and the dividing company's division of property between the acquiring companies. The division of property document may be appended to the decision in the form of a separate document.

(4) In the case of divestiture, as shareholders of the newly founded company may become only those shareholders of the dividing company which have voted for the decision on reorganisation, as well as those who, up to the taking of the decision have expressed their intent in writing to become shareholders of the newly founded company.

(5) The board of directors of the dividing company shall convene a meeting within the time period specified in the decision of the shareholders of the newly founded company, which shall approve the articles of association of the newly founded company, elect the administrative institutions and perform other activities which are necessary in founding the company. The articles of association of the newly founded company shall be approved by not less than three-quarters of the number of votes present and the provisions of this Law which regulate the relevant type of company meeting of shareholders shall be applicable to such a meeting. The minutes of the meeting of shareholders shall indicate those shareholders which voted against the approval of the articles of association.

(6) Together with the application for reorganisation, the dividing company shall submit to the Commercial Register Office also an application for the entering of the acquiring company in the Commercial Register.

(7) The division shall come into effect from the time when the acquiring company is entered in the Commercial Register and a record is made regarding the dividing company.

Section 356. Division of Property not Provided for in the Reorganisation Agreement

(1) In the case of splitting up, the property, the division of which is not specified in the reorganisation agreement, shall be divided between the acquiring companies in proportion to the share of the property which they have acquired from the dividing company in accordance with the reorganisation agreement.

(2) The acquiring companies shall be solidarily liable for commitments of the dividing company, the division of which is not specified in the reorganisation agreement.

[24 April 2008]

Section 356.[1] Decision of the Dividing Company on Reorganisation

If the acquiring company owns all shares (stocks) of the dividing company, a decision on reorganisation shall be taken by the board of directors of the dividing company.

[16 June 2011]

Chapter 3
Special Provisions for Restructuring

Section 357. Decision on Restructuring

(1) In the decision on reorganisation, the information referred to in Section 338, Paragraph two of this Law shall be indicated, and in addition the type of acquiring company shall be indicated.

(2) The draft articles of association or partnership agreement (if the acquiring company is a partnership) of the acquiring company shall be appended to the draft decision as an attachment.

(3) The decision shall substitute for the reorganisation agreement referred to in Section 338 of this Law, and the provisions of Sections 338 -343 of this Law shall apply to it.

(4) Concurrently with the decision on restructuring, the draft articles of association of the acquiring company or partnership agreement, if the acquiring company is a partnership, shall be approved.

(5) If the company is restructured as a limited liability company or a stock company, concurrently with the taking of the decision, the board of directors and the council of the acquiring company shall be elected if in accordance with the law or the articles of association this is necessary.

[24 April 2008]

Section 358. Procedures for the Application of the Founding Provisions

(1) In the process of restructuring, the provisions for the founding of the relevant type of company shall be applied if it is not specified otherwise this Chapter.

(2) Those shareholders of the restructured company shall be considered to be founders of the acquiring company who have voted for the restructuring of the company.

Section 359. Features of Protection of the Interests of Creditors

The provisions of Section 345, Paragraph three of this Law shall not be applicable if a capital company is restructured into a partnership.

Section 360. Valuation of Property

(1) If the company is being transformed into a limited liability company or a stock company, it is necessary to evaluate the property contributions, in order to determine whether the property of the company to be restructured is sufficient for the formation of the equity capital of the acquiring company.

(2) The valuation of the property shall be done according to the procedures in this Law, and the documents certifying the valuation shall be submitted to the Commercial Register Office together with the application for restructuring.

Division XVIII
Special Provisions for the Reorganisation of Particular Types of Companies

Chapter 1
Partnerships as Companies Involved in Reorganisation

Section 361. Contents of a Reorganisation Agreement

If the acquiring company is a partnership, in addition to the information referred to in Section 338, Paragraph two of this Law, the status of each shareholder of the acquired or dividing company (general partner or limited partner) in the acquiring company, as well as the amount of their shares shall be indicated in the reorganisation agreement.

[14 February 2002]

Section 362. Reorganisation Prospectus

[16 June 2011]

Section 363. Examination by an Auditor

[24 April 2008]

Section 364. Decision on Reorganisation and Application to the Commercial Register Office

(1) A decision on reorganisation shall be taken if all the members vote for it.

(2) It may be provided for in the partnership agreement that a decision on reorganisation shall be taken if not less than two thirds of the members vote for it.

(3) In the entering of newly founded acquiring partnerships in the Commercial Register the provisions of Section 78 of this Law shall be applicable.

Section 365. Protection for Minority Shareholders

(1) If the acquiring company is a partnership, a shareholder of the company involved in the reorganisation, which has voted against the reorganisation or did not take part in the voting shall become a limited partner of the acquiring company.

(2) If the acquiring company is a partnership, a member who withdraws from the partnership may request compensation.

[14 February 2002]

Section 366. Liability of Shareholders

(1) If the acquiring company is a limited partnership or a capital company, the general partner of an acquired or dividing company shall be liable for such obligations of the relevant acquired or dividing company as for which the time period for performance has come into effect or shall come into effect within five years from the time when the reorganisation comes into effect.

(2) If the general partner of an acquired or dividing company becomes a general partner of the acquiring company, the limitation period specified in Paragraph one shall not be applied.

[14 February 2002]

Chapter 2
Limited Liability Companies as Companies Involved in Reorganisation

Section 367. Reorganisation Prospectus

[16 June 2011]

Section 368. Examination by an Auditor

[24 April 2008]

Section 369. Decision on Reorganisation, if Limited Liability Company is Involved in Reorganisation

(1) A decision on reorganisation shall be taken if not less than two thirds of the votes represented at the meeting of shareholders vote for it (if the articles of association do not specify that a larger number of votes is necessary in order to take a decision on reorganisation).

(2) In determining a quorum, the shares that have been acquired by the company itself shall not be taken into account.

[16 March 2006; 24 April 2008]

Section 370. Increase of the Equity Capital of the Acquiring Company as a Result of Merging or Division

(1) If the equity capital of the acquiring company is being increased as a result of merging or division, its shareholders have no priority right to the new shares provided for exchange.

(2) In addition to documents specified in Section 202 of this Law, which are to be submitted to the Commercial Register Office in relation to an increase of the equity capital, the reorganisation agreement and extracts from the

minutes and the decisions on reorganisation taken by the meeting of shareholders of each of the companies involved in the reorganisation shall be appended to the application.

[14 February 2002]

Section 371. Transfer of Stock in the Case of Reorganisation

(1) The acquiring company shall transfer in exchange, to the shareholders of the acquired or dividing company, firstly, the shares owned by the company itself.

(2) The shares of the acquired or dividing company shall not be exchanged for the shares of the acquiring company if:

1) the shares of the acquired or dividing company are owned by the acquiring company or by a third party who acts in his or her own name but on behalf of the acquiring company;

2) the shares of the acquired or dividing company are held by the acquired or dividing company itself or by a third party who acts in his or her own name but on behalf of the acquired or dividing company.

Section 372. Valuation of Property Contributions, if Acquiring Company is a Limited Liability Company

(1) If the acquiring company is a limited liability company which as a result of a reorganisation must increase its equity capital or which is to be founded as a new company, a valuation shall be conducted of the property of each of the acquired companies or the relevant part of the dividing company, in order to determine whether the property is sufficient to increase the equity capital of the acquiring company or for its founding.

(2) The valuation shall be conducted and a written report compiled by the person who has examined the reorganisation agreement in the relevant company. In the case referred to in Section 340, Paragraph three of this Law the valuation shall be conducted and a written report shall be provided by a person who has been included in the list of valuators of property contributions.

(3) All the shareholders of the relevant company, as well as the shareholders of the acquiring company have the right to become acquainted with the report on the valuation of the property contribution in accordance with the procedures specified in Section 343, Paragraphs three and five of this Law.

(4) The report shall be appended to the application regarding reorganisation submitted to the Commercial Register Office.

[24 April 2008; 15 April 2010]

Section 372.[1] Restrictions on Reorganisation

(1) A limited liability company, which conforms to the signs referred to in Section 185.[1], Paragraph one of this Law, may not be reorganised.

(2) If the acquiring company is a limited liability company, the equity capital thereof may not be less than the equity capital specified in Section 185 of this Law.

[15 April 2010]

Chapter 3
Stock Companies as Companies Involved in Reorganisation

Section 373. Decision on Reorganisation, if a Stock Company is Involved in Reorganisation

(1) [18 December 2008]

(2) If the company has several categories of stock, the decision shall be taken according to the procedures specified in Section 284, Paragraph three of this Law.

(3) If the acquiring company is not a stock company, stockholders who own preference stock, and debenture holders who own convertible debentures shall take part in the specifying of the representation norms and shall vote with the same rights as the other stockholders. The provisions of this Law regarding the taking of decisions for the different categories of stock shall apply to them.

[24 April 2008; 18 December 2008]

Section 374. Increase of the Equity Capital of the Acquiring Company as a Result of Merging or Division

(1) If the equity capital of the acquiring company is being increased as a result of merging or division, its stockholders have no priority right to the stock issued for exchange.

(2) In addition to documents specified in Section 261 of this Law, which are to be submitted to the Commercial Register Office in relation to an increase of the equity capital, the reorganisation agreement and the decisions on reorganisation taken by the meeting of stockholders of each of the companies involved in the reorganisation shall be appended to the application.

[14 February 2002]

Section 375. Transfer of Stock in the Case of Reorganisation

The acquiring company shall transfer in exchange, to the stockholders of the acquired or dividing company, firstly, the stock belonging to the company itself.

[14 February 2002]

Section 376. Amount of Premium

(1) The premiums provided for in the agreement, which are to be paid by the acquiring stock company to the stockholders of the acquired, dividing or restructured company, may not exceed in total 10 per cent of the amount of the nominal value of stock offered for exchange.

(2) If the capital stocks exchange coefficient has been fixed too low, then a stockholder of the acquired, dividing or restructured company may request that the acquiring company pay a once only supplementary payment which may exceed the amount specified in Paragraph one of this Section.

Section 377. Valuation of Property Contributions, if Acquiring Company is a Stock Company

(1) If the acquiring company is a stock company which as a result of a reorganisation must increase its equity capital or which is to be founded as a new company, a valuation shall be conducted of the property of each of the acquired companies or the relevant part of the dividing company, in order to determine whether the property is sufficient to increase the equity capital of the acquiring company or for its founding.

(2) The valuation shall be conducted and a written report compiled by the person who has examined the reorganisation agreement in the relevant company. In the case referred to in Section 340, Paragraph three of this Law the valuation shall be conducted and a written report shall be provided by a person who has been included in the list of valuators of property contributions.

(3) All the shareholders of the relevant company, as well as the shareholders of the acquiring company have the right to become acquainted with the report on the valuation of the property contribution in accordance with the procedures specified in Section 343, Paragraphs three and five of this Law.

(4) The report shall be appended to the application regarding reorganisation submitted to the Commercial Register Office.

[24 April 2008; 15 April 2010]

Section 378. Anonymous Stockholders and Debenture Holders

(1) If the acquiring company is a limited liability company or a stock company which has only bearer stock and if there is no information regarding stockholders or debenture holders who own convertible debentures of the acquired, dividing or restructured company, the numbers and the nominal value of stock or debentures shall be indicated in the place of the names of the shareholders or stockholders in the register of shareholders of the acquiring company or register of stockholders.

(2) If the acquiring company is a partnership, and if there is no information regarding stockholders or debenture holders who own convertible debentures of the acquired, dividing or restructured company, the numbers and the nominal value of stock or debentures shall be indicated in the place of the names of the shareholders or stockholders in the reorganisation agreement and the application to the Commercial Register Office.

(3) If the names of these stockholders or debenture holders become known later, they shall be entered in the register of shareholders (stockholders) of the acquiring company, but if the acquiring company is a partnership - in the Commercial Register.

Section 379. Protection of Interests of Holders of Preference Stock and Debenture Holders

(1) The rights of the holders of preference stock and debenture holders of the acquired or dividing company shall be preserved in the acquiring stock company.

