

Pursuant to Article 88, item 2 of the Constitution of the Republic of Montenegro I hereby pass the

**DECREE
PROMULGATING THE LAW ON BUSINESS ORGANIZATIONS**

I hereby promulgate the Law on Business Organizations adopted by the Parliament of the Republic of Montenegro at the sitting of the first extraordinary session in 2002, held on 29 January 2002.

Number: 01-265/2
Podgorica, 31 January 2002
President of the Republic of Montenegro
Milo Djukanovic, m.p.

LAW ON BUSINESS ORGANIZATIONS

(Official Gazette of the Republic of Montenegro 06/02 of 8 February 2002, Official Gazette of Montenegro 17/07 of 31 December 2007, 80/08 of 26 December 2008, 40/10 of 22 July 2010, 36/11 of 27 July 2011)

PART I - BASIC PROVISIONS

**Application of the Law
Article 1**

- (1) This Law shall regulate the forms of organization pursuing economic activities and their registration.
- (2) Business organizations and entrepreneurs shall carry out economic activity.
- (3) The forms of organization pursuing economic activities registered in accordance with this Law shall be obliged to obtain a license prior to commencing their business activity, if the license is envisaged by a separate regulation. The license shall not be a condition for registration in accordance with this Law.

**Forms of Organization Pursuing Economic Activities
Article 2**

- (1) The forms of organization pursuing economic activities shall be business organizations and other forms determined by this Law:
 - 1) the individual entrepreneur;
 - 2) the general partnership ("GP");
 - 3) the limited partnership ("LP");
 - 4) the joint stock company ("JSC"),
 - 5) the limited liability company ("LLC");
 - 6) the foreign company branch.
- (2) If one or more natural persons or legal person start to perform or perform economic activity but fail to register in accordance with the provisions of this Law, they shall be

Name
Article 4b

- (1) Name of a business organization and entrepreneur shall be the name under which they are operating.
- (2) A business organization and entrepreneur shall be obliged to use the registered

(10) Every partner must account to the firm for any benefit derived by him without the consent of the other partners from any business activity concerning the partnership, such as any use by him of the partnership property, partnership name, business connection or similar.

(11) The provisions of this Article shall apply to business activity undertaken after a partnership has been dissolved by the death of a partner, either by any surviving partner or

while it is in the custody of the firm, the firm shall be liable to compensate the incurred damage.

(9) A person who is admitted as a partner into an existing partnership does not thereby become liable for obligations existing and acts of the partnership done prior to becoming a partner.

(10) A partner who retires from a firm does not thereby cease to be liable for partnership obligations incurred before his retirement.

(11) A retiring partner may be discharged from any existing liabilities, by an agreement to that effect between himself and the members of the firm and the creditors. The agreement may be either express or inferred as a fact from the course of dealing between the creditors and the firm.

Dissolution of General Partnership **Article 9**

(1) Subject to any agreement between the partners, a partnership shall be dissolved where:

- 1) entered into for a fixed term, by the expiration of that term;
- 2) entered into for a single transaction, by the termination of that transaction;
- 3) entered into for an undefined time, by any partner giving notice to the other partners

PART IV - LIMITED PARTNERSHIP

Concept and Constitution

Article 10

(1) A limited partnership shall be partnership of one or more persons called general partners, and one or more persons called limited partners, collectively called a firm. General partners shall be, without limit, jointly and severally liable for all debts and obligations of the partnership. Limited partners shall be liable for debts and obligations of the partnership only to the extent of their contributions. The contributions of limited partners may be in money or property and rights valued at a stated amount.

(2) A limited partner cannot, during the continuance of the partnership, either directly or indirectly, draw out or receive back any part of his contribution, and if he does so draw out or receive back any such part he shall be liable for the obligations of the firm up to the amount so drawn out or received back.

(3) A general partner and a limited partner may be a natural or legal person.

Relations of Partners to One Another

Article 11

(1) Unless otherwise envisaged by the foundation agreement, decisions on ordinary matters of a limited partnership shall be adopted by a simple majority of votes of general partners.

(2) The provisions of Article 7, paragraphs 10 and 12 of this Law, shall apply to a general partner in a limited partnership.

(3) A limited partner shall not take part in the management of the partnership business, and shall not have power to conclude contracts that bind the partnership.

(4) If a limited partner takes part in the management of the partnership business, he shall be liable as though he were a general partner for the obligations of the firm incurred during the period that he takes part in the management of the partnership business.

(5) A limited partner may by himself or by his representative inspect the books of the partnership at any time and examine into the state and prospects of the partnership business, and may discuss these matters with the other partners.

(6) A limited partner may, with the consent of the general partners, assign his share in the partnership, and upon such an assignment the assignee shall become a limited partner with all the rights of the assignor.

(7) A person may become a partner without the consent of the existing limited partners.

(8) Limited partner who enters the limited partnership upon the establishment of the limited partnership shall be liable for obligations of the limited partnership to third parties that occurred prior to his entering the limited partnership, the same as other limited partners.

- (2) A limited partner shall not be entitled to liquidate the partnership by submitting a notice of such an intention to the other partners.
- (3) The other partners shall not be entitled to liquidate the partnership by reason of the share of any limited partner being the object of legal proceedings in relation to his separate debt.
- (4) The provisions of this Law shall apply to the liquidation of company, and in such case general partners shall have rights and obligations established under this Law for members of board of directors. In case of disputes among general partners related to the partnership dissolution, the decision shall be brought by the Commercial Court in a civil procedure.
- (5) In the event of the dissolution of a limited partnership, its affairs shall be wound up by the general partners unless the Commercial Court orders otherwise.

- 4) Provision that the company is a joint stock company and amount of share capital determined as initial capital and amount of authorized increase in capital (authorized capital), if determined;
- 5) The provisions governing changes in the initial capital;
- 6) The procedure for exchanging one class of securities for another;
- 7) Limitation on the right of the company to issue bonds or incur other types of debt;

- 7) registration.
- (2) The foundation agreement shall consist of:
- 1) the first and last names of founders, or names of legal persons, their addresses and personal identification numbers;
 - 2) the name of the company;
 - 3) the indication that the company is a joint-stock company (JSC abbreviation) ;
 - 4) the rights and obligations of the founders and their liability in case of failure to fulfill their obligations;
 - 5) the number of shares acquired by each founder;
 - 5a) names of the founders who make non-monetary contributions, description of those contributions, number and type of shares obtained for those contributions and the deadline within which these non-monetary contributions must be brought into the company;
 - 6) the initial price of shares, or the nominal value if any, the procedure and terms for the offer of shares;
 - 7) the estimated cost of formation and manner of their compensation;
 - 8) the procedure for settling disputes between the founders;
 - 9) the authorization for one or more founders to represent the founders in the procedure for establishing the company.
- (3) The foundation agreement shall be signed by all the founders or by persons authorized by them in writing. The signatures on the agreements shall be authenticated in accordance with law. One person may authenticate all the signatures. If any of the founders is a legal person, the signature of the natural person duly authorized shall be sufficient.
- (4) Upon the signing of the foundation agreement, the founders shall open an account in their name with a bank registered in Montenegro. The money received from the sale of shares shall be deposited in this account until the registration procedure of joint stock company is completed.
- (5) If, during the subscription and payment period, a number of shares determined by the prospectus is not subscribed and paid for, it shall be considered that the issue of shares was not successful and it shall be cancelled. Subscription and payment for more shares than the number of shares issued through the initial issue determined by the foundation agreement can be done, if the prospectus envisages the possibility to pay for more shares.
- (6) In the case referred to in paragraph 5 of this Article, the contributions of the subscribers shall be returned to them without any deduction within the time period determined by the Law on Securities. The founders shall be, without limit, severally and jointly liable for the return of the contributions.
- (7) In the case of successful issue of shares, the statutory general meeting of shareholders shall be held within 30 days from the day of expiration of the deadline for subscription and payment of shares. If, without justifiable reason, the statutory general meeting is not held within the abovementioned period, all the subscribers shall be relieved of their obligations to the company and shall have the right to full return of their contributions within 8 days from the day of the request submission.
- (8) The provisions of this Law on the general meeting of shareholders shall apply to the statutory general meeting of shareholders. The statutory general meeting of shareholders may be attended by the founders and all those who have subscribed and paid for shares or their authorized persons. A quorum for the statutory general meeting of shareholders shall consist of 2/3 of the shares carrying voting rights represented in person or by authorized

person or voting by proxy. If a quorum cannot be established, the provisions of Article 39 of this Law shall apply.