(1^1) The debenture holders may take a decision on amending the rights thereof, which are granted to them by the

acquiring company, until taking of the decision on reorganisation. The referred to decision shall be taken, if not less than three fourths of debenture holders of each category of debentures vote for it, if the articles of association do not specify a larger number of votes.

(2) If the acquiring company is not a stock company, the holders of preference stock and debenture holders of the acquired or dividing company shall acquire the shares of the acquiring company on the basis of the same provisions as other stockholders of the acquired or dividing company.

(3) The holders of preference stock and debenture holders, who disagree with the decision on reorganisation, may request compensation in accordance with the provisions of Section 353 of this Law.

[24 April 2008; 18 December 2008]

Division XIX
Special Provisions for Cross-border Merger

[24 April 2008]

Section 380. Reorganisation Agreement in Case of Cross-border Merger

The following information shall be indicated in the reorganisation agreement in addition to the information specified in Section 338, Paragraph two of this Law:

1) the types of capital companies involved in the cross-border merger and the type of the capital company to be newly founded;

2) the data regarding valuation of assets and obligations within the composition of the property to be transferred to the acquiring capital company; and

3) the report on commercial activities of the capital company, upon which the provisions for cross-border merger are based.

Section 381. Reorganisation prospectus in Case of Cross-border Merger

(1) In addition to the information referred to in Section 339, Paragraph one of this Law the information regarding how the cross-border merger affects the shareholders (stockholders) and creditors of a capital company involved in this merging shall be indicated in the reorganisation prospectus.

(2) Not less than one month before the day when the meeting of shareholders (stockholders) regarding approval of the agreement is intended, the employees of a capital company or representatives thereof have the right to get acquainted with the reorganisation prospectus.

Section 382. Decision on Reorganisation in Case of Cross-border Merger

(1) If the regulatory enactments regulating the activity of a capital company registered in another Member State and involved in a cross-border merger do not provide for a procedure for determination of a compensation for minority shareholders (stockholders), without preventing the registration of the cross-border merger, the acquired capital company registered in Latvia may apply such procedure, if the shareholders (stockholders) of a capital company registered in another Member State and involved in a cross-border merger decide to allow the application of the referred to procedure.

(2) If the regulatory enactments regulating the activity of the acquired capital company registered in another Member State do provide for a procedure for scrutinising and amending the ratio applicable to the exchange of securities or shares (stocks), without preventing the registration of the cross-border merger, the acquired capital company registered in Latvia may allow the application of such procedure, if the meeting of shareholders (stockholders), which approves the reorganisation agreement, takes a decision by unanimous vote. The decision taken in the referred to procedure shall be binding to the acquired capital company registered in Latvia and the shareholders (stockholders) thereof.

Section 383. Pre-merger Certificate

(1) If it is intended to register the acquiring capital company in another Member State, the acquired capital company registered in Latvia shall submit an application to the Commercial Register Office for the receipt of an attestation that the acquired capital company has performed all the necessary activities for the completion of cross-border merger.

(2) The documents referred to in Section 347, Paragraph one, Clauses 1, 2, 3, 4, 5, 6, 7 and 8 of this Law shall be attached to the application. The capital company shall attest in the application that all claims of those creditors, who have applied their claims within the specified time period, have been provided or satisfied and that a decision on

reorganisation has not been appealed to the court or that the relevant claim has not been satisfied.

Section 384. Submission of Application and Documents to be Attached Thereto to the Commercial Register Office

If the acquiring capital company is registered in Latvia, a document issued by the Commercial Register Office of another Member State not later than six months before, which attests that the acquired capital company has performed all the necessary actions for the completion of the cross-border merger, shall be submitted to the Commercial Register Office in addition to the documents referred to in Section 347 of this Law.

Section 385. Special Provisions of Acquisition

If the cross-border merger is carried out within the framework of acquisition process and this merger is carried out by a capital company, which owns all capital shares (stocks) of the acquired capital company, the provisions of Section 343, Paragraph one of this Law shall not be applied to the acquired company registered in Latvia.

Section 386. Record in the Commercial Register Regarding Cross-border Merger

If a record regarding the acquiring capital company is made in the Commercial Register of another Member State, the record in the Commercial Register regarding the acquired capital company shall be made, when the Commercial Register Office has received the information from the Commercial Register Office of another Member State regarding the making of the relevant record.

Section 387. Entry into Effect of the Cross-border Merger

If the acquiring company is registered or is being registered in Latvia, the cross-border merger shall be considered as effective when a record regarding the acquiring company has been made in the Commercial Register.

Part D
Commercial Transactions

[18 December 2008 / Part shall come into force on 1 January 2010. See Transitional Provisions]

Division XX
General Provisions for Commercial Transactions

Section 388. Concept of Commercial Transactions

Commercial transactions shall be lawful transactions of a merchant, which are connected with commercial activities.

Section 389. Commercial Transaction in which One Party is Merchant

If a transaction is a commercial transaction only for one of the parties to the transaction, the provisions of this Law regarding commercial transactions shall be equally applicable also to other parties to the transaction, insofar as it is not otherwise provided for in regulatory enactments in the field of protection of consumer rights or in other laws.

Section 390. Presumption of Commercial Transaction

(1) In case of any doubts a transaction of an individual merchant shall be deemed a commercial transaction. Within the meaning of this Section, making of the record in accounting, input tax deduction, use of benefits obtained as a result of the transaction in commercial activities, etc. shall be deemed application of the transaction to commercial activities.

(2) A debt document signed by an individual merchant shall be deemed signed in relation to his or her commercial activities performed, insofar as the contrary does not arise from this document.

Section 391. Commercial Practices

In interpreting the intent expressed by a merchant, as well as the meaning and consequences of an action, the practices existing in the scope of commercial rights in the relevant sector shall be taken into account in the mutual legal relations of merchants.

Section 392. Merchant's Silence

(1) If a merchant (commercial agent, broker, commission agent, forwarder, etc.), who enters into transactions in favour of other persons or prepares entering therein, is conveyed a proposal for entering into such transaction or

preparation of such entering by a person with whom he or she has relations of commercial transactions; the merchant has an obligation to reply to this proposal as soon as possible.

(2) Also if the merchant refuses the proposal regarding entering into a transaction or preparation of entering therein, he or she has an obligation to ensure temporary storage of such movable property, which was sent together with the proposal, at expense of the person who expressed the proposal, insofar as it is not connected with incommensurate expenses and insofar as the covering of storage expenses of the movable property is ensured for a merchant.

Section 393. Obligation of Diligence of the Merchant

(1) In relations of commercial transactions a merchant has an obligation to act with the diligence of a respectable and accurate merchant.

(2) The condition of Paragraph one of this Section shall not limit the application of such provisions of the Law where the liability of a debtor for evil intent, gross negligence or lack of such diligence, which he or she is used to observe in his or her own dealings, is regulated.

Section 394. Joint Liability

If several merchants jointly undertake to fulfil a divisible obligation, they shall be solidarily liable for this obligation in case of doubts.

Section 395. Remuneration and Calculation of Interest

(1) A merchant who enters into transactions in favour of another person or prepares the entering into them, or provides services, is entitled to request remuneration even if it has not been agreed upon. The amount of the remuneration shall be determined pursuant to the amount of remuneration usually paid in the relevant geographical territory.

(2) The merchant referred to in Paragraph one of this Section is entitled to calculate lawful interest for loans, pre-payments, expenditures and other payments, counting from the day of making the relevant payment.

Section 396. Time Period for Fulfilment

Fulfilment of obligations in commercial transactions may be requested and obligations may be fulfilled only during the usual working hours of a merchant, unless it arises otherwise from the conditions of the matter.

Section 397. Medium Benefit Property

If the subject-matter of an obligation of a merchant is such movable property, which is characterised by grade and amount, medium benefit properties shall be given for the fulfilment of the obligation, unless the parties to the transaction have not agreed otherwise. A medium benefit property shall mean a property, which has been recognised as such within the scope of commercial rights at the place of fulfilment of the obligation.

Section 398. Units of Measurement and Currency

In case of any doubts it shall be considered that the parties to a commercial transaction have agreed on such units of measurement of length, area, volume, mass and other units of measurement, as well as on currency, which exists at the place of fulfilment of the relevant obligation.

Section 399. Right to Retainer

(1) A merchant is entitled to retain movable property and securities owned by another merchant and possessed by him or her, which pursuant to the will of the other merchant have come in the possession of the retainer on the basis of a commercial transaction, and not to release this property and securities as long as the money claim of the retainer arising from the commercial transaction entered into between them against another merchant is not satisfied. In order to achieve the satisfaction of such claim, the merchant may retain also such objects which he or she has obtained in the ownership from another merchant or a third party, however, in favour of the other merchant, and which the retainer has an obligation to hand over in the ownership of the other merchant.

(2) The right to retainer may only be used if the obligation of the other merchant is already fulfilled and is not limited either by conditions or time period.

(3) The right to retainer is not effective against the third party who has obtained the right of commercial pledge for the retained object. In such case the provisions of Section 40 of the Commercial Pledge Law shall be applicable accordingly. Also the right to retainer shall not be effective against the third party who has lawfully obtained some other property right to the retained object prior to the use of the right of retainer.

(4) A merchant is not entitled to retain objects with which he or she has an obligation to act in a specific way on the basis of an obligation which the merchant has undertaken in relation to another merchant.

(5) The other merchant may prevent the use of the right to retainer by providing suitable collateral. The collateral may not be the guarantee of a third party, except the case when the retainer agrees to receive such collateral. The retainer shall obtain the pledge rights to properties received as collateral in accordance with the provisions of the law regarding establishment of the pledge rights.

Section 400. Right of Retainer to Satisfy the Claim

(1) A retainer is entitled to satisfy his or her claim against another merchant by selling the retained objects in an auction with the intermediation of the court, if they have not definitely agreed that the retainer has the right to sell the retained objects for a free price. The provisions of The Civil Law regarding the right of possessory pledge shall be applicable accordingly for satisfaction of the retainer's claim.

(2) The retainer has the benefit of a right to satisfy his or her claim against other persons that are not referred to in Section 399, Paragraph three of this Law and in favour of whom the retained objects have been pledged after the use of the right to retainer by selling the retained objects.

Section 401. Obtaining of Movable Property into Ownership in Good Faith

(1) Even if a merchant alienates a property in favour of another person on the basis of a commercial transaction, the acquirer obtains the property rights with respect to this property, except the case when he or she was not acting in good faith at the time of transfer. The acquirer is not acting in good faith if he or she knows that the property is not owned by the alienor or the alienor is not entitled to handle this property, or the acquirer is not aware thereof due to gross negligence.

(2) If the alienated property is burdened by rights of a third party, these rights shall expire with the transfer of the property rights to the acquirer of good faith, except the case when he or she did not know regarding the referred to rights at the time of transfer or was not aware thereof due to gross negligence.

(3) The provisions of this Section shall not be applied to a property obtained in illegal way, lost property or such property, the possession of which has been terminated against the will of the owner, except money, securities of bearer, as well as properties which have been sold in an auction with intermediation of the court.

Section 402. Legal Rights of Possessory Pledge

(1) The provisions of the Civil Law regarding the rights of possessory pledge shall be applied accordingly to legal rights of possessory pledge of a merchant, insofar as it is not otherwise specified in this Section.

(2) A pledgee whose claim has not been satisfied by the debtor within the specified time is entitled to sell the lawful subject-matter of the rights of possessory pledge at the expense of the debtor , informing the debtor thereof in advance and taking into account the provisions of the Civil Law regarding the sale at an auction. The relevant provisions of the Civil Procedure Law shall be applied for notification of an auction and for the procedures of auction.

(3) The lawful subject-matter of the rights of possessory pledge shall be sold for the highest price which is possible during the sale and the sale shall not be deferred.

(4) A pledgee shall be liable to the debtor as an authorised representative for the sale of the subject-matter of the right of possessory pledge and his or her obligation shall be to reimburse all losses of the debtor, which the pledgee could have prevented by observing diligence of a respectable and accurate merchant.