(9) The statutory general meeting of shareholders shall elect the managing and executive bodies of the company and select the company's auditor, and approve any contracts concluded by the founders, and it shall adopt the charter of the company. Decisions on these specific items at the statutory general meeting of shareholders shall be adopted with a 2/3 majority of shares represented.

(10) Decisions on other issues within the competence of the statutory general meeting of shareholders shall be adopted by simple majority of the voting shares represented in person or by authorized person or voting by proxy, unless otherwise determined by this Law or the foundation agreement.

(11) Reimbursement of formation expenses may be paid to the founders or to third persons provided that the aforementioned persons submit the adequate proofs. Disputes concerning reimbursement of formation costs shall be resolved by the competent court.

(12) The founders shall be, without limit, jointly and severally liable for any contracts and expenses incurred until the holding of the statutory general meeting of shareholders that have not been approved by the statutory general meeting of shareholders.

(13) If license to do business is required by separate regulations, the founders shall be, without limit, jointly and severally liable for all liabilities of the company incurred until such

(3) The founders shall be obliged to pay for shares or to make non-monetary contributions within the deadline determined by the foundation agreement.

(4) In the case that a founder did not pay for shares or did not make non-monetary contribution, the founders who paid for shares or made non-monetary contributions shall change the foundation agreement of a joint stock company in the part regarding founders and their shares, if the requirements referred to in Article 17, paragraph 6 of this Law are met.

(5) The founders shall be obliged to record the issue of shares with the Securities Commission.

(6) If all founders of a joint stock company sign decisions on accepting the charter of the company, appraisal of non-monetary contributions, selection of management bodies, executive bodies and auditors of the company and other decisions that should be adopted at the statutory general meeting of shareholders, the statutory general meeting of shareholders shall not be convened.

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

(8) If the agreement on the issues referred to in paragraph 6 of this Article is not reached, the statutory general meeting of shareholders shall be held within 30 days from the day of payment of shares.

Initial Registration Article 21

(1) The following documents and data must be submitted to the Central Registry for the first registration of a joint stock company:

- 1) The foundation agreement;
- 2) The charter and a special act, if the charter does not contain the data referred to in Article 19, paragraph 3 of this Law;
- 3) A list of members of the Board of Directors:
- 4) The first and last names, and in case of change of first/last name any former name of the member of the Board of Directors, and dates and places of their birth;
- 5) Their personal identification numbers;
- 6) Permanent or temporary residence of the members of the Board of Directors;
- 7) Statements of the members of the Board of Directors indicating their citizenship;
- 8) Business occupation of the members of the Board of Directors;
- 9) Data on any other directorships or positions held in Montenegro or elsewhere and the place of registration of such companies if not in Montenegro;
- 10) Name and address of the Executive Director, Secretary of Company, and auditor;
- 11) The name of the company and the address of its registered office or address for

(2) The registration documents shall indicate whether persons authorized to represent the company either as a body or as individuals may act alone or jointly.

(3) The company shall acquire the status of a legal person on the day of its registration with the Central Registry. The registration is evidenced by the issuance of a registration certificate.

(4) The Central Registry shall publish in the Official Gazette of Montenegro the data on company's name and registered office, the names of the members of managing bodies, Executive Director, Secretary of Company, auditor, as well as the date of concluding the foundation agreement, the date of adopting the charter, and the date of registration.

Restructuring of Joint Stock Company **Article 22**

(1) Joint stock company may be restructured in the following manner:

- 1) By merger;
- 2) By division into two or more separate companies;
- 2a) By carving out portion of the company's assets to constitute one or more companies (Spinoff);
- 3) By changing the organization form.

(2) Restructuring may only take place when the assets of a joint-stock company exceed its liabilities. A company for which bankruptcy proceedings have been instituted shall be restructured in accordance with the law regulating business organization insolvency.

(3) Companies taking over assets and liabilities may give to shareholders of the companies whose assets have been taken over, in addition to shares, cash payment as a fair compensation, provided that the amount is not exceeding 10% of the nominal value of the shares issued for the taken over assets or accounting value if the nominal value is not determined.

(4) The contract on merger, the decision on division into two or more companies, the decision on carving out portion of the company's assets to constitute one or more companies (spinoff), the decision to change organization form, as well as the decision on issue of shares based on restructuring of a company shall be adopted by 2/3 majority vote of shareholders present and represented by authorized person or voting by proxy. If there are several classes of shares, for a decision of a general meeting of shareholders to be made, required majority of every class of shares shall be necessary.

Merger of Companies
Article 22a

(1) Restructuring of a joint stock company by merger can be done when one or more companies join the existing company by transferring the entire assets and liabilities to that company which in exchange issues shares to the shareholders of the companies being merged, or two or more companies merge into a newly formed company that issues shares of the newly formed company to the shareholders of the companies being merged. The

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considered, as well as at the very general meeting of shareholders, with the following documents:

- 1) draft contract of merger;
 - 2) report of the Board of Directors on justification of reasons and consequences of merger;
 - 3) report of an independent expert;
 - 4) annual financial statements for the last three years of every company involved in merger;
 - 5) special financial statement stating the condition in the company on a day at the most three months prior to the day of preparing the draft contract of merger, if the draft is prepared after the expiration of six months from the day of completing the last business year.
- (17) The special financial statement does not have to be submitted if the company

(24) Merger shall be deemed as completed as of the day of its registration with the Central Registry.

(25) Within three months from the day of publishing the contract of merger in the Official Gazette of Montenegro, a shareholder who voted against or did not attend the general meeting of shareholders that adopted the contract of merger or a creditor of the company, may request from the Court to cancel the merger, if substantial provisions on merger procedure are not complied with, and if creditors, at their request, are not provided with adequate protection of their claims, and the merger substantially endangers the satisfaction of their claims. Right to additional security shall not belong to creditors whose claims have already been fully and reliably secured.

(26) The court shall submit a final and non-appealable decision on canceling the merger, within 15 days from the day the decision becomes final and non-appealable, to the Central Registry for publication in the Official Gazette of Montenegro. If, within 90 days from the day of publication of the final and non-appealable decision in the Official Gazette of Montenegro, the general meeting of shareholders is not held and bodies of the company are not elected, the state administration authority in charge of taxes (hereinafter referred to as the: Tax Administration) shall initiate a court liquidation procedure in the companies that were subject to merger.