Section 403. Bill of Lading, Consignment Note and Warehouse Receipt as Instruments to Order

(1) Bill of lading, consignment note and warehouse receipt may be transferred further with an endorsement, if it is directly indicated in the relevant document (hereinafter within the framework of this Division - the instrument to order).

(2) Endorsement shall transfer all the rights arising from the endorsed instrument to order to endorsee.

(3) A debtor may raise only such objections against the legitimised holder of the instrument to order, which refer to the validity of the expression of will of the debtor included in the instrument to order and arise from the content of the instrument to order, or also objections, which the debtor has against the legitimised holder of the instrument to order himself or herself.

(4) A debtor shall be obliged to fulfil his or her obligation only upon receiving the instrument to order with a receipt regarding fulfilment issued by the legitimised holder of the instrument to order. If the obligation is fulfilled partly, a relevant note shall be made on the instrument to order and a receipt regarding partly fulfilment shall be issued to the debtor.

Section 404. Endorsement Form and Blank Endorsement

(1) Endorsement shall be written on the instrument to order or a sheet attached thereto. Endorsement shall be signed by the endorser.

(2) The endorsee need not be indicated in the endorsement and the endorsement may be expressed only in the signature of the endorser (blank endorsement). In the latter case endorsement shall be written on the other side of the instrument to order or a sheet attached thereto in order for it to be valid.

(3) If a blank endorsement is made, the holder of the instrument to order may:

1) fill in the endorsement on his or her own or other person's name;

2) endorse the instrument to order further with a blank endorsement or on the name of another person; or

3) transfer the instrument to order further without filling in a blank endorsement and making a new endorsement.

Section 405. Legitimation of the Holder of the Instrument to Order

(1) The person whose hands the instrument to order has reached shall be recognised as the legitimized holder thereof insofar as he or she proves his or her rights with a continued row of endorsements, also if the last endorsement is a blank endorsement. In this respect the deleted endorsements shall be considered as not entered. If any other endorsement follows a blank endorsement, it shall be assumed that the signatory of this last endorsement has obtained the instrument to order on the basis of the blank endorsement.

(2) If the instrument to order is lost by the former holder thereof, the new holder who proves his or her rights in accordance with the provisions of Paragraph one of this Section has an obligation to return the instrument to order only if he or she has obtained it in bad faith or by admitting gross negligence.

(3) A debtor has an obligation to check whether the row of endorsements entered in the instrument to order is continuous, however, he or she is not obliged to ascertain the genuineness of endorsement signatures.

Section 406. Limitation Period

Claims arising from a commercial transaction are subjected to a limitation period of three years, unless other limitation period is specified by the law.

Division XXI
Special Provisions for Certain Commercial Transactions

Chapter 1
Commercial Purchase Agreement

Section 407. Concept of Commercial Purchase Agreement

(1) Commercial purchase agreement (hereinafter within the framework of this Chapter - the purchase agreement) shall be such agreement, by which the seller undertakes to sell and the buyer undertakes to buy goods and pay the agreed purchase price and in which at least one of the contracting parties is a merchant. Goods within the meaning of this Chapter shall be movable property intended for sale which has not been withdrawn from the circulation in the private sector.

(2) The provisions of this Chapter shall be applicable also to the purchase of securities.

[15 April 2010]

Section 408. Delay of Purchaser

(1) If a purchaser, by admitting a delay, fails to accept the goods, a seller is entitled, notifying the purchaser thereof in advance:

1) to transfer the goods for storage in a warehouse or in another safe place for reasonable remuneration at the purchaser's expense and risk;

2) to sell the goods for a free price, which is not less than the purchase price agreed;

3) to sell the goods at the purchaser's expense in a voluntary public auction with intermediation of a sworn bailiff, taking into account the provisions of the Civil Law regarding the sale at an auction and notification of an auction, as well as applying the relevant provisions of the Civil Procedure Law regarding an auction of movable property to the procedures of the auction.

(2) The seller is entitled to sell perishable goods or goods, which are subjected to other risk, for a free price without an auction and without notifying the purchaser thereof in advance.

(3) If the goods referred to in Paragraph one, Clause three or Paragraph two of this Section are sold for a price lower than has been agreed in the purchase agreement, the purchaser has an obligation to pay the difference between the agreed price and the sales price of the goods.

(4) If the goods are sold in a voluntary public auction with intermediation of a sworn bailiff, a seller has an obligation to notify a purchaser regarding the time and place of the auction within reasonable time period before the auction, moreover, the purchaser is entitled to participate in bidding. The seller has an obligation to notify the purchaser regarding the sale immediately. If the seller fails to fulfil the referred to obligation, he or she shall be liable for the losses caused to the purchaser.

(5) The provisions of this Section shall not limit the rights of a seller which he or she may use in accordance with the Civil Law, if a purchaser admits a delay.

[15 April 2010]

Section 409. Purchase with Specification

(1) If pursuant to a purchase agreement a purchaser is entitled to specify more detailed form, size, quality, sort of goods or other features of goods, the purchaser has an obligation to specify them within the agreed period of time or as soon as possible after receipt of the request from the seller.

(2) If a purchaser admits delay in relation to specification of features of goods, the seller is entitled to specify the referred to features instead of the purchaser or to unilaterally withdraw from the agreement or request a compensation for losses which have been caused to him or her due to the delay of the purchaser.

(3) If a seller himself or herself specifies the features of goods instead of the purchaser, he or she has an obligation to notify the purchaser regarding this specification and determine a reasonable period of time during which the purchaser may specify other specification. If the purchaser fails to provide other specification to the seller within the referred to period of time, the specification specified by the seller shall be binding to the purchaser.

Section 410. Term Purchase

(1) Term purchase is such purchase agreement by which at least one of the contracting parties has undertaken to fulfil his or her obligation precisely on a certain day or within a certain period of time and pursuant to decisively expressed will of the contracting parties the agreed time of performance is a substantial part of such agreement.

(2) If the contracting party referred to in Paragraph one of this Section fails to fulfil his or her obligation on the agreed day or within the agreed period of time, the other contracting party is entitled to unilaterally withdraw from the agreement, as well as request a compensation for losses caused to the other contracting party due to the delay of the debtor in relation to the non-fulfilment of the agreement. The other contracting party may request that the debtor fulfils the obligation only if he or she immediately after expiration of the time period notifies the debtor regarding his or her wish that the obligation be fulfilled.

(3) [15 April 2010]

[15 April 2010]

Section 411. Obligation of Purchaser to Check the Goods and Notify Regarding Deficiencies

(1) A purchaser has an obligation to check the goods as soon as possible after receipt thereof. In determining deficiencies of the goods, the purchaser has an obligation to notify the seller regarding them without delay, indicating their type and scale.

(2) If the purchaser fails to notify the seller regarding the deficiencies of the received goods pursuant to the provisions of Paragraph one of this Section, it shall be considered that the purchaser has accepted the goods and he or she loses the right provided for in Section 1620, Paragraph two of the Civil Law to request the cancellation of the purchase agreement or reduction of the price for goods, except the case when the goods have hidden deficiencies which were impossible to determine during checking of goods.

(3) If the hidden deficiencies of goods are determined later, the purchaser has an obligation to notify the seller immediately after determination thereof. If the purchaser fails to notify the seller regarding the deficiencies of the received goods, it shall be considered that the purchaser has accepted the goods with these hidden deficiencies.

(4) The provisions of this Section shall not be applicable if the seller has concealed or hidden the deficiencies of the goods in bad faith or convincingly asserted that the goods have certain properties.

(5) The provisions of this Section shall be applicable if the purchaser and seller are merchants.

Section 412. Temporary Storage of Goods

(1) If a purchaser has notified a seller regarding deficiencies of such goods, which have been delivered to the

purchaser from another place, the purchaser has an obligation to ensure temporary storage of such goods.

(2) Perishable goods or goods, which are subjected to other risk or storage of which is related to incommensurate costs, the purchaser is entitled to sell, taking into account the provisions of Section 408, Paragraphs two and three of this Law.

(3) The provisions of this Section shall be applicable if the purchaser and seller are merchants.

Section 413. Mass of the Packaging of Goods

(1) If the purchase price is determined pursuant to the mass of goods, the mass of the packaging of goods shall not be taken into account if it does not arise otherwise from the agreement or the commercial usage of the place where a seller is bound to fulfil his or her obligation.

(2) Within the meaning of this Law, the concept "packaging" shall also mean a container used for inland, water and air transport.

Section 414. Application of Provisions of the Purchase Agreement to Barter, Supply and Work-performance Contract

(1) The provisions of this Chapter shall also be applicable to such barter and supply contract accordingly (Sections 2092 and 2109 of the Civil Law), the subject-matter of which is the goods.

(2) The provisions of this Chapter shall be applicable to work-performance contract regarding production of movable property from the material provided by the entrepreneur (Section 2214, Paragraph one of the Civil Law).

Chapter 2
Commercial Commission Contract

Section 415. Concept of the Commercial Commission Contract and Commission Agent

(1) Commercial commission contract is such contract, by which a merchant (commission agent) undertakes in his or her name, however, at another person's (committent) expense to purchase or sell goods or securities or enter into other types of transactions with third parties, but the committent undertakes to pay the agreed commission.

(2) Commission agent is such agent who has undertaken in his or her name, however, at the committent's expense to enter into transactions with other persons independently. The provisions of Sections 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60 and 61 of this Law shall be applicable to mutual relations of the commission agent and the committent.

Section 416. Obligations of Commission Agent

(1) A commission agent has an obligation to fulfil the commission with the diligence of a respectable and accurate merchant. The commission agent, in particular, has an obligation to observe the interests of the committent and his or her instructions.

(2) The commission agent shall transfer all the necessary information and documents to the committent. The commission agent, in particular, has an obligation to notify the committent regarding the fulfilment of the commission without delay.

(3) The commission agent has an obligation to provide the committent with a settlement of accounts regarding each transaction entered into, as well to transfer to the committent what the commission agent has acquired in fulfilling his or her obligations.

(4) The commission agent shall be liable for the fulfilment of a transaction in relation to the committent if he or she, concurrently with a notification regarding the fulfilment of the commission, has not indicated to the committent the third party with whom this transaction has been entered into.

Section 417. Instructions of the Committent

(1) If a commission agent fails to act pursuant to the instructions of a committent, he or she shall be liable for the losses caused to the committent, moreover, the committent has no obligation to recognise the transaction as entered into at his or her expense.

(2) The commission agent is entitled to derogate from instructions of the committent only if he or she has a reason to consider that in the particular case, knowing the circumstances of the matter, the committent himself or herself would have acted the same. In such case the commission agent shall notify the committent regarding his or her derogation from instructions without delay and wait for the decision of the committent, unless there is a risk of delay.

Section 418. Price Limits

(1) If a commission agent, upon entering into a transaction with a third party, violates the price limits specified by the committent and the committent does not want to acknowledge that the relevant transaction has been entered into at his or her expense, the committent has an obligation, as soon as a notification regarding the fulfilment of the commission is received, to notify the commission agent thereof without delay. Otherwise it shall be considered that the committent has agreed to the deviation from the price limit allowed by the commission agent.

(2) If the commission agent, concurrently with the notification regarding the fulfilment of the commission, offers to cover the difference between the price specified by the committent and the price agreed with the third party, the committent is not entitled to refuse to admit that the transaction has been entered into at his or her expense.

Section 419. More Advantageous Provisions

(1) If a commission agent enters into a transaction under more advantageous provisions than the ones specified by a committent, the benefit acquired from entering into such transaction shall be due to the committent.

(2) Particularly, the sales price exceeding the lowest price limit specified by the committent, as well as the purchase price, which does not reach the highest price limit specified by the committent, shall be considered as a more advantageous provision.