(27) In the case of merger cancellation, obligations that recipient company incurred within the period from the day of recording the issue of shares based on the new merger in the CDA until the publishing the decision of the court on cancellation of merger in the Official Gazette of Montenegro shall be valid, and companies that have been involved in the merger procedure shall be, without limitation, jointly and severally liable for obligations of the recipient company for the aforementioned period.

Simplified Merger Article 22b

(1) Provisions of Article 22a of this Law shall apply to the case of merger of the taken over company with the recipient company holding at least 90% of shares of that company, and the general meeting of shareholders of the recipient company does not have to be held if the following requirements are met:

- 1) if the draft contract of merger is published in the Official Gazette of Montenegro, and the notice of merger at least in two daily printed media issued in Montenegro no later than 30 days prior to the day of holding the general meeting of shareholders of the merged company;
- 2) if shareholders of the recipient company are provided with the access in the registered office of the recipient company to the draft contract of merger, annual financial statements for the last three years and special financial statement referred to in paragraph 13, Article 22a of this Law, at least 30 days prior to the day of holding the general meeting of shareholders of the merged company where the draft contract of merger shall be considered;
- 3) if one or more shareholders of the recipient company holding together at least 5% of the shares of that company have not requested that the decision on merger is adopted by the general meeting of shareholders of the recipient company.

(2) In the case referred to in paragraph 1 of this Article, the decision of the Board of Directors of the recipient company shall be considered as the decision of the general meeting of shareholders, whereas the decision of the Board of Directors on the issue of

companies shall be jointly and severally liable if more than one company is established by spinoff, unless otherwise agreed on by a certain creditor. The new and the existing company shall be jointly and severally liable for the obligations not fulfilled by the existing company, unless otherwise agreed on by a certain creditor. Joint and several liability of the new company shall be limited up to the amount of net assets transferred to that company.

Restructuring of a Joint Stock Company into a Limited Liability Company **Article 23**

(1) A joint stock company may be restructured into a limited liability company under the following conditions:

- 1) The number of shareholders at the time of proposed restructuring shall be no more than thirty;
- 2) The share capital shall be paid in full;
- 3) The general meeting of shareholders shall adopt a special decision on restructuring of a joint stock company into a limited liability company;
- 4) The provisions of this Law on the formation of a limited liability company shall apply to the restructuring;
- 5) The charter shall be amended to provide that it is a limited liability company;
- 6) The charter shall include the provisions prescribed for a limited liability company and any provisions only appropriate to a joint-stock company shall be deleted;
- 7) The existing ownership structure shall be expressed as "parts" and such parts shall be allocated among the members in the same proportion as their ownership percentage expressed in shares, unless otherwise agreed to by all affected members;
- 8) The joint-stock company's shares shall be de-registered in accordance with the Law on Securities and the shares shall be canceled.

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- 3) The joint-stock company in general meeting of shareholders by 2/3 vote actually present in person or by authorized person or voting by proxy makes a decision that it does not wish to continue in business and should be voluntarily liquidated.
- (3) The decision referred to in paragraph 2 point (2) of this Article shall be valid even if the twenty-one day notice of convening the general meeting of shareholders was not given, provided that shareholders holding at least 9/10 of the voting rights agree to hold the general meeting of shareholders.
- (4) The decision to commence the voluntary liquidation of a joint-stock company shall be sent to the Central Registry by the Board of Directors within five days of the day of its adoption.
- (5) Notice of the adoption of the liquidation decision shall be submitted for publication in the Official Gazette by the Central Registry within five days of the day of its receipt.
- (6) Following the adoption of decision on liquidation of the company, the ordinary general meeting of shareholders or extraordinary general meeting of shareholders shall appoint a liquidator nominated by the Board of Directors, in accordance with the conditions it determined for the liquidator's appointment.
- (7) The liquidator shall submit a notice of appointment to the Central Registry containing his name and contact information within ten days of his appointment.
- (8) From the date of the appointment of the liquidator:
- 1) The powers of the Board of Directors shall cease, except to the extent that the liquidator or the company in general meeting of shareholders permits them to continue to act;
 - 2) The company shall cease to carry on business, except to the extent that it is necessary for the prudent, orderly and beneficial completion of company activities and liquidation of the company as determined by the liquidator;
 - 3) Any transfer of shares, disposal of assets, or incurring of debt without the liquidator's consent, shall be voidable to the extent allowed by applicable regulations;
 - 4) Notification that the company is being liquidated shall be indicated on all letters, invoices and order forms issued by the company.
- (9) The company shall solicit in writing all known creditors of the company to submit their claims and shall inform tax authority as well.
- (10) The company shall be obliged to publish the notice of voluntary liquidation at least

(13) Creditor whose claim is contested by the liquidator shall be obliged, within 30 days from the day of receiving the notice thereof, to initiate the proceeding before the competent court.

(14) Voluntary liquidation procedure shall not be completed until the procedure referred to in paragraph 13 of this Article is completed or until an adequate security for contested claim is provided.

(15) When the affairs of the company have been fully or substantially concluded the liquidator shall prepare a final report showing how the liquidation has been conducted and how the property of the company has been disposed of. The final report must contain: a final balance sheet; review of revenue sources and their use; the list of assets being divested of; proceeds that have been generated from such divestiture; whether any further matters remain to be resolved and the proposal for their resolution; amount of liquidation costs and fees that the liquidator is entitled to.

(16) After the preparation of the final report, the liquidator shall convene an extraordinary general meeting of shareholders at which he will present the final report.

(17) Within seven days from the day of holding the extraordinary general meeting of shareholders referred to in paragraph 16 of this Article, the liquidator shall submit a copy of the final report to the Central Registry along with a request for de-registration of the company.

(18) On receipt of the final report and the request for de-registration, the Tax Administration will de-register the company from the Central Registry, and submit the notice thereof to the Official Gazette of Montenegro for publication.

Abridged Liquidation Procedure Article 24a

(1) Voluntary liquidation may be conducted based on abridged procedure, if upon the adoption of the decision on voluntary liquidation all shareholders present to the court authenticated statements that all liabilities of the company toward creditors have been settled, including liabilities toward the employees.

(2) Shareholders referred to in paragraph 1 of this Article shall be, without limit, jointly and severally liable for liabilities of the joint stock company for the period of three years after the deletion of the company from the Central Registry.

(3) Shareholders, creditors and other parties having legal interest may, within 30 days from the day of the adoption of the decision on termination of the company under the abridged procedure, initiate the procedure for cancellation of the decision before the court.

(4) The court shall annul the decision on voluntary liquidation of the company under the abridged procedure if it determines that shareholders or creditors would have been damaged by such a decision and it shall appoint the liquidator to carry out the voluntary liquidation procedure pursuant to Articles 24 and 25 of this Law.

(5) The joint stock company that ceases to exist under the abridged procedure shall be de-registered from the Central Registry, while personal names, unique personal identification numbers and the addresses of natural persons who are the shareholders, or name, registered office and unique registration number of legal persons who are shareholders shall

be entered in the Central Registry, with the note of their unlimited joint and several liability

Declaration of Nullity of Joint Stock Company Article 26

(1) Upon request of an interested party, the Commercial Court shall declare the nullity of a joint-stock company upon the following grounds:

- 1) no foundation agreement or charter has been concluded or executed, or the requirements, determined by this Law, regarding the adoption and the contents of these documents were not complied with;
- 2) the prospectus for the public offering of shares was not published in accordance with the law;
- 3) the goals of the joint-stock company are unlawful, and business activities contrary to regulations;
- 4) the foundation agreement or the charter does not state the name of the joint-stock company, the amount of the share capital, the registered administrative office, or address for receiving official letters or the business activity of the joint-stock company;
- 5) the provisions concerning the minimum amount of capital have not been applied;
- 6) the legal incapacity of all founders;

(2) The complaint for exercising the right referred to in paragraph 1 of this Article may be submitted within 3 years from the day of registration of the company in the Central Registry.