Section 420. Goods with Deficiencies or Damaged Goods

(1) If the goods supplied by a commission agent and the goods to be sent further have external deficiencies or damages, the commission agent has an obligation to use his or her rights against the carrier, forwarder, keeper or seller (in case of a purchase commission), to provide evidence attesting to the state of goods, as well as to notify the committent thereof without delay. If the commission agent fails to fulfil the referred to obligations, he or she shall be liable for the losses caused to the committent.

(2) If the goods perish or changes have occurred or may occur later therein, which could cause decrease in the value of the goods, and there is no time to receive instructions of the committent regarding further action or the committent hesitates to provide instructions, the commission agent is entitled to sell the goods at expense of the committent, taking into account the provisions of Section 408, Paragraphs two and three of this Law.

Section 421. Transfer of Goods for Storage or Sale of Goods

If a committent fails to act with the purchased goods or the goods to be sold, which are placed in storage of the commission agent, although in accordance with the circumstances of the matter it is the obligation of the committent to do so, the commission agent pursuant to the provisions of Section 408 of this Law is entitled to hand over the goods for storage to another person or to sell them.

Section 422. Liability of the Commission Agent for the Goods

(1) A commission agent shall be liable for the damages, perishing or destruction of the goods stored by him or her, which he or she could have prevented by observing the diligence of a respectable and accurate merchant.

(2) The commission agent shall be liable for the fact that the goods are not insured only if the committent had instructed the commission agent to insure the goods.

Section 423. Obligation to Check the Goods and Temporary Storage of Goods

(1) If an obligation to perform a purchase commission has been entrusted to a commission agent and if the commission agent and the committent are merchants, the provisions of Sections 411 and 412 of this Law shall be applicable to the obligation of the committent to check the goods and to notify the commission agent regarding the determined deficiencies of the goods, as well as to the obligation to store the goods and to the right to sell them.

(2) Also if the committent has not notified the commission agent in due time regarding the deficiencies of the goods, the committent is entitled to request that the commission agent cedes his or her claims against the third party from whom he or she has bought the goods at the committent's expense.

Section 424. Claims Arising from Commission Transaction

(1) A committent is entitled to bring claims arising from a transaction, which a commission agent has entered into at the committent's expense (including claims regarding cancellation of a purchase agreement or reduction of the price for goods), against a debtor only after the commission agent has ceded these claims to a committent.

(2) In relations between the committent and the commission agent or his or her creditors the claims referred to in Paragraph one of this Section shall be considered as the claims of the committent even if they have not been ceded to the committent yet.

Section 425. Pre-payment and Post-payment

(1) If a commission agent makes a pre-payment in favour of a third party without the consent of the committent or agrees regarding a post-payment, the commission agent shall be liable for the risk related to such action.

(2) If the commission agent sells goods or securities to the third party with post-payment without the consent of the committent, the commission agent has an obligation to immediately pay the full purchase price to the committent instead of the third party.

Section 426. Right of the Commission Agent to Commission and Reimbursement of Expenses

(1) A commission agent has the right to the agreed commission as soon as and insofar as the third party has fulfilled the transaction entered into with the commission agent. The commission agent has the right to a commission even if the transaction has not been fulfilled because of the committent.

(2) The obligation of the committent is to reimburse the expenses of the commission agent, which were necessary for the fulfilment of the commission pursuant to the circumstances. These expenses shall also include reimbursement for the use of warehouse premises of the commission agent or another place suitable for storage and for the use of vehicles for the fulfilment of the commission.

Section 427. Rights of the Commission Agent to *Del Credere*

(1) A commission agent who guarantees the fulfilment of the obligation of a third party has the right to a special compensation (*del credere*).

(2) Upon setting in of the term for the fulfilment of the obligation or the condition of the third party, the commission agent who has guaranteed the fulfilment of the obligation of the third party shall be directly liable for the fulfilment of the relevant obligation, and the commission agent is not entitled to request that the committent brings his or her claim to the third party at first.

Section 428. Lawful Rights of Possessory Pledge of the Commission Agent

A commission agent has the lawful rights of possessory pledge to the commission goods in the possession of the commission agent, which ensure the claims of the commission agent against the committent regarding payment of the commission and *del credere*, as well as regarding reimbursement of expenses necessary for the fulfilment of the commission.

Section 429. Right of the Commission Agent to Get Satisfaction from Claims

A commission agent has the priority right in comparison with the committent and his or her creditors to satisfy the claims referred to in Section 424 of this Law for which the term or the condition for fulfilment of the claim arising from the commission transaction has set in. In this respect, the commission agent is entitled to refuse to cede the claims arising from the commission transaction in favour of the committent, to receive and keep the fulfilment provided on the basis of this claim, to suggest those claims for set-off, as well as to cede them to another person.

Chapter 3
Forwarding Agreement

Section 430. Concept of Forwarding Agreement

Forwarding agreement shall be such agreement, by which a merchant who provides freight forwarding services (forwarder) undertakes to organise delivery of freight to its consignee at consignor's expense, using transport services of the carrier and the consignor undertakes to pay the agreed remuneration.

Section 431. Rights and Obligations of Forwarder

(1) In providing freight forwarding services, a forwarder is entitled if the parties have not agreed otherwise:

1) to specify the type of transport and the route of freight conveyance;

2) to choose persons who deliver the freight to the consignee, to enter into the transport, storage and forwarding agreement necessary for delivery of the freight, to provide information and instructions to the referred to persons and to perform the relevant payments.

(2) If the parties have not agreed regarding the time of freight delivery, the forwarder has an obligation to ensure the delivery of the freight to its consignee within a reasonable period of time.

(3) In providing the freight forwarding services, the forwarder has an obligation to request statements if violations have been determined during the carriage of freight, to participate in drawing up of a statement upon the request of the consignor or consignee, as well as, in ensuring the rights of the consignor, to submit objections and claims in his or

her behalf in a timely manner.

(4) The forwarder shall also perform other agreed obligations, which are related to organisation of freight delivery, including insurance, packing, labelling and performance of customs clearance of the freight. The forwarder has an obligation to enter into the necessary agreements with third parties for the performance of the abovementioned obligation only when such obligation arises from the forwarding agreement.

(5) The forwarder shall enter into agreements necessary for organisation of freight delivery in his or her name or in the name of the consignor, if the forwarder has been authorised for that.

(6) If the forwarder acts as the representative of the consignor, the forwarder is not entitled to calculate for the consignor a larger fee for the carriage of freight than he or she has agreed with the carrier.

Section 432. Packaging, Labelling of Freight, Accompanying Documents and Obligation to Provide Information Regarding Freight

(1) A consignor has an obligation, insofar as it is necessary, to pack and label the freight to be transferred for forwarding, to submit accompanying documents to the freight forwarder, as well as to provide him or her with all the information necessary to the forwarder in order to fulfil his or her obligation, also information regarding freight to be carried and stored in accordance with special provisions and for which special equipment or servicing is necessary. If dangerous goods are consigned for forwarding, which during carriage or storage may cause explosion, fire or other damage, endanger human life, health, personal property or the environment due to their properties, the consignor has an obligation to inform the forwarder in writing regarding the type of dangerousness of the freight and the necessary safety measures.

(2) An order for delivery of dangerous goods or excisable goods shall be submitted to the forwarder in writing.

(3) Even if the consignor is not to be blamed, he or she shall be responsible for losses and expenses in relation to the forwarder, which have arisen because of the following reasons:

1) the freight has not been adequately packed or labelled;

2) the forwarder has not been informed regarding the dangerousness of the freight; or

3) the consignor has not submitted all accompanying documents referred to in Paragraph one of this Section or has not provided the necessary information, or the information is incomplete, incorrect or false.

(4) If the losses or expenses referred to in Paragraph three of this Section have arisen also due to the action of the forwarder, the consignor shall be bound to reimburse the losses or expenses. The amount of reimbursement to be paid shall depend on the extent of the losses or expenses being caused by the action of the consignor or forwarder.

(5) If the consignor is a consumer, he or she shall, in accordance with the provisions of Paragraphs three and four of this Section, be liable in relation to the forwarder for losses and expenses, insofar they have arisen due to the fault of the consignor.

Section 433. Loading and Unloading of Freight

A consignor shall be liable for loading of freight at the starting point and a consignee - for unloading at the endpoint if it is not otherwise specified in the forwarding agreement. [18 December 2008]

Section 434. Freight with Deficiencies or Damaged Freight

(1) If a freight, which a forwarder has received from a third party and which is to be delivered to a consignee, has external deficiencies or damages, the forwarder has an obligation, upon ensuring the rights of the consignor, to notify the third party regarding these deficiencies or damages without delay, to take care of the evidence attesting to the state of the freight, as well as to notify the consignor thereof without delay. If the forwarder fails to fulfil the referred to obligations, he or she shall be liable for the losses caused to the consignor.

(2) If the freight perishes or changes occur or are likely to occur later, which would cause decrease of the value of the freight, and there is no time to receive instructions from the consignor for further action involving freight or the consignor hesitates to give instructions, the forwarder is entitled to sell the freight at the consignor's expense, taking into account the provisions of Section 408, Paragraphs two and three of this Law.

Section 435. Payment of Reimbursement

(1) A consignor has an obligation to pay the agreed reimbursement to the forwarder as soon as the forwarder has fulfilled the freight forwarding service, if it is not otherwise specified in the agreement.

(2) If in accordance with the agreement by and between the consignor and the forwarder the reimbursement for the provision of forwarding services is to be collected from the consignee or another person, however, this person does not make the referred to payment, the consignor shall be liable for payment of the reimbursement.

Section 436. Claims of the Consignor

(1) A consignor is entitled to bring forward claims arising from the agreement, which has been entered into by the forwarder in his or her name at consignor's expense, against a debtor only when the forwarder has ceded these claims to the consignor.

(2) In relations between the consignor and the forwarder or his or her creditors the claims referred to in Paragraph one of this Section shall be considered as the claims of the consignor also if they have not been ceded to the consignor.

Section 437. Liability of the Forwarder

(1) A forwarder shall be liable for non-fulfilment of the obligations of the third parties involved in implementation of the forwarding agreement if he or she is acting in his or her name or if one of the following conditions exists:

1) the forwarder has directly of indirectly undertaken the liability of the carrier;

2) the forwarder has specified the fee for carriage;

3) the forwarder issues a transport document in his or her name; or

4) the forwarder organises carriage, using road transport.

(2) The forwarder shall not be liable for non-fulfilment of the obligations of the third parties involved in implementation of the forwarding agreement if he or she acts on behalf of the consignor and proves that he or she has chosen these persons duly and carefully.

Section 438. Freight Insurance

A forwarder has an obligation to insure the freight transferred for forwarding at consignor's expense if it is requested by the consignor or they have agreed about it in the forwarding agreement.

Section 439. Obligation of the Consignor to Reimburse the Forwarder's Expenses

A consignor has an obligation to compensate the forwarder's expenses, which according to the circumstances, have been necessary for the fulfilment of the forwarder's obligations, also such expenses, which are related to:

1) the increase of customs and other payments or changes in currency exchange rate;

2) waiting period, which has arisen due to circumstances beyond his or her control; or

3) incompletely, incorrectly or inappropriately drawn up accompanying documents of the freight submitted by the consignor.

Section 440. Transfer of Freight for Storage

If the consignee of the freight, in admitting the delay, does not accept the freight delivered or the freight is suspended during carriage due to circumstances beyond his or her control, the forwarder is entitled to transfer the freight for storage in a warehouse or in another safe place at the consignor's expense, notifying the consignor and the carriage insurer thereof without delay, if the forwarder has made insurance.

[15 April 2010]

Section 441. Liability of the Forwarder for Non-preserving of the Freight or Delay of the Freight Delivery

(1) A forwarder shall be liable for damages, perishing, shortfall, destruction, loss of the freight or delay of freight delivery under his or her supervision, which he or she could have prevented, observing the diligence of honest and careful merchant.

(2) The forwarder shall not be liable for non-preserving of the freight (damages, perishing, shortfall, destruction or loss), if he or she proves that the freight has not been preserved:

1) because it was carried in an open vehicle in accordance with the agreement of the forwarder and the consignor or upon the request of the consignor;

2) due to damaged packaging thereof if the freight was packaged by the consignor, or because the consignor used packaging, which did not comply with the properties or standards of freight;

3) upon loading or unloading it if loading or unloading was performed by the consignor or the consignee;

4) due to individual natural properties, which may easily cause freight damages, perishing, shortfall or destruction, if

the consignor did not inform the forwarder regarding these properties before the transfer of the freight for forwarding; or

5) due to inappropriate labelling thereof if freight was labelled by the consignor, or because the consignor has not indicated special properties of the freight in the accompanying documents of the freight, because of which it is necessary to observe special safety provisions or to perform the relevant measures in order to ensure the preservation of the freight during the carriage or storage.

(3) Upon reimbursing the losses for non-preserving of the freight, the forwarder shall also return a reimbursement paid to him or her for the provision of the forwarding services and compensate other payments related to the carriage of the freight in proportion to the amount of the freight non-preserved, as well as any expenses which are related to determination of the amount of reimbursement for the losses pursuant to the provisions of Section 443 of this Law.

(4) The forwarder shall be liable for other losses only if he or she has not fulfilled his or her obligations pursuant to the provisions of Section 431 of this Law.

(5) If losses have been caused also due to the action of the consignor or due to specific deficiencies of the freight transferred for forwarding, the forwarder has an obligation to reimburse the losses. The amount of reimbursement to be paid shall depend on the extent of the losses being caused by the action of the consignor or the forwarder or the deficiencies of the freight transferred for forwarding.

Section 442. Reimbursement of the Freight Value

(1) If a forwarder has an obligation to reimburse losses arisen due to damages or perishing of the freight, the reimbursement for losses shall be determined in such amount, by which the value of the freight has reduced, but due to the shortfall, destruction or loss of the freight - pursuant to the value of the missing, destroyed or lost freight.

(2) The value of freight shall be determined pursuant to the market price thereof or in accordance with the usual value of items of the same grade and quality. If freight is transferred for forwarding with a notified value, the amount of reimbursement for losses shall be determined pursuant to this value, if the forwarder does not prove that the value of the freight transferred for forwarding was smaller.

Section 443. Limits of the Amount of Reimbursement for Losses

(1) If a forwarder has an obligation to reimburse losses arisen due to damages, perishing, shortfall, destruction or loss of the freight, the amount of reimbursement for losses may not exceed the amount, which complies with the 8.33 money units of payment specified by the International Monetary Fund for each:

1) gross mass kilogram of freight if all freight has been damaged or lost; or

2) gross mass kilogram of the damaged or lost part of the freight if part of the freight has been damaged or lost.

(2) [19 September 2013 / See Paragraph 35 of Transitional Provisions]

(3) The limit of the reimbursement for losses provided for in Paragraph one of this Section shall not be applicable if the forwarder or the person referred to in Section 444 of this Law, in causing losses, has acted in bad faith or allowed gross negligence.

[19 September 2013]

Section 444. Liability of the Forwarder for Other Persons

A forwarder shall be liable for any illegal action committed by employees of the forwarder in their work or other persons employed by his or her company to the same extent as for his or her own action.

Section 445. Limitation Period of Claim

(1) Claims against a forwarder regarding damages, perishing, shortfall, destruction or loss of a freight transferred for forwarding, as well as for delivery of the freight shall expire within one year. If the forwarder has acted in bad faith or allowed gross negligence, the referred to claims shall expire within three years. All other claims against the forwarder shall expire within three years.

(2) If the freight transferred for forwarding has not been preserved due to damages, perishing or shortfall, the limitation period shall begin from the day, on which the freight was delivered to the consignee, but due to destruction, loss of the freight or delay of delivery of the freight - on the day when the freight should have been delivered to the consignee.

Section 446. Lawful Right of Possessory Pledge of the Forwarder

(1) A forwarder has the lawful right of possessory pledge to a freight transferred for forwarding and in the possession of the forwarder, which ensures the claims of the forwarder against the consignor. The lawful right of possessory pledge shall apply also to accompanying documents of freight.

(2) If the forwarder has involved a sub-forwarder in order to fulfil the obligation agreed upon in the agreement regarding provision of freight forwarding services, the claims of the forwarder and the lawful right of possessory pledge provided for in Paragraph one of this Section shall be transferred to the sub-forwarder until he or she satisfies the claims of the forwarder arising from the forwarding agreement.

Chapter 4
Commercial Storage Agreement

Section 447. Concept of Commercial Storage Agreement

Commercial storage agreement (hereinafter within the framework of this Chapter - storage agreement) shall be such agreement, by which a merchant dealing with storage of movable properties (keeper) undertakes to place the property handed over for storage in a warehouse or in another place suitable for storage and store it in favour of a depositor, and the depositor undertakes to pay the agreed remuneration.

Section 448. Packaging, Labelling, Accompanying Documents of the Property and Obligation to Provide Information regarding Property

(1) A depositor has an obligation, insofar as it is necessary, to package and label a property handed over for storage, to submit accompanying documents to the keeper, as well as to provide all information to him or her, which is necessary so that the keeper could fulfil his or her obligations. If dangerous property is handed over for storage, which due to its properties under certain conditions may cause explosion, fire or other damages, endanger human life, health, personal property or the environment, the depositor has an obligation to notify the keeper regarding the type of dangerousness of the property and the necessary safety measures in writing.

(2) If the depositor is a consumer, the keeper has an obligation, insofar as it is necessary, to package and label the property handed over for storage. The depositor has an obligation to inform the keeper regarding dangerousness of the property.

(3) Even if the depositor is not to be blamed, he or she shall be liable for losses and expenses caused to the keeper due to the following reasons:

1) the property was not appropriately packaged or labelled;

2) the keeper was not informed regarding dangerousness of the property;

3) the depositor failed to submit all the accompanying documents referred to in Paragraph one of this Section or has not provided the necessary information or the information was incomplete, inaccurate or false.

(4) If the losses or expenses referred to in Paragraph three of this Section have been caused also due to the action of the keeper, the depositor has an obligation to reimburse losses or expenses. The amount of reimbursement to be paid shall depend on the extent of the losses or expenses being caused by the action of the depositor or the keeper.

(5) If the depositor is a consumer, he or she shall be liable for losses or expenses in respect of the keeper in accordance with the provisions of Paragraphs three and four of this Section insofar as they have been caused due to the fault of the depositor.

Section 449. Fungible Property Storage

(1) A keeper is entitled to combine fungible property handed over for storage with any property of the same grade and quality only if the relevant depositors have explicitly permitted it.

(2) If the keeper is entitled to combine properties handed over for storage, the owners thereof shall obtain joint ownership right in undivided shares to the properties handed over for storage starting from the day when the referred to properties are placed in a warehouse or in another place suitable for storage.

(3) In the case referred to in Paragraph two of this Section the keeper may return to each depositor the share due to him or her without the consent of other joint owners.

Section 450. Property with Deficiencies or Damaged Property

(1) If a property, which a keeper has received from a third party and which is to be stored in favour of a depositor, has external deficiencies or damages, the keeper has an obligation, in ensuring the rights of the depositor, to notify the third party regarding these deficiencies or damages without delay, to take care of the evidence attesting the condition of the property, as well as to notify the depositor thereof without delay. If the keeper fails to fulfil the referred to measures, he or she shall be liable for the losses caused to the depositor.

(2) If after consent of the property for storage such changes occur or are likely to occur, which would cause

damages to the keeper, he or she has an obligation to notify the depositor thereof without delay, but if a warehouse receipt has been issued - the last legitimised holder of the warehouse bill of lading known by him or her, as well as to request instructions from the depositor (the holder of the warehouse receipt) regarding further action in this matter. If the keeper is not able to receive the referred to instructions within appropriate period of time, the keeper is entitled to sell the property handed over for storage at expense of the depositor (the holder of the warehouse receipt), taking into account the provisions of Section 408, Paragraphs two and three of this Law or upon his or her preferences pursuant to the action of a respectable and accurate merchant, to perform other actions necessary for storage of the property.

Section 451. Inspection of the Property Handed over for Storage and Measures for Preservation Thereof

A keeper has an obligation to allow the depositor to inspect a property handed over for storage in usual working time, to take samples, as well as to allow the taking of measures necessary for the preservation of the property. The keeper has the right and, if fungible properties handed over for storage are combined, - an obligation to take measures necessary for the preservation of the property by himself or herself.

Section 452. Duration of Storage

(1) A depositor may reclaim from the keeper the property handed over for storage at any time.

(2) If a storage agreement has been entered into for an indefinite period, the depositor is entitled to give a notice of termination of the storage agreement one month in advance. If the depositor has an important reason, he or she is entitled to give the notice of termination of the storage agreement, not taking into account the term of the notice.

(3) The keeper may request that the depositor takes back the property handed over for storage only after termination of the agreed period of time, but, if the storage agreement has been entered into for an indefinite period, - by giving a notice of termination of the storage agreement one month in advance. If the keeper has an important reason, he or she is entitled to demand that the depositor takes back the property handed over for storage before termination of the agreed period of time, not taking into account the period of notice. If the keeper has issued a warehouse receipt, the notice of termination of the storage agreement and the claim regarding taking back of the property shall be directed against the last legitimised holder of the warehouse receipt known to him or her.

Section 453. Insurance of the Property Transferred for Storage and Transfer for Storage to a Third Party

(1) A keeper has an obligation to insure a property transferred for storage at expense of the depositor, if it is requested by the depositor or if they have agreed upon it in the storage agreement.

(2) The keeper is entitled to pass on a property transferred for storage to a third party for storage only if the depositor has allowed it.

Section 454. Obligation of the Depositor to Reimburse Expenses of the Keeper

A depositor has an obligation to reimburse expenses to the keeper, which according to the circumstances have been necessary for the fulfilment of the obligations of the keeper.

Section 455. Responsibility of the Keeper Regarding Property Transferred for Storage

(1) A keeper shall be liable for such damages, perishing, shortfall or destruction of a property transferred for storage from the time of receipt of the property until return thereof, which he or she could have prevented, observing the diligence of a respectable and accurate merchant.

(2) The provisions of Paragraph one of this Section shall be applicable even if, in accordance with the provisions of Section 453, Paragraph two of this Law, the keeper of the properties transferred for storage has passed on for storage to a third party.

Section 456. Limitation Period and Beginning of Limitation Period

(1) Claims against a keeper regarding damages, perishing, shortfall, delay of return or destruction of a property transferred for storage shall expire within one year. If the keeper has acted in bad faith or admitted gross negligence, the referred to claims shall expire within three years.

(2) If the property transferred for storage has not been preserved due to damages, perishing or shortfall, the limitation period shall begin on the day when the property transferred for storage is returned, but due to the delay of return of the property - on the day when the property should have been returned. In case of complete destruction of the property the limitation period shall begin on the day when the keeper notifies the depositor or the last legitimised holder of the warehouse receipt known by him or her regarding the referred to destruction if a warehouse receipt has been issued.

Section 457. Lawful Right of Possessory Pledge of the Keeper

(1) He or she has the lawful right of possessory pledge to a property transferred for storage and in the possession of the keeper, and this right ensures the claims of the keeper against the depositor arising from the storage agreement.

(2) If a warehouse receipt of order is passed on to with endorsement, the keeper has the lawful right of possessory pledge in relation to the legitimised holder of the warehouse receipt, and this right ensures only those claims regarding payment of remuneration or reimbursement of expenses, which arise from the warehouse receipt or regarding the existence of which the legitimised holder of the warehouse receipt knew or did not know at the time of acquisition of the warehouse receipt due to gross negligence.

Section 458. Warehouse Receipt

(1) After consent of the property for storage the keeper may issue a warehouse receipt. The warehouse receipt is a security, in which the claim against the keeper regarding return of the property transferred for storage is registered. The warehouse receipt may be issued as a registered instrument, bearer securities or instrument to order.