(3) The Commercial Court shall be obliged to submit the final and non-appealable decision determining the nullity to the Central Registry within 15 days from the day the decision has become final and non-appealable, for the purpose of opening a court liquidation proceedings.

(4) By declaring the nullity of the joint stock company, the shareholders of the company shall become, without limit, jointly and severally liable for the obligations of the company, and contracts concluded prior to declaring the nullity shall remain in force.

Chapter III Rights and Obligations of the Company and Shareholders

Rights and Obligations of the Company Article 27

(1) A joint-stock company shall have all the rights and obligations of a natural person, except where such rights and obligations are restricted exclusively to natural persons by law or by the company's charter.

(2) The following shall be indicated in the joint-stock company's letters and documents used for business dealings:

- 1) The name of the Central Registry;
- 2) The number of the company in the Central Registry;
- 3) The indication that the company is a joint-stock company;
- 4) The name of the company;
- 5) The registered office of the company;
- 6) The note that the company is being liquidated if this is the case.

Obligation to Submit Data and Inform the Public **Article 28**

(1) Joint-stock company shall submit to the Central Registry, which shall submit to the Official Gazette of Montenegro for publication, the following documents and data, in accordance with paragraph 2 of this Article:

- 1) any amendments to the charter, a special act referred to in Article 19, paragraph 3 of this Law if the charter does not contain the data from that act, the foundation agreement and any extension of the duration of the company;
- 2) any change in the company name and the registered office or address for receiving official notices;
- 3) the appointment, termination of office and data about the persons who are authorized to represent the company in dealings with third parties, as well as the data whether the persons authorized to represent the company may do so jointly or alone;
- 4) the appointment, termination of office and data of the Executive Director, Secretary of Company, and the auditor;
- 5) the decision of the general meeting of shareholders on liquidation of the company;
- 6) the decision on appointment of a liquidator, his identity, qualifications and powers other than those set out in this Law or in the charter;
- 7) the financial reports, including the auditor's report.

(2) In the Official Gazette of Montenegro, in addition to the data, names of the documents shall be published which also contain the notice that the documents are filed in the Central Registry.

(3) Joint stock company shall be obliged to submit to the Central Registry all amendments made to the foundation agreement, the charter or any other document or data determined by the provisions of this Law within 7 business days from the day of their adoption. The Secretary of Company shall be responsible for the submission of the aforementioned documents and data.

(4) After every amendment to the charter or the foundation agreement, the complete text shall be submitted to the Central Registry. Amendments to the charter or the foundation agreement shall be valid only when registered.

(5) The documents and data shall be binding upon the company towards third persons from the day of their publication in the Official Gazette of Montenegro, unless the company proves that the third parties had knowledge of them. The documents and data shall not be binding upon good faith third parties regarding transactions executed within 16 days from the day of publication of the documents and data, who can prove that they did not know or could not have known about their publication.

(6) There must not be any discrepancy between what is published and what has been filed in the Central Registry. If there is such a discrepancy, the text on file at the Central Registry shall be controlling. The published text may not be asserted by the company as a defense against third parties relying on the text in the Central Registry. However, third parties may rely on such published text unless the company proves that they had knowledge of the text filed in the Central Registry.

Legal Consequences of Obligations Entered Into by the Company **Article 29**

- (1) Publication of the names of the members of the Board of Directors, Executive Director or Secretary of Company who are authorized to represent the company shall be binding upon the company, and third parties may refer to them, unless the company proves that such third parties knew or could have known about irregularities when they were appointed.
- (2) Decisions of the general meeting of shareholders, the Board of Directors, the Executive Director or the Secretary of Company shall be binding on the company even if those decisions are not within the scope of the company's business activity.
- (3) The limits of the powers of the company's bodies, arising under the charter or from decisions of such bodies, cannot be asserted as a defense against third parties, even if they have been disclosed.
- (4) General power of representation conferred by the charter of a company on a single person or on several persons acting jointly may be asserted as a defense against third parties provided that the publication is done in accordance with this Law.

Rights and Obligations of Shareholders

Article 30

- (1) A shareholder is a natural or legal person whose liability is limited to the extent of his contributions and who owns at least one share in a joint-stock company.
- (2) Each shareholder shall have such rights in a joint-stock company as are attached to the shares he owns. All shareholders shall be treated equally in the same circumstances.
- (3) The shareholders shall have no other liabilities to the company than the obligation to pay, in the established manner, the initial price of all the shares subscribed for. Any decision of the general meeting of shareholders obliging all or some of the shareholders to make additional contributions shall be invalid unless the decision is unanimous.
- (4) When it is determined that there have been irregularities in management or operations of a company, the company shall be entitled to sue a responsible person before the Commercial Court. In the case the company does not sue a responsible person, a shareholder shall be entitled to sue, in his name and for the account of the company, a responsible person in the company that is responsible for irregularities in management or operations of the company (derivative complaint). A shareholder shall be entitled to a derivative complaint, if he previously requested in writing from the company to sue a responsible person, and the company refused that request or did not submit the complaint within 30 days from the day of the submission of the request. Realized damage compensation based on derivative complaint shall belong to the company, and the shareholder who submitted the derivative complaint shall be entitled to compensation of costs.
- (5) Any shareholder of a company or his successor shall have a right to submit a complaint to a Commercial Court where:
 - 1) any action of the company is illegal or outside the powers of the company;
 - 2) where the majority shareholders discriminate the minority shareholders;
 - 3) where a shareholder's individual rights have been harmed;
 - 4) where those persons who control the company, whether the Board of Directors, or the majority shareholders, commit a fraud on the minority shareholders.

(6) Any shareholder of a company or his successor may initiate a procedure before the Commercial Court if there is evidence that the affairs of the company are being conducted or the powers of the Board of Directors are being exercised in a manner violating the rights of that shareholder or other shareholders or in disregard of his or their interests as shareholders whether or not such acts have been done in good faith. In such case, the shareholder asserts the interest of all similarly affected shareholders and not merely his own.

(7) If the Commercial Court decides that the abovementioned complaint is well founded, it will make such decision as needed to remedy the offending conduct or abuse, and in the case the shareholders suffered the damage, a competent court shall make a decision on damage compensation.

(8) The complaint referred to in this Article may be submitted within 5 years from the day of the occurrence of harmful act and the complaint against responsible persons whose office (function) or membership in the company ceased may also be initiated within the same deadline.

(9) In the circumstances envisaged by paragraph 6 of this Article, the Commercial Court may make an order for the purchase of the shares of any shareholders of the company by other shareholders of the company or by the company itself at a price which reflects the value they would have had but for the oppressive conduct.

Property Rights of Shareholders **Article 31**

- (1) A shareholder shall have the following property rights:
- 1) to receive a certain portion of the company's gain in the form of a dividend when a dividend has been declared;
 - 2) to receive a portion of remaining assets of the company in liquidation;
 - 3) to receive shares without payment if the capital established by the charter is increased from the financial resources of the company, subject to any limiting provision in this Law;
 - 4) to have a priority right in acquiring newly issued shares and convertible bonds, subject to any limiting provision in this Law;
 - 5) to sell or transfer all or part of his shares; and
 - 6) to have other property rights as provided for in the company's charter.

Non-Property Rights of the Shareholders **Article 32**

(1) Shareholders shall have the right to attend all general meetings of shareholder and to vote, unless this Law or the charter provides otherwise.

(2) Each share shall carry one vote at the general meeting of shareholders, except as described in Article 42, paragraph 8 of this Law.

(3) The holders of the same class of shares shall have the same rights. The charter of the company may provide that some classes of shares do not carry the right to vote.

(4) A shareholder shall have no right to take part in voting at the general meeting of shareholders on issues where the shareholder is directly interested in relation to the

(3) The company shall be obliged to pay the shareholder the value of shares referred to in paragraph 1 of this Article within 30 days from the day of receiving the written request.

(4) If the shareholder believes that the paid amount regarding the value of shares referred to in paragraph 3 of this Article does not correspond to the average market value of shares, or if the company does not pay the compensation within the deadline referred to in paragraph 3 of this Article or if the average market value could not be determined on the day the decision of general meeting of shareholders is made due to the lack of trade in shares, he may initiate a lawsuit before a competent court within 30 days from the day of payment of funds by the company or from the day of payment default. The court shall be authorized to determine the average market value in such cases based on the court witnessing of independent authorized appraisers.

- 9) at the request of the Board of Directors, consider issues assigned to the Board of Directors, which pertain to the operations of the company;
- 10) approve all contracts to be entered into by the company concerning property acquisition from a founder or a majority shareholder of the company for a payment of not less than 1/10 of the company's capital determined by the charter, and when such a contract is to be concluded within a period of 2 years from registration of the company;
- 11) adopt a decision to issue any bonds or any convertible bonds or other convertible securities;
- 12) limit or cancel a priority right of shareholders to subscribe for shares or acquire convertible bonds, by the 2/3 majority vote of all affected shareholders.

(3) An integral part of the report on operations of the company referred to in paragraph 2, item 4a of this Article shall be the report on relations with the parent company and companies where its parent company has the status of parent company or subsidiary. The report shall include all legal transactions and transactions that the company concluded with its parent company and companies where its parent company has the status of parent company or subsidiary, with the statement of the Board of Directors whether the company suffered the damage from these legal transactions and transactions, and whether the company was compensated for damage incurred by such legal transactions and transactions.

(4) In the case the company was not compensated for the damage, members of the Board of Directors shall be liable for damage incurred to shareholders, in accordance with Article 44, paragraph 7 of this Law.

(13) The company shall be obliged to bear costs of publication and delivery of the notice on convening the general meeting referred to in paragraph 6 of this Article.

Agenda of the General Meeting of Shareholders
Article 37

(1) The general meeting of shareholders may not adopt decisions on issues that are not

(5) The minutes from the general meeting of shareholders shall be prepared at the latest within 15 days from the day of holding the general meeting of shareholders.

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

Quorum and Adoption of Decisions **Article 39**

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- 1) a general meeting of shareholders has not been convened within 3 months of the end of the business year and a shareholder has brought the matter to the Commercial Court;
 - 2) the person entitled to request that a general meeting of shareholders is convened has referred the matter to the Commercial Court because the Board of Directors has rejected his request or, at his request, it failed to schedule the general meeting of shareholders within the prescribed deadline;
 - 3) the creditors of the company have appealed to the Commercial Court on the grounds of failure to convene an extraordinary general meeting of shareholders in one of the cases specified in paragraph 2 of this Article.
- (5) The decision referred to in paragraph 4 of this Article shall be implemented by the Board of Directors at the expense of a joint stock company. An appeal against the court decision shall not withhold its execution.
- (6) The Secretary of Company shall submit a notice, in the name of the Board of Directors, of convening the Extraordinary General Meeting of Shareholders according to the procedure established by this Law and the charter not later than 30 days prior to the day of holding the meeting. If a repeated meeting is convened, the shareholders must be informed thereof not later than 10 days before the day of holding the meeting. A General Meeting of Shareholders may be convened without observing the abovementioned deadlines provided that all the shareholders entitled to vote or their authorized persons give their consent thereto.
- (7) The Extraordinary General Meeting of Shareholders shall be convened in the manner determined by Articles 36 through 39 of this Law, and, in addition, the notice of convening

Powers of the Board of Directors

Article 43

- (1) The powers of the Board of Directors shall be determined by the charter of the company.
- (2) The Board of Directors shall manage and carry out affairs of the company and supervise the current operations, which are entrusted with the Executive Director and to other persons responsible for management (management members).
- (3) The Board of Directors cannot delegate nor waive the execution of rights and duties of: managing the company and issuing guidelines for carrying out affairs, determining the organization of the company, organization of accounting and financial controls, appointing and dismissing responsible persons – members of management and supervision over those persons, in particular in terms of application of the charter, laws and other regulations.
- (4) The Board of Directors shall adopt the Rules of Procedure.
- (5) Unless the Board of Directors decides otherwise, the Executive Director shall attend all meetings of the Board of Directors.

Obligations of the Board of Directors

Article 44

- (1) The obligations of the Board of Directors shall be determined by law and by the charter of the company.
- (2) The members of the Board of Directors shall be obliged when making decisions to act in good faith and due care.
- (3) This obligations of the Board of Directors shall be including but not limited to:
 - 1) to act in good faith and for the benefit of the company as a whole;
 - 2) to exercise due care and rules of professional conduct in decision-making;
 - 3) to assure that appropriate measures are taken to adequately oversee company activity and that the obligations are assumed by the company;
 - 4) to give adequate consideration to each matter to be decided by the Board;

in which a member of the Board of Directors has a personal financial interest, or the member's spouse or first degree relative:

- 1) a loan or quasi loan in the form of a transaction which renders the borrower liable to pay a creditor;
- 2) a credit transaction;
- 3) a security for loans, quasi loans or credit transactions referred to in items 1 and 2 of this paragraph.

(5) Within its regular business activity, the company may, with the persons referred to in paragraph 4 of this Article, conclude the loan agreements and credit transactions and securities for loans and credit transactions.

(6) A member of the Board of Directors shall manage the company's affairs with due care and with the reasonable assurance that he acts in the best interest of the company. He shall not be liable to the company for errors in the exercise of ordinary business judgment if he acted with due care and in compliance with rules of the professional conduct.

(7) If the rights of the shareholders provided for in this Law and in the company's charter have been enforced by shareholders through legal proceedings, the members of the Board of Directors shall jointly refund the legal expenses and compensate for the damages incurred to the shareholders because of the disregard of their rights. A member of the Board of Directors who entered in the minutes his disagreement with the decision on the basis of which a shareholder sustained the damage shall not be liable for damage and costs of procedure, as well as a member of the Board of Directors who did not attend the meeting of the Board of Directors, and he expressed his disagreement in a written form to the Board of Directors immediately after finding out about the adopted decision.

(8) The right to convene a meeting of the Board of Directors shall be vested in the chairman of the Board of Directors as well as in other members of the Board of Directors provided that more than half of the members approve thereof. A meeting of the Board of Directors may be held if attended by more than half of the members and decisions shall be valid if at least half of the present members of the Board of Directors vote in favor of them. The members of the Board of Directors shall have equal voting rights. In the event of a tie vote, the chairman of the Board shall have the casting vote. A member of the Board of Directors shall have no right to vote when the Board meeting is deciding on issues relative to his material responsibility or his personal work in the company.