(2) The following information shall be indicated in the warehouse receipt:

1) a designation that the deed is a warehouse receipt;

2) the place and date of issuance of the warehouse receipt;

3) the name, registration number and legal address or the given name, surname, personal identity number (if the person does not have a personal identity number - the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) and place of residence of the depositor;

4) the firm name, registration number and legal address of the keeper;

5) the place (the address of the warehouse or other place suitable for storage) and the date when the property has been received for storage;

6) a designation adopted for characterisation of the property and the type of packaging thereof, but for a dangerous property - special and common designation thereof;

7) the number of packaging units, special labelling and numbering thereof;

8) the gross mass or quantity of the property in other units of measurement;

9) a note whether the fungible property transferred for storage is combined with other properties of the same grade and quality in accordance with the provisions of Section 449 of this Law.

(3) In addition to the mandatory information referred to in Paragraph two of this Section the keeper may also indicate other information in the warehouse receipt.

(4) The warehouse receipt shall be signed by the keeper.

[15 April 2010]

Section 459. Force of Warehouse Receipt

(1) The warehouse receipt shall prevail in mutual legal relations between the depositor and the legitimised holder of the warehouse receipt.

(2) The warehouse receipt shall establish an assumption that, in terms of external appearance and status, as well as in terms of the number of units, labelling and numbering thereof, the keeper has accepted for storage such property and packaging thereof as described in the warehouse receipt. If the keeper has checked the gross weight or amount of the property transferred for storage in other units of measurement or also the content of the property and has indicated the results of such check in the warehouse receipt, the warehouse receipt shall establish an assumption that the weight, amount or content of the property complies with the information indicated in this receipt. The evidence to the contrary shall not be permissible if the warehouse receipt has been transferred to a third party of good faith.

(3) The storage agreement shall prevail in mutual legal relations between the keeper and the depositor.

Section 460. Return of the Property Transferred for Storage in Return for a Warehouse Receipt

(1) If a warehouse receipt has been issued, a keeper has an obligation to return a property transferred for storage only upon receipt of the relevant warehouse receipt, in which a note regarding return of the property is made.

(2) Upon returning part of the properties transferred for storage, a relevant note shall be made in the warehouse receipt. The warehouse receipt shall be signed by the keeper.

(3) The keeper shall be liable in respect of the legitimised holder of the warehouse receipt for such damages, which have occurred because the property transferred for storage has been returned without receiving the warehouse receipt or without making the note referred to in Paragraph two of this Section.

Section 461. Legitimation with the Warehouse Receipt

Such person shall be legitimised to receive a property transferred for storage to whom the property is to be returned in accordance with the warehouse receipt or who has been transferred a warehouse receipt of order with endorsement. The keeper has no obligation to check the authenticity of endorsement.

Section 462. Consequences of Endorsement of the Warehouse Receipt of Order

In terms of obtaining the rights, the transfer of a warehouse receipt of order with endorsement to another person if the keeper has accepted a property for storage, shall cause the same legal consequences as in the case of transfer of a property transferred for storage in the ownership or possession of another person.

Chapter 5
Lease Contract

Section 463. Concept of the Lease Contract

(1) A lease contract shall be such contract by which a merchant (lessor) undertakes to acquire in the ownership a property selected by the lessee from a third party (seller) selected by the lessee and to ensure the transfer of this property in the use of the lessee, but the lessee undertakes to accept this property and pay the agreed remuneration.

(2) The provisions for the purchase contract of the Civil Law and this Law shall be applied to the lease contract, insofar as it is not in contradiction with the provisions of this Chapter, in the following cases:

1) if it is agreed that the lessee has an obligation to buy out the property transferred for lease; or

2) if it is agreed that at the end of the duration of the lease contract, provided that the lessee has no unfulfilled commitments against the lessor, the lessee has the right to obtain the property transferred for lease into ownership without additional remuneration or for remuneration, which on the date when such opportunity could be used will be sufficiently low so that on the day of commencement of the use a justified certainty existed that the lessee will use this opportunity.

(3) In other cases the provisions for the rental contract of the Civil Law shall be used insofar they are not in contradiction with the provisions of this Chapter.

Section 464. Obligation of the Lessee to Check the Property and Liability for Action of the Property Seller

(1) A lessee, as a respectable and accurate proprietor, has an obligation to check as soon as possible the compliance of the property with the provisions of the contract before consent of the property.

(2) The lessee shall take the risk of failure to deliver the property.

Section 465. Property with Deficiencies

(1) If deficiencies of a property transferred for lease are determined, a lessee has an obligation to notify the seller thereof without delay and to bring claims against the seller arising from the purchase contract entered into, as well as claims arising from wrongful self-enrichment.

(2) If the property with deficiencies is replaced by a property of the same grade without deficiencies, such replacement shall not affect the validity of the lease contract.

Section 466. Use of the Property Transferred for Lease and Risks Related to Such Property

(1) A lessee has an obligation to use a property transferred for lease as a respectable and accurate proprietor in accordance with the objectives and procedures specified in the lease contract, but if such objectives and procedures have not been agreed upon - in accordance with the common targets and procedures, as well as to cover all expenses related to the maintenance of the property transferred for lease.

(2) The deficiencies (including legal restrictions) of a property transferred for lease, due to which it is not possible to use the property, shall not affect the obligation of the lessee to pay the remuneration agreed in the lease contract.

(3) The risk of damaging, destruction, theft or loss of the property shall be transferred to the lessee after consent of the property.

(4) In case of damaging, destruction, theft or loss of a property transferred for lease the lessee has an obligation to reimburse all losses to the lessor, except the loss of predicted profit.

(5) If the use of a property transferred for lease is connected with increased dangerousness to others, all the risks arising from such dangerousness and the liability for losses, which have arisen due to the impact of the source of the

increased dangerousness, shall be transferred to the lessee after receipt of this property.

Section 467. Immediate Termination by the Lessor

(1) A lessor is entitled to terminate a lease contract immediately and to take over the subject-matter of lease in his or her actual possession without notification if:

1) a lessee who has delayed the term for payment of the agreed remuneration has not paid this remuneration within 15 days after receipt of a reminder from the lessor;

2) a seller has failed to transfer a property to a lessee within the period of time specified in the purchase agreement or the ownership rights to this property have not been transferred to the lessor due to circumstances not depending on him or her; or

3) a lessee, upon entering into the lease contract, has provided the lessor with false information regarding circumstances, which have a substantial meaning upon entering into the contract.

[15 April 2010]

Chapter 6
Factoring Contract

Section 468. Concept of the Factoring Contract

A factoring contract is such contract, by which one contracting party (customer) undertakes an obligation to transfer money claims of a client against a third party (debtor) known thereto, as well as to fulfil other commitments specified in the factoring contract to another contracting party - merchant (factor) for the agreed remuneration.

Section 469. Claims to be Transferred

(1) A client is entitled to transfer to a factor such money claims, the fulfilment of commitments of which has already set in, as well as such claims, which will arise in the future (future claims). The claims to be transferred shall be characterised in the factoring contract so that it would be possible to determine the present claims at the time of entering into the factoring contract, and future claims - not later than at the time of occurrence thereof.

(2) A future claim shall be transferred to the factor at the time of occurrence thereof.

Section 470. Validity of Transfer of Claim

An agreement entered into by and between a debtor who is a merchant and a client, according to which the transfer of the client's claims to another person is prohibited or restricted, shall not be valid in respect of the transfer of claims to such person who provides factoring services.

Section 471. Liability of the Client for Authenticity and Safety of Claim

(1) A client shall be liable to the factor for the authenticity of a claim transferred or to be transferred, unless it is otherwise agreed in the factoring contract.

(2) The client shall not be liable to the factor for the safety of a claim transferred or to be transferred, unless it is otherwise agreed in the factoring contract.

Section 472. Further Transfer of Claims

The factor is not entitled to transfer a claim transferred to him or her further to another person, unless it is otherwise provided for in the factoring contract.

Section 473. Payment

A debtor has an obligation to fulfil the commitment complying with a claim by making a payment in favour of the factor, if the debtor has received a notification from the client or the factor regarding the transfer of this claim to the factor. The payment in favour of the factor shall release the debtor from the commitments complying with the claim against the client.

Chapter 7
Franchise Contract

Section 474. Concept of the Franchise Contract

A franchise contract is such contract by which a merchant (franchisor) grants another contracting party (franchisee) the right to use a trade mark, other intellectual property rights, know-how for selling, distribution of goods or provision of services in accordance with the system developed and verified by the franchisor (franchise), and the franchisee pays the agreed remuneration.

Section 475. Form of the Franchise Contract

The franchise contract shall be entered into in writing.

Section 476. Obligations of the Franchisor

(1) A franchisor has an obligation to provide the following information in writing to the potential franchisees prior to entering into a franchise contract regarding franchise:

1) a general characterisation of the offered franchise complying with the actual circumstances;

2) evidence of the existence of the rights included in the franchise and general characterisation of the know-how;

3) duration of the franchise contract and the possibilities for extension thereof;

4) the amount of remuneration for the use of the franchise and the procedures for payment thereof;

5) other information, which the franchisor considers as necessary upon entering into the franchise contract.

(2) The franchisor has an obligation to ensure that the intellectual rights specified in the franchise contract shall be valid throughout the time period of validity of this contract.

(3) In accordance with the provisions of the franchise contract, the franchisor has an obligation to co-operate with the franchisee and to provide the support to him or her throughout the time period of validity of the franchise contract. The franchisor, in particular, has an obligation to train the franchisee, to provide him or her with commercial and technical assistance, accounting, delivery, logistics, management services, as well as other services and information, which is necessary for the use of the franchise in accordance with the provisions of the franchise contract.

(4) The franchisor shall transfer to the franchisee all documents (instructions, permissions, licences, technical regulations, descriptions etc.), which are necessary for the use of the franchise in accordance with the franchise contract.

(5) If the franchisee has an obligation to purchase goods only from the franchisor or a person specified by him or her, the franchisor has an obligation to ensure the supply of goods in reasonable time.

(6) In case of application of Paragraph five of this Section the franchisor has an obligation to notify the franchisee in reasonable time regarding the delay of delivery period of goods or the inability to deliver goods in the amount agreed previously.

(7) In accordance with the provisions of the franchise contract the franchisor has an obligation to ensure the measures of advertising and visibility of the franchise, taking care of maintaining the good reputation of the franchise.

Section 477. Obligations of the Franchisee

(1) A franchisee has an obligation to provide the franchisor with current and true information regarding the circumstances, which have a substantial meaning upon entering into a franchise contract, prior to entering into the franchise contract.

(2) The franchisee has an obligation to use the franchise in accordance with the provisions of the franchise contract, obeying reasonable instructions of the franchisor, respecting the trade mark, other intellectual property rights, know-how for selling, distribution of goods or provision of services of the franchisor and without harming the good reputation of the franchisor.

(3) The franchisee has an obligation not to use commercial secrets, which were entrusted or became known to the franchisee, using the franchise, in contradiction with the objective of the franchise contract and not to disclose them to third parties. Also the franchisee has such an obligation for five years after expiry of the franchise contract.

(4) The franchisee has an obligation to provide the franchisor with information necessary for the fulfilment of commitments of the franchisor agreed upon in the franchise contract, as well as to allow the franchisor to check the work of the franchisee at the place of selling of goods or provision of services during usual working hours.

Section 478. Consequences of the Franchise Contract

(1) A legally entered into franchise contract shall impose an obligation to the contracting parties to fulfil the promised. Any of the contracting parties is entitled to terminate the franchise contract in cases and in accordance with the procedures specified in the Franchise Contract Law and in the franchise contract.

(2) The contracting parties may withdraw from the franchise contract if the fulfilment of commitments has become to burdensome due to changes in impartial circumstances or if any contracting party, prior to entering into the franchise contract, has provided false information regarding circumstances which have a substantial meaning upon entering into the franchise contract.

(3) If the fulfilment of commitments has become too burdensome due to impartial changes in circumstances, the contracting parties have an obligation to conduct discussions in order to amend the contract or to terminate it. A contracting party may refer to impartial changes in circumstances if:

1) the changes in circumstances have occurred after entering into the franchise contract;

2) the contracting party could not predict the changes in circumstances at the time of entering into the contract; or

3) the contracting party has not undertaken the risk of change in circumstances.

(4) If the contracting parties are not able come to an agreement regarding amendments to the franchise contract or termination thereof within a month, any of the contracting parties is entitled to request that a court:

1) terminates the contract, determining the date of termination; or

2) amends the contract, determining fair division of losses and benefits caused by the changes in circumstances.

Section 479. Restriction on Competition

(1) An agreement, by which the professional activity of a franchisee is limited after the termination of the franchise contract (restriction on competition), shall be entered into in writing.

(2) The time period for restriction on competition may not exceed one year, counting from the day of termination of the franchise contract.

(3) A franchisor has an obligation to pay the franchisee the agreed remuneration for the time period of restriction on competition. If the franchisor withdraws from the franchise contract due to threats to the good reputation or due to such substantial reason, which was based on blameable action of the franchisee, the franchisee shall lose his or her rights to receive the remuneration for the time period of restriction on competition.

Section 480. Application of the Competition Law

The provisions of this Law shall not limit legal order, which in respect of the franchise contract has been included in regulatory enactments regulating the field of competition law.

Transitional Provisions

1. This Law shall come into force on 1 January 2002.

[26 June 2001]

2. The procedures for the coming into force of this Law shall be determined by a special law.

3. The Cabinet shall, up to 1 March 2001, ensure the necessary funding for the implementation of the conditions for the coming into force of the Commercial Law.

[21 December 2000]

4. In order to ensure the compliance of the articles of association of a capital company and a partnership with the requirements of this Law in respect of the condition that members of the board of directors or members of the partnership are not limited in their right of representation by a proctor, the capital company shall submit the relevant amendments to the articles of association to the Commercial Register Office by 1 June 2005, if there specify that one or several members of the board of directors are entitled to represent the capital company only jointly with a proctor, or the partnership shall apply the change in the representation model to the Commercial Register Office, if it is specified in the partnership agreement that one or several members of the company are entitled to represent the partnership only jointly with a proctor. Until making of the relevant amendments to the articles of association of the capital company or to the partnership agreement, but not longer than until 1 June 2005, the representation model specified in the articles of association of the capital company or in the partnership agreement shall be in force.

[22 April 2004]

5. The second sentence of Section 149, Paragraph three, Clause 5 and the third sentence of Section 224, Paragraph two (regarding the right of the member of the board of directors not to submit a written consent to be a member of the board of directors), as well as amendments, by which Clause 5 of Section 25, Paragraph two and

Clause 4 of Section 75, Paragraph three of this Law are deleted, shall come into force on 1 July 2006.

[16 March 2006]

6. New wording of Section 10, Paragraph two, amendments to the second sentence of Section 38, Paragraph one, Section 107, Paragraph three, the first sentence of Section 149, Paragraph three, Clause 6, Section 320, Paragraph one, Clause 3, as well as the second sentence of Section 9, Paragraph one, Clause 9 of this Law (regarding the right of an official of the Commercial Register Office to certify sample signatures) shall come into force on 1 July 2006.

[16 March 2006]

7. The Cabinet shall issue the regulations referred to in Section 15, Paragraph three of this Law not later than by 1 July 2006.

[16 March 2006]

8. Starting from 10 April 2006 when amendments to the Law come into force, which determine that the data regarding an auditor are not the data to be entered in the Commercial Register, an official of the Commercial Register Office, without taking a separate decision and applying the provision of Section 11 of this Law, shall make a record in the Commercial Register regarding exclusion of such data from the Commercial Register, which contain information regarding an auditor of the company.

[16 March 2006]

9. A natural person whose economic activity complies with the activity of a commercial agent (Section 45 of this Law) or the activity of a broker (Section 64, Paragraph one of this Law) and who is not registered in the Commercial Register, shall apply himself or herself for registration in the Commercial Register by 31 December 2008.

[24 April 2008]

10. Amendments to Section 181 (regarding exclusion of this Section) shall come into force concurrently with amendments to the Annual Accounts Law and the Law On Consolidated Annual Accounts in which the procedures for submission of annual accounts and consolidated annual accounts are specified.

[24 April 2008]

11. If a stock company has bearer stocks, which have not been entered in the Latvian Central Depository in accordance with the provisions of the Financial Instrument Market Law, the stock company shall, not later than until 31 December 2009, take a decision on the conversion of bearer stocks to entered stocks or shall ensure the record of bearer stocks in the Latvian Central Depository.

[24 April 2008]

12. If the main types of commercial activity are not specified in the articles of association of a stock company, the company shall, by taking into account the requirements of Section 144, Paragraph two, Clause 4 of this Law, make the relevant amendments to the articles of association thereof and submit them to the Commercial Register Office not later than until 31 December 2009.

[24 April 2008]

13. Section 154, Paragraph $3.^2$ of this Law shall come into force on 1 June 2008.

[24 April 2008]

14. The opinions regarding valuation of the property contribution provided until 1 June 2008 shall be in force until 31 December 2008.

[24 April 2008]

15. Division D of this Law shall come into force on 1 January 2010.

[18 December 2008]

16. If the limitation period specified in the Civil Law or other law has not expired on the day of coming into force of Division D of this Law, however, the Division D of this Law determines a shorter limitation period, the limitation period specified in Division D of this Law, which is counted from 1 January 2010, shall be applicable. If, according to such calculation, the limitation period is longer than the present limitation period, the limitation period shall expire on the day when it would have elapsed in accordance with the Civil Law or other regulatory enactment.

[18 December 2008]

17. Section 11, Paragraph four and Section 15, Paragraph 1.[1] of this Law shall be in force until 1 May 2012.

[15 April 2010]

18. Amendments to Section 28 of this Law shall come into force concurrently with amendments to the Law On the Enterprise Register of the Republic of Latvia, which provide for a condition to be observed in the creation and registration of a firm name of a merchant that the firm name of the merchant applied for registration shall not coincide with a firm name or name applied for entering or entered in the registers of the Commercial Register Office.

[15 April 2010]

19. Amendments to Section 28 of this Law regarding a firm name being different from firm names or names which have already been entered in other registers of the Commercial Register Office shall not affect the right of the merchant to a firm name, which has been entered in the Commercial Register until the coming into force of these amendments.

[15 April 2010]

20. If a member of the board of directors or of the council of a limited liability company was elected by 30 April 2010 and his or her authorisation has not expired by 1 May 2010, it shall be considered that the member of the board of directors or of the council has been elected for an indefinite period of time. This condition shall not be applicable in case if the term of authorisation of the board of directors of the council has been determined in the articles of association of the company.

[15 April 2010]

21. If a member of the board of directors or of the council of a stock company was elected by 30 April 2010, his or her authorisation shall expire on the date when it would have expired in accordance with the provisions of this Law, which were in force on the date when the member of the board of directors of the council was elected.

[15 April 2010]

22. Amendments to Section 154, Paragraphs one and 1.[1] of this Law (regarding the maintaining of the list of valuators of property contributions) shall come into force on 1 July 2010.

[15 April 2010]

23. Starting from 1 July 2011 when amendments to the law come into force determining that information regarding place of residence of a person is not information to be entered in the Commercial Register, an official of the Commercial Register Office, without taking a separate decision and without applying the provisions of Section 11 of this Law, shall make an entry in the Commercial Register regarding exclusion of such information from the Commercial Register, which contains information regarding the place of residence of a person.

[16 June 2011]

24. During a time period from 1 July 2011 until 1 April 2014 the laid down in Section 9, Paragraph four of this Law (that the Commercial Register Office shall provide information regarding the address of a person where he or she may be reached upon a justified request) shall not apply to the information regarding the place of residence of a person, which has been entered in the Commercial Register until 1 July 2011.

[16 January 2014]

25. [15 June 2017]

26. The new wording of Section 8, Paragraph five, Clause 4.[1] of this Law, amendments to Section 210, Paragraph one, Clause 9, Section 218, Paragraph one, Section 268, Paragraph one, Clause 10, Section 284, Paragraph two, as well as Division XIV[1] (regarding suspension and renewal of activities of a merchant) shall come into force from 1 January 2014.

[29 November 2012]

27. The Cabinet shall, until 30 June 2013, prepare and submit to the *Saeima* the amendments necessary to the regulatory enactments regulating taxes and accounting in relation to suspension and renewal of activities of a merchant on the basis of a decision of the merchant.

[29 November 2012]

28. Section 7, Paragraph four of this Law shall come into force from 1 January 2014.

[2 May 2013]

29. An official of the Commercial Register Office shall perform certifications of the signature of a person specified in Section 9, Paragraph one and Section 10, Paragraph two of this Law to full extent, starting from 1 January 2014. Until 31 December 2013 the official of the Commercial Register Office shall certify the signature of a person on an application regarding:

1) entering of a merchant in the Commercial Register, if the application regarding entering of a merchant in the Commercial Register has been submitted;

2) entering of a capital company in the Commercial Register, if the capital company is founded by one founder;

3) entering of such capital company in the Commercial Register, which conforms to the provisions of Section 185.[1], Paragraph one of this Law.

[2 May 2013]

30. If the application referred to in Section 10, Paragraph two of this Law or a document appended thereto has been submitted to the Commercial Register Office until 30 June 2013, but an official of the Commercial Register Office examines it after 30 June 2013, the official is entitled to take a relevant decision also if the signature on the application or the document appended thereto has not been notarised (except an application regarding entering of a merchant in the Commercial Register and a consent of a person to hold the office of the member of the board of directors of a capital company or the liquidator of a commercial company).

[2 May 2013]

31. Until 30 June 2013 limited liability companies in which there are more than one shareholder and which are registered in the Commercial Register shall, in accordance with the requirements of Section 187 of this Law, draw up and not later than until 30 June 2015 submit the current register of shareholders of the company to the Commercial Register Office. Until 30 June 2013 the limited liability companies registered in the Commercial Register where there is one shareholder shall submit a register of shareholders drawn up in conformity with the requirements of Section 187 of this Law concurrently with other changes infringing transition of shares or changes in equity capital.

[21 May 2015]

32. The provisions of this Law regarding the right of pre-emption shall be applicable, if the transaction of alienation, including transfer, of the equity capital shares of a limited liability company has been concluded after 30 June 2013.

[2 May 2013]

33. During the time period from 1 July 2013 until 30 June 2014 a capital company, which has been registered in the Commercial Register until 30 June 2013, is entitled to take a decision in the meeting of shareholders or stockholders on amendments to the articles of association, determining that the progress of the meeting of shareholders or stockholders is certified by a sworn notary (Section 9, Paragraph 3.[1]), with a simple majority of votes of the shareholders or stockholders present in the meeting of shareholders or stockholders.

[2 May 2013]

34. Amendments to Section 333.[3] of this Law regarding deletion of Paragraph six and amendments to Section 333.[5] regarding deletion of Paragraph three shall come into force from 1 January 2014.

[2 May 2013]

35. Amendments to Section 75, introduction of Paragraph one and Clause 1, Section 151, Paragraph two, Section 154, Paragraph two, Section 172, Paragraphs two and six, Section 185, Section 186, Paragraph one, Section 225 of this Law (by which amounts of money in lats are expressed in euros), as well as new wording of Section 230 and exclusion of Section 443, Paragraph two shall come into force from 1 January 2014.

[19 September 2013]

36. Starting from 1 January 2014 when amendments to this Law come into force regarding denomination of the equity capital and nominal value of the equity capital share (stock) of the capital company from lats to euros, an official of the Commercial Register Office may take a decision to enter the capital company in the Commercial Register, if the equity capital and nominal value of the equity capital share (stock) are expressed in lats in the documents of incorporation and application regarding entering of the capital company in the Commercial Register has been submitted to the Commercial Register Office by 31 December 2013.