(9) The members of the Board of Directors shall be obliged to keep the company's business secrets confidential.

(10) The Board of Directors shall perform its functions until a new Board is elected.

Prohibition to Interfere with the Auditor's Work Article 45

The Board of Directors must not limit the auditor's powers or interfere with his work in any way.

Administration Article 46

Records and Document Article 48

(1) Every company shall keep the following records and documents at its registered office:

- 1) foundation agreement;
- 2) charter of the company;
- 3) financial statements, reports on operations of the company and reports of the auditor of the company;
- 4) books of minutes containing:
 - a) the minutes of all meetings of the Board of Directors or bodies formed by the Board;
 - b) the minutes of all general meetings of shareholders;
 - c) the minutes of general meetings of shareholders holding certain classes of shares;
- 5) bookkeeping records that are, in accordance with the international accounting standards, kept on a continuous basis and which:
 - a) correctly record and explain material transactions of the company;
 - b) enable the financial position of the company to be determined with reasonable accuracy;
 - c) enable the members of the Board of Directors to ensure that financial reports comply with the provisions of this Law;
 - d) enable the accounts of the company to be readily and properly audited;
- 6) a copy of every instrument creating or evidencing a legal encumbrance over the company's property;
- 7) the list of shareholders (CDA);
- 8) records on shares, parts and contributions that the company has in other business organizations;
- 9) the list of members of the Board of Directors;
- 10) the record on shares of the company owned by members of the Board of Directors and the Executive Director of the company;
- 11) the list of holders of bonds issued by the company;
- 12) the list of contracts that the members of the Board of Directors concluded with the company, and contracts in which they have interests.

(2) Extracts from the registry kept by the Central Depository Agency shall be valid proofs of the existence of the list of shareholders or list of holders of bonds issued by the company.

(3) The company shall be obliged to provide a shareholder or a former shareholder, for the period he was a shareholder in the company, with the access to the book of minutes of the general meeting of shareholders and the records and documentation referred to in items 1 to 3 and 7 to 11 of this Article, at the latest within seven days from the day of submitting a written request. The right to access to the records and documentation referred to in paragraph 1, items 5, 6 and 12 of this Article shall be exercised in accordance with Article 32, paragraph 7 of this Law. Copying of documents that the shareholder can access to shall be allowed if they do not represent a business secret of the company.

Chapter 5 - Capital of the Company

the Official Gazette of Montenegro for publication within two business days from the day of receiving the decision.

(7) A joint-stock company shall not issue shares for non-monetary contributions unless the contributions have been appraised by an independent appraiser in accordance with this Law.

Shares
Article 52

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- (4) Dividends of preferred shares may be cumulative or non-cumulative. Their nature shall be established in the charter prior to their issuance.
- (5) The holder of cumulative preferred shares shall be guaranteed the right to the dividend specified in the shares. If the gain is not sufficient for the payment of all dividends, the unpaid balance shall be paid in subsequent business years when the gain is sufficient.
- (6) The unpaid dividend or part of unpaid dividend on non-cumulative preferred shares may not be transferred to subsequent business years.
- (7) Before converting cumulative preferred shares into common shares, the company shall be obliged to settle accounts with the holders of these preferred shares.

Bonds

Article 55

- (1) The bond of a joint-stock company shall mean a fixed income security entitling its owner to receive interest and other rights specified in the decision to issue bonds or in the

(8) Paragraph 7 of this Article shall not apply to shares acquired by the company in a company of the issuer of shares, where the i

(18) A joint stock company may directly or via person acting on its own behalf or for the account of the company take its own shares as pledge, if the total amount of claim secured by the pledge of shares is lower than the paid value of shares.

Chapter 6 - Finances and Distribution of Profit

Financial Year Article 61

The financial year of a company shall be a calendar year. If a company is registered after the commencement of the financial year, the day of the end of the company's financial year shall be deemed to be the end of the first financial year. If a company is de-registered from the Central Registry prior to the end of its financial year, the last financial year shall end on the day the company is de-registered from the Registry.

Distribution of Gain Article 62

(2) The capital of a limited liability company shall be composed of contributions received from the founders and from persons known to at least one founder and personally invited by the founders to contribute. For all additional contributions, the name of the new contributor and the amount of contribution shall be stated in a document submitted to the Central Registry.

Non-Monetary Contributions **Article 67**

A member may contribute non-monetary contributions as his contribution in exchange for a part in the company. An appraisal of non-monetary contribution shall be done in accordance with Article 51 of this Law.

Company Charter **Article 68**

The charter shall include:

- 1) the name of the company;

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- (1) Limited liability company shall be obliged to submit to the Central Registry that shall publish in the Official Gazette of Montenegro, the following documents and data:
- 1) any amendments to the charter or the foundation agreement, including any extension of the duration of the company;
 - 2) any change in the name of the company and the address of its registered office or place for receiving official notices;
 - 3) the appointment, termination of office and data on persons elected as members of the Board of Directors, managers or other authorized persons where applicable. It must be published whether the persons authorized to represent the company may do so alone or jointly;
 - 4) the appointment, termination of office and data on the persons who, either jointly or as individuals, are authorized to represent the company in dealings with third parties. It must be published whether the persons authorized to represent the company may do so jointly or alone;
 - 5) the liquidation of the company;
 - 6) any declaration of nullity of the company by the Commercial Court;
 - 7) the appointment of a liquidator, his identity, qualifications and powers other than those set out in this Law or in the charter;
 - 8) the amount of capital unless an increase in the capital requires an amendment of the charter;

Legal Consequences of the Obligations Assumed by the Company **Article 72**

- (1) Publication of the names of the members of the Board of Directors, Secretary of Company and Executive Director who is authorized to represent the company shall be binding on the company, and third parties may refer to them, unless the company proves that such third parties had knowledge of the irregularity.
- (2) Legal acts of the company's bodies or other persons authorized to represent the company shall be binding on the company even if those acts are not within the scope of the company's registered business activity.
- (3) The limits of the powers of the company's bodies or other persons authorized to represent the company arising under the charter or from decisions of such bodies cannot be asserted as a defense against third parties, even if they have been disclosed.
- (4) General power of representation conferred by the charter of a company on a single person or on several persons acting jointly may be asserted as a defense against third parties provided that all the provisions on disclosure of data were applied in accordance with the provisions of this Law.
- (5) Reference shall be made to the general power of representation on official letters and company's forms.

Company Bodies **Article 73**

- (1) The general meeting of shareholders shall not be an obligatory body of a limited

(2) Unless otherwise determined by the charter, with the exception of single member limited liability companies, members personally present or represented by authorized persons or voting by proxies who hold parts representing more than half the capital of the limited liability company shall constitute a quorum.

(3) Executive Director shall be mandatory body of the company. The members of a limited liability company, either by majority vote or as indicated in the charter, shall appoint Executive Director and set his compensation.

(4) A limited liability company may or may not form a Board of Directors.

(5) The members of the company or the members of the Board of Directors, if a board exists, may delegate a general power of representation to the Executive Director of the company to act on their behalf.

Transfer of Parts **Article 74**

(1) The parts of a limited liability company may be transferred only in accordance with the provisions established in the charter. These parts shall not be registered with the Securities Commission and the CDA.

(2) A part may be transferred among members of the company without restriction in conformity with the charter.