[19 September 2013]

37. If the equity capital of the capital company is expressed in lats, starting from 1 January 2014:

1) a nominal value of the equity capital share of the limited liability company shall be expressed in whole lats and

amount of the equity capital may not be lesser than the amount laid down in Section 185 of this Law by taking into account the exchange rate of lats against euros that has been determined by the Council of the European Union in accordance with Article 140 (3) of the Treaty on the Functioning of the European Union;

2) a nominal value of the equity capital share of the limited liability company conforming to the conditions of Section 185.[1], Paragraph one of this Law shall be expressed in whole lats and amount of the equity capital may not be lesser than the amount laid down in Section 185.[1] of this Law by taking into account the exchange rate of lats against euros that has been determined by the Council of the European Union in accordance with Article 140 (3) of the Treaty on the Functioning of the European Union;

3) a nominal value of the joint stock company stock shall be expressed in whole lats and amount of the equity capital may not be lesser than the amount laid down in Section 225 of this Law by taking into account the exchange rate of lats against euros that has been determined by the Council of the European Union in accordance with Article 140 (3) of the Treaty on the Functioning of the European Union.

[19 September 2013]

38. A capital company, the equity capital of which is expressed in lats, shall apply amendments to the articles of association to the Commercial Register Office which stipulate denomination of the equity capital and nominal value of the equity capital share (stock) from lats to euros.

[19 September 2013]

39. Starting from 1 July 2014, when applying amendments to the articles of association to the Commercial Register Office, a capital company, the equity capital of which is expressed in lats, shall concurrently stipulate denomination of the equity capital and a nominal value of the equity capital share (stock) from lats to euros.

[19 September 2013]

40. If in conformity with Paragraph 38 or 39 of the Transitional Provisions of this Law a limited liability company applies amendments to the articles of association to the Commercial Register Office which stipulate denomination of the equity capital and nominal value of the equity capital share (stock) from lats to euros, it shall additionally submit the last division of the register of shareholders in which nominal value of a share of the equity capital is expressed in euros.

[19 September 2013]

41. A nominal value of the equity capital share (stock) acquired by denomination performed in conformity with Section 22, Paragraphs two and three of the Law on Procedure for Introduction of Euro shall be rounded down up to the nearest value which divides with minimum nominal value of the equity capital share (stock) in euros without remainder. The capital company may determine other nominal value of the equity capital share (stock), where it is necessary for the conforming to the principles laid down in the Section 22, Paragraph one of the Law on Procedure for Introduction of Euro.

[19 September 2013]

42. Remaining value of the equity capital shares (stocks) acquired by denomination [including determining other nominal value of the equity capital share (stock)] performed in conformity with Section 22, Paragraph three of the Law on Procedure for Introduction of Euro, which is paid out to shareholders (stockholders) of the capital company or transferred to the reserves of the capital company, shall be the value which cannot be expressed in new equity capital shares (stocks) and granted to shareholders (stockholders) of the capital company in proportion to the equity capital shares (stocks) belonging to them.

[19 September 2013]

43. Denomination of the equity capital and equity capital share (stock) of the capital company from lats to euros which is performed in conformity with Section 22 of the Law on Procedure for Introduction of Euro and Paragraphs 41 and 42 of the Transitional Provisions of this Law shall not be considered as reduction of the equity capital of the capital company within the meaning of this Law. In an application to the Commercial Register Office the board of directors shall certify that the principles laid down in Section 22, Paragraph one of the Law on Procedure for Introduction of Euro have been complied with in the denomination of the equity capital and equity capital share (stock) and the interests of creditors are not involved.

[19 September 2013]

44. Starting from 1 January 2014 the decision of the meeting of shareholders (stockholders) of the capital company to amend the articles of association, which stipulate the denomination of the equity capital and equity capital share (stock) of the capital company from lats to euros, shall be taken by simple majority of votes of shareholders (stockholders) present in the meeting of shareholders (stockholders).

[19 September 2013]

45. If an application for amendments to the articles of association of the capital company and the last division of the register of shareholders of the limited liability company are submitted to the Commercial Register Office during the time period from 1 January 2014 until 30 June 2016 and in a decision of the meeting of the shareholders (stockholders) to amend articles of association, in a new full wording of the articles of association and in the last division of the register of shareholders of the limited liability company only denomination of the equity capital and nominal value of the equity capital share (stock) or other amount of money laid down in the articles of association from lats to euros is intended:

1) a capital company shall not be subject to the requirement regarding notarial certification of the signature on the minutes of the meeting of the shareholders (stockholders) or derivative thereof, a new full wording of the articles of association and the last division of the register of shareholders of the limited liability company;

2) a capital company shall be released from the State fee for the registration of the amendments to the articles of association and last division of the register of shareholders to the Commercial Register and making of entries in the Commercial Register which are related to the denomination of the equity capital and nominal value of the equity capital share (stock) or other amount of money laid down in the articles of association from lats to euros;

3) a capital company shall be released from charge for the entries and announcement of information in the official gazette *Latvijas Vēstnesis*, which are related to the denomination of the equity capital and nominal value of the equity capital share (stock) or other amount of money laid down in the articles of association from lats to euros.

[19 September 2013]

46. Sub-paragraphs 45.2 and 45.3 of these Transitional Provisions shall also be applied if in addition to the articles of association of the limited liability company which stipulate the denomination of the equity capital and nominal value of the equity capital share from lats to euros, the actual register of the shareholders of the company is submitted to the Commercial Register Office in conformity with Paragraph 31 of these Transitions Provisions.

[19 September 2013]

47. Starting from 1 January 2014 the amount of the investment of each limited partner and total amount of investments of the limited partners entered in the Commercial Register expressed in lats, the Commercial Register Office shall express in euros until 1 July 2014 by taking into account the exchange rate of lats against euros that has been determined by the Council of the European Union in accordance with Article 140 (3) of the Treaty on the Functioning of the European Union. The entry shall be announced in the official gazette *Latvijas Vēstnesis* free of charge.

[19 September 2013]

48. A new wording of Section 8, Paragraph five, Clause 7 of this Law (regarding the information which shall be entered in the Commercial Register on a guardian of the member of an individual merchant or partnership with the right of representation) and Section 7.^{1} of this Law shall come into force on 1 September 2014.

[16 January 2014]

49. Until 1 October 2014 the Commercial Register Office, without taking a separate decision, shall update the information entered in the Commercial Register until 31 August 2014 regarding a trustee of the individual merchant by replacing the name and surname of the trustee with the information on the establishment of trusteeship.

[16 January 2014]

50. Section 161.^{1} of this Law, as well as amendments to Section 161, Paragraph four and Section 182, Paragraph three of this Law (regarding the procedures for the determination, calculation and paying out of extraordinary dividends) shall come into force on 1 July 2014.

[16 January 2014]

51. Until 1 March 2014 the Cabinet shall draw up and submit to the *Saeima* the necessary amendments to the laws and regulations governing taxes and accounting in relation to the procedures for determination, calculation and paying out of extraordinary dividends.

[16 January 2014]

52. If a capital company fails to provide the documents referred to in Paragraph 38 or 40 of Transitional Provisions of this Law by 30 June 2016, the Commercial Register Office shall recalculate the equity capital in euros without taking a separate decision. The equity capital shall be expressed in whole euros by complying with the exchange rate of lats against euros determined by the Council of the European Union in accordance with Article 140(3) of the Treaty on Functioning of the European Union.

[21 May 2015]

53. If the Commercial Register Office has carried out recalculation of the equity capital in conformity with Paragraph 52 of the Transitional Provisions of this Law, the capital company shall concurrently carry out denomination of the equity capital and share of the equity capital, when applying changes in the entries of the Commercial Register or applying registration of documents (adding to the registration file) in the Commercial Register Office.

[21 May 2015]

54. Amendments to Section 207, Paragraph two and Section 264, Paragraph two of this Law determining the obligation for the Commercial Register Office to announce at the expense of a capital company a notification regarding the decision taken by the company on the reduction of equity capital shall come into force on 1 January 2018. Until 31 December 2017 a capital company shall indicate the date in the application for the reduction of equity capital when the notification regarding the reduction in equity capital has been published in the official gazette *Latvijas Vēstnesis*.

[15 June 2017]

55. Amendments to Section 255 of this Law shall state Section in a new wording which comes into force on 1 January 2018. If the joint stock company has transferred employee stock to an employee or member of the board of directors until 1 January 2018 and employment legal relationships between the joint stock company and employee terminate or the member of the board of directors has been removed from the office or left the office, the provisions which were in force at the time of acquisition thereof shall be applied to action with employee stock.

[15 June 2017]

56. Amendments to Section 169.^{1} of this Law regarding administrative liability of the members of the board of directors for the infringements of the provisions for conducting the register of shareholders shall come into force concurrently with the relevant amendments to the Latvian Administrative Violations Code.

[15 June 2017 / The abovementioned amendments will be included in the wording of the Law as of the day of coming into force of the relevant amendments to the Latvian Administrative Violations Code]

57. Amendment regarding deleting of Section 17.^{1} of this Law shall come into force concurrently with the amendments to the Law on the Prevention of Money Laundering and Terrorism Financing that provides for the obligation for legal persons to identify and disclose beneficial owners, and also to submit information regarding beneficial owners to the Enterprise Register of the Republic of Latvia.

[15 June 2017 / The abovementioned amendment will be included in the wording of the Law as of the day of coming into force of the relevant amendments to the Law on the Prevention of Money Laundering and Terrorism Financing]

58. New Sections 189.^{1} and 189.^{2} of this Law (regarding the right of first refusal of the shareholders of the limited liability companies if shares of the equity capital are sold by a sworn bailiff, administrator of insolvency proceedings or they are sold by using the right of commercial pledge), and also amendments to considering Section 189.^{1} as Section 189.^{3} shall come into force from 1 January 2018.

[15 June 2017]

Informative Reference to Directives of the European Union

[16 March 2006; 24 April 2008; 15 April 2010; 16 June 2011; 16 January 2014]

This Law contains norms arising from:

1) Directive 2009/101/EC of European Parliament and of the Council of 16 September 2009 on coordination of safeguards which, for the protection of the interests of members and third parties, are required by Member States of companies within the meaning of the second paragraph of Article 48 of the Treaty, with a view to making such safeguards equivalent;

2) Directive 2012/30/EU of the European Parliament and of the Council of 25 October 2012 on coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 54 of the Treaty on the Functioning of the European Union, in respect of the formation of public limited liability companies and the maintenance and alteration of their capital, with a view to making such safeguards equivalent;

3) Directive 2011/35/EU of the European Parliament and of the Council of 5 April 2011 concerning mergers of public limited liability companies;

4) Sixth Council Directive 82/891/EEC of 17 December 1982 based on Article 54(3)(g) of the Treaty, concerning the division of public limited liability companies;

5) Eleventh Council Directive 89/666/EEC of 21 December 1989 concerning disclosure requirements in respect of branches opened in a Member State by certain types of company governed by the law of another State;

6) Directive 2009/102/EC of 16 September 2009 of the European Parliament and of the Council in the area of company law on single-member private limited liability companies;

7) Council Directive 86/653/EEC of 18 December 1986 on the coordination of the laws of the Member States relating to self-employed commercial agents;

8) [16 January 2014];

9) Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005 on cross-border mergers of limited liability companies;

10) [15 April 2010];

11) Directive 2007/63/EC of the European Parliament and of the Council of 13 November 2007 amending Council Directives 78/855/EEC and 82/891/EEC as regards the requirement of an independent expert's report on the occasion of merger or division of public limited liability companies;

12) Directive 2009/109/EC of the European Parliament and of the Council of 16 September 2009 amending Council Directives 77/91/EEC, 78/855/EEC and 82/891/EEC, and Directive 2005/56/EC as regards reporting and documentation requirements in the case of mergers and divisions;

13) Directive 2012/17/EU of the European Parliament and of the Council of 13 June 2012 amending Council Directive 89/666/EEC and Directives 2005/56/EC and 2009/101/EC of the European Parliament and of the Council as regards the interconnection of central, commercial and companies registers.

President V. Vīķe-Freiberga

Riga, 4 May 2000

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[1] The Parliament of the Republic of Latvia