(3) Where a member of the company intends to transfer his part, other members of the company and the company itself shall have a preemptive right to purchase the part, in accordance with the charter. Where no agreement to purchase the part is reached between the transferor of the part and other members of the company, the part shall be divided among them proportionately to their current parts in the company, unless otherwise provided in the charter. Where the members and the company itself have declined to purchase the part proposed to be sold within 30 days from the day on which the part was offered, the part may be transferred to a third party under terms no less favorable than the terms offered to the existing members or the company.

(4) If the part is being sold by enforcement procedure, the court shall notify thereof the members of the company and the company. If the members of the company and the company itself fail to express their interest to buy the part within 15 days from the day of receiving the notice, such part shall be sold in accordance with the provisions on enforcement procedure.

(5) In the event of death of natural person or dissolution of a legal person, his part shall be transferred to his heirs or legal successors, unless otherwise provided by the charter. Where the charter prohibits transfer of a part, the charter shall provide that such part be bought by members of the company or the company itself. Where the members of the company or the company itself do not buy the part, the part shall be withdrawn in conformity with the provisions of this Law relating to the reduction of the share capital.

(6) In the event of a part being transferred, the transferor and transferee shall be, without limit, jointly and severally liable to the limited liability company for obligations associated with membership. A part shall be transferred by written agreement.

Pre-Emptive Right to Purchase the Parts
Article 75

(1) The charter of a limited liability company may determine the pre-emptive right to purchase the parts of the company in case the company decides to increase its capital.

- 3) the provisions of this Law on the formation of a joint stock company shall apply to restructuring;
- 4) the general meeting shall adopt a special decision on restructuring of the limited liability company into a joint stock company;
- 5) the charter must be amended to provide that it is a joint-stock company;
- 6) the charter must include the provisions prescribed for a joint stock company and any provisions only appropriate to a limited liability company must be deleted;
- 7) parts of members in the limited liability company shall be cancelled and shares shall be issued to the members in the proportion of their existing ownership, unless otherwise agreed to by all affected members;
- 8) the joint-stock company's shares shall be registered in accordance with the Law on Securities.

(2) Upon completion of all conditions for the restructuring of a limited liability company into a joint stock company, the company shall continue to operate as a joint stock company from the day of its registration.

Application of the Provisions of this Law to Limited Liability Company **Article 79**

Except for the provisions governing limited liability companies, the provisions of this Law relating to joint stock companies shall accordingly apply to limited liability companies. Relevant references to 'shares' shall be construed as references to 'parts' where appropriate. Where a contradiction exists between provisions relating to limited liability company and the provisions relating to joint stock companies, the provisions relating to limited liability companies shall apply.

- 5) a copy of the foreign company's registration certificate or a corresponding duly authenticated document confirming the legal registration of the company in its home state;
 - 6) the names and addresses of the persons who are authorized to represent the company in dealings with third parties:
 - a) as a company body constituted pursuant to law or as members of any such body;
 - b) as permanent representatives of the company for the activities of the branch, and the authorizations for the persons to represent the company, whether they may do so alone or jointly.
 - 7) the names and addresses of one or more persons with permanent residence in Montenegro authorized to represent the company in legal proceedings;
 - 8) the most recent balance sheet and income statement or similar financial documents prescribed by the law of the country where the company is registered.
- (4) Foreign companies with foreign company branches established on the territory of Montenegro shall submit to the Central Registry changes of data referred to in paragraph 3 of this Article within 20 days of the change, and, in addition, they shall submit the following for registration:
- 1) notice of liquidating the company, the appointment of liquidators, data concerning them, opening of bankruptcy proceedings or other proceedings to which the company is subject;
 - 2) the cessation of economic activity of the branch.
- (5) A foreign company branch shall state in business letters and other business documents:
- 1) Name in the Central Registry;
 - 2) Registration number of the company from the Central Registry;
 - 3) name, legal form and registered office of a foreign company and name of a foreign company branch, if different from the foreign company name;
 - 4) registered office of the foreign company branch;
 - 5) note that a foreign company is under liquidation, if that is the case.

PART VIII – REGISTRATION

General Provisions

Article 81

- (1) The provisions on registration shall regulate:
 - 1) the procedure by which legal and natural persons engaged in economic activity shall register required documents and data defined under this Law;
 - 2) the procedure for submission of documents required for registration;
 - 3) the purpose and legal effect of such registration;
 - 4) the rights and obligations of the Central Registry regarding registration.
- (2) All forms of organization pursuing economic activity in Montenegro shall be obliged to register in accordance with the provisions of this Law.

Definitions

Article 82

The following terms shall have the following meaning under this Law:

Article 84

Deleted (OG of MN 36/11)

Submission of Data and Documentation

Article 85

- (1) Any member of management or owner of the legal person, or an authorized person, may submit a memorandum of organization to the Central Registry.
- (2) Only authorized persons may submit the documentation determined by the regulations for registration.
- (3) With respect to bankruptcy, only persons authorized by the law regulating insolvency or authorized designees may submit the documentation determined by the regulations for registration.
- (4) Only persons authorized by another law to submit documentation for registration may submit the documentation determined by those regulations.
- (5) Bankruptcy administrators shall be empowered to make submissions in accordance with this Law.
- (6) Liquidators of joint stock companies, limited liability companies, limited partnerships, and general partnerships shall be empowered to make submissions for registration in accordance with this Law.
- (7) *Deleted (OG of MN 36/11)*
- (8) The Authorized Registry Agent, authorized authority upon receiving a submission shall issue to the applicant written evidence in the form of a receipt indicating the time of submission, and shall attach a copy of the receipt to the documents being archived.

Registration Procedure

Article 86

- (1) Upon submission of a registration application and documents necessary for registration, the Tax Administration shall issue a receipt evidencing time the registration application and documents are received.
- (2) The Tax Administration shall be obliged, upon receiving the registration application, to register the business organization or entrepreneur, if submitted documents contain all necessary data set forth under this Law and to assign a registration number.
- (3) Documents referred to in paragraph 2 of this Article shall be recorded – registered in the Central Registry.
- (4) The Tax Administration shall reject the registration if:
 - 1) documentation is not complete, or if not submitted in stipulated form;
 - 2) data are incomplete;
 - 3) another form of business activity is registered under the same name or there is breach of some other regulation.

- (5) A decision on rejecting the registration must be adopted within four business days following the day of receipt of documentation.
- (6) If the Tax Administration fails to reject the registration within the deadline referred to in paragraph 5 of this Article, a business organization or entrepreneur shall be deemed to be validly registered.
- (7) A joint stock company and limited liability company shall acquire the status of a legal person on the day of recording - registration in the Central Registry.
- (8) Recording – registration in the Central Registry shall be done based on the registration decision.
- (8) Recording – registration in the Central Registry shall be done based on the registration decision.
- (9) The decision referred to in paragraph 8 of this Article shall also determine the tax identification number.
- (10) The decision referred to in paragraph 8 of this Article may also determine the VAT registration number and excise taxpayer registration number, upon a request of the registration application, in accordance with law.
- (11) A complaint may be lodged against the decisions of the Tax Administration to the state administration authority in charge of finances (hereinafter referred to as the Ministry).
- (12) The Ministry shall set forth the forms for registration and instruction for the work of the Central Registry by way of its regulation.

Fees for registration in the Central Registry

Article 87

- (1) A fee shall be paid for registration in the Central Registry.
- (2) The fees for recording in the Central Registry shall be as follows:
- 1) for registration of a joint stock company - EUR 50;
 - 2) for registration of entrepreneur, general partnership, limited partnership, and limited liability company - EUR 10;
 - 3) for the issuance of an authenticated registration decision or a certificate that the business organization or entrepreneur is not registered - EUR 5;
 - 4) for the submission of any other request, including a request for de-registration - EUR 5;
 - 5) for publication of data in the Official Gazette of Montenegro - amount of actual publication costs.
- (3) Proceeds from fees referred to in paragraph 2 of this Article shall be revenues of the Budget of Montenegro,

Liability **Article 88**

(1) The Central Registry shall ensure that the data contained in the index and the other data archived in the database of the Central Registry are the same as the data provided to it for registration, and that the public may rely thereon to that extent. Registration on the basis of this Law shall be only a certification that the Memorandum of Organization, which formed the basis of the registration contains the data required by this Law. Registration shall not be an attestation as to the truth of the data contained in the said Memorandum of Organization. Persons that conclude legal transactions with registered entities shall bear the risk to verify, for their own needs, the accuracy of data contained in the registry.

PART IX - PENALTY PROVISIONS

Article 89

Deleted (Official Gazette of Montenegro 17/07)

Article 90

Deleted (Official Gazette of Montenegro 17/07)

Article 91

Deleted (Official Gazette of Montenegro 17/07)

Offences

Article 92

(1) A pecuniary fine in the amount not exceeding EUR 15,000 shall be imposed on a company or another form of organization pursuing economic activity for the offences referred to in paragraph 3 of this Article.

(2) A pecuniary fine in the amount not exceeding EUR 1,000 shall be imposed on any person within a company or another form of organization pursuing economic activities who is responsible for the offences referred to in paragraph 3 of this Article.

(3) A company or another form of organization pursuing economic activities shall commit an offence in the following circumstances:

- 1) If it conducts a business activity without license, if such a license is envisaged by a separate regulation (Article 1 paragraph 3);
- 2) If in conducting its business activity, it does not use the registered name of the company (Article 6 paragraph 6, Article 12 paragraph 1, item (1), Article 21 paragraph 1, item (11), Article 70 paragraph 1, item (5), Article 80 paragraph 3, item (3));

- 4) In the event of failed subscription of shares, the company or the founders fails to refund to the subscribers the amounts paid in within the deadline set by law (Article 20 paragraph 6);
- 5) If it fails in the capacity of founder, member of the Board of Directors or executive officer to convene the statutory general meeting of shareholders, ordinary general meeting of shareholders, or extraordinary general meeting of shareholders in a timely manner when required so under the law or fails to convene the general meeting of shareholders in accordance with the procedure determined for convening the general meeting of shareholders (Article 36);
- 6) If it fails to organize itself and adjust its general acts with the provisions of this Law within the established deadline, unless otherwise determined by this Law (Article 96 paragraph 3);
- 7) If it fails to state the prescribed data in business letters and other business documents (Article 27, paragraph 2 and Article 80, paragraph 5).

Offences by an Individual Entrepreneur Article 94

A pecuniary fine in the amount not exceeding EUR 5,000 shall be imposed on any individual entrepreneur who conducts business under a name other than his own without registering the trade name with the Central Registry (Article 5 paragraph 4).

Failure to Register Article 95

(1) A pecuniary fine in the amount not exceeding EUR 1,000 shall be imposed on any person carrying on an economic activity which has been in operation for more than 30 days claiming to have limited liability of shareholders or members of a joint stock company, limited liability company or limited partnership without validly registering in accordance with this Law.

(2) *deleted (OG of MN 40/10)*

(3) A pecuniary fine in the amount not exceeding EUR 1,000 shall be imposed on every general partner if limited partnership fails to submit the information required in Article 13 paragraph 1 of this Law.

PART X - TRANSITIONAL AND FINAL PROVISIONS

Transitional Provisions Article 96

(1) The existing companies and other forms of organizations pursuing economic activities, as well as entrepreneurs, shall continue to operate on the effective day of this Law in the manner and under the conditions which were valid at the time of their registration.

(2) The Central Registry shall submit a proposal of the general act that shall prescribe the forms and instructions for the work of the Central Registry within 60 days of the effective day of this Law.

- (3) The Ministry of Justice shall be obliged to adopt the act referred to in paragraph 2 of this Article within 30 days of the day of receiving the proposal.
- (4) The Tax Administration shall bring the Central Registry into complete operational capability in accordance with this Law within 90 days of the day of adoption of the act referred to in paragraph 2 of this Article.
- (5) Companies and other forms of organization, as well as entrepreneurs referred to in paragraph 1 of this Article shall bring their respective registration in line with the provisions of this Law within 180 days of the effective day of this Law, unless otherwise provided by certain provisions of this Law.
- (6) Existing joint stock companies registered prior to the effective day of this Law shall be obliged, within 180 days from the effective day of this Law, to submit a balance sheet for the last accounting period which proves that the company has at least EUR 25,000 in monetary or non-monetary share capital.
- (7) The joint stock companies which fail to act in conformity with the provisions of paragraph 6 of this Article shall be de-registered by the Tax Administration, after carried out liquidation procedure.
- (8) The Ministry of Justice, on the basis of this Law, shall be authorized to adopt and implement a separate legal act that prescribes instructions and forms for the operations of the Central Registry.
- (9) Registration initiated prior and after the effective day of this Law and prior to the adoption of the act referred to in paragraph 3 of this Article shall be continued under the existing regulations.

Adoption of Regulations Article 96a

- (1) Regulations referred to in Article 86, paragraph 10 of this Law shall be adopted within three months as of the day this Law enters into force.
- (2) Regulations adopted pursuant to authorizations referred to in Article 96 of this Law shall apply until adoption of regulations referred to in paragraph 1 of this Article.

Establishing the Central Registry (CRPS) Article 96b

- (1) The Central Registry shall be established within six months as of the day this Law enters into force.
- (2) Data recorded in the Central Registry of the Commercial Court shall be entered into the Central Registry within the deadlines referred to in paragraph 1 of this Article.
- (3) Until the establishment of the Central Registry referred to in paragraph 1 of this Article, the registration shall be performed in the Central Registry of the Commercial Court.

(4) The Commercial Court shall be obliged to hand over the documentation of the Central Registry of the Commercial Court within 15 days following the day of establishment of the Central Registry.

**Termination of Validity of the Certain Laws
Article 97**

By coming into force, this Law shall supersede the Law on Entrepreneurs (Official Gazette of the Republic of Montenegro 43/95 and 1/96), as well as provisions of other laws and regulations that are conflicting with this Law.

**Coming into Force
Article 98**

This Law shall enter into force on the eighth day upon its publication in the Official Gazette of the Republic of Montenegro.

Note of the Publisher:

Transitional Provisions referred to in the Law on Amendments to this Law (Official Gazette of Montenegro 17/07) were not entered in the clear text of the Law, which read as follows:

“Transitional Provisions

Article 66

Restructuring procedures initiated before the effective day of this Law shall be terminated in accordance with the regulations effective until the effective day of this Law.

The existing joint stock companies shall be obliged to harmonize their acts with this Law, at the latest until 30 June 2008.

Article 67

The Board for Constitutional Issues and Legislation of the Parliament of Montenegro shall be authorized to determine a clear text of this Law.

Coming into Force

Article 67

This Law shall enter into force on the eighth day upon its publication in the Official Gazette of Montenegro.

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