

**LAW ON COMPYNY
OF REPUBLIC OF SRPSKA**
(Official Gazette of the Republic of Srpska, No 127/08) **EXCERPT**

PART I

GENERAL PROVISIONS

Law on company regulates the establishing/founding, activity, management and closing of company in the Republic of Srpska.

A company is a legal entity conducting activities in order to make profit and an entrepreneur is a natural person conducting activities in order to make profit. A natural person conducting activities of free profession determined by special regulations is considered an entrepreneur if determined so by those regulations, but an individual farmer is not an entrepreneur, in the context of this Law. Activities, in the context of this Law, are considered as production and trade of goods and performance of services on the market.

A company may be founded by a natural person or a legal entity (hereinafter: founders). Natural persons may form a partnership company, limited partnership company, Joint Stock Company, and company with limited liability.

The firm is the name under which a company operates.

Firm of a partnership company shall contain the personal name of at least one member, indicating that there are more members, and the sign "o.d."

Firm of a limited partnership company shall contain the personal name of at least one general partner and the sign "k.d." Firm of a limited partnership cannot contain the names of limited partners.

Firm of a Joint Stock Company and company with limited liability shall contain the sign of the Joint Stock Company ("a.d.") and the company with limited liability ("d.o.o").

Firm of a public company shall contain the sign "j.p."

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

Firm shall contain a sign designating the activity and the Head Office of a company. Firm may not contain the name of a foreign country, nor its coat of arms, flag, or other state emblems, nor the signs that imitate them. Firm may not contain the name of an international organization, nor its emblems. Firm may not include signs for control and guarantee of a quality of products and services.

II PART

FORMS OF COMPANY

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

A company can be founded for a limited or unlimited period of time.

Unless otherwise determined by the Foundation Charter, it is considered that the company is founded for unlimited period of time.

A company is represented by a director, if not determined otherwise by this Law.

Based on the Foundation Charter, or the statute of a company, it can be determined that besides the director, a company may be represent by other persons.

The Foundation Charter, or the Statute of an company can limit the authority of a representative to the completion of certain contracts or performance of other legal actions, or it could determined that the representative carries out the completion of contracts and performance of other legal actions, only with the consent of the managing body.

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

The director of a company, upon the consent of the managing authority, may grant procuration to a certain person.

Partnership

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

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

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

Limited Partnership

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

General partner may only be a natural person, and limited partner may be a natural person or legal entity. General partners hold partnership members status.

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

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

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

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

Joint Stock Company

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

A joint stock company is founded by The Foundation Charter; if founded by a single member, then by The Foundation Decision. A joint stock company has a Statute.

Founders may found a joint stock company:

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

Joint Stock Company **is** founded by the establishment act of one or more domestic/foreign natural and/or legal entities with initial capital divided into a defined number of shares;

1. **Open joint-stock company** is a legal entity, whose shares may be publicly traded i.e. offers its shares for sale upon the open market and they are listed on the stock exchange and other public markets;

The minimum initial capital is 50 000 BAM (25,000 EUR);

2. **Closed joint-stock company** is a legal entity, whose shares are distributed among a limited number of shareholders. The maximum number of shareholders is 100. The minimum initial capital is 20,000 BAM (10.000 EUR).

Natural person may found one-member stock company.

Limited Liability Company

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

A member of a limited liability company acquires a share in the company in proportion to the value of deposit. Each member of the company may have only one share while one share may amount to more than one vote. Stocks may not be expressed in shares. Limited liability company is founded by a Founding Charter or, if founded by one person, by a founding decision. Limited Liability Company has a Statute. Limited Liability Company may have up to 100 members, unless company members are employed with the company and purchase their shares under preferred conditions and in accordance with the Law.

Public Company

Public company is a company that performs business activity of general concerns, and is founded by Republic i.e. by unit of local self-government. Business activity of general concerns can be performed by other forms of company as determined by this Law, a part of company as well as an entrepreneur.

Holding

Holding is company which has in its possession stocks and shares of dependent company and is primarily involved into managing, obtaining capital participation in another company through stocks, shares or exchangeable shares (founding, long-term investments, purchasing, and exchange) as well as disposal of those securities. Holding can be organized as partnership, limited partnership, stock company, Limited Liability Company and public company. Relations between holding and dependent companies are accordingly regulated by provisions of this Law on parent and dependent companies as well as provisions on companies with mutual participation.

Stockholder who possesses more than 75% of dependent company's stocks is jointly liable for his liabilities (dependent company under direct management).

Obtaining capital participation is registered and published in the stock-market gazette.

Stockholders of dependent company under direct management may at any time request parent company to:

- 1) pay them dividend such as belong to stockholder with participating stocks; or
- 2) have their stocks bought at stock-market price or at price of public auction or at price determined by a court expert; or
- 3) have their stocks exchange for parent company stocks.

Creditors of dependent joint stock company under direct management whose unrealized claims originated before publishing the notification and public offer concerning purchase of stocks for the sake of obtaining majority capital participation may, within 90 days following announcement on obtaining capital participation in excess of 75%, request parent company securities up to amount of their claims.

PART III

BUSINESS ASSOCIATION AND OTHER FORMS OF MERGING

Business association - can be established by two or more companies or entrepreneurs for the purpose of improving their business and coordinating their activity. Business association is established for the purpose of making profit. Rights of members of business association may not be expressed in securities. Business association is a legal entity.

Business association is entered in the Register. The term "business association" is part of a company name. Business association acts in legal matters in its own name and in the name of its members and in the name and on behalf of its members. For liabilities overtaken in legal matters business association is liable with its property while its members are liable in a way determined by Foundation Charter or by a contract with a third party.

Foundation Charter determines the name, time of foundation, purpose and activity, head office, management, representation, responsibility, merging, withdrawal, acting in legal matters, expulsion, property, supervision, termination as well as other issues of importance for realizing aims of establishing a business association. Companies and entrepreneurs may get linked by contracts and other forms of merging (consortium, franchise, association of companies, business union, business system, etc.).

Merging – A company can merge with another company (merging), divide into two or more companies (division) and change its form (company form change). Companies of the same or different form may get linked providing they have been registered for at least one year. The same applies to company form change.

Companies can not merge if that is in contrary to the monopoly regulations.

Two or more companies can merge in the following way:

- 1) by transferring property of one or more companies (overtaken companies) to another company (taking company) in exchange for stocks or shares of that company (merging by overtaking);
- 2) by creating a new company which takes property of merging companies in exchange for securing stocks or shares of a new company (merging by new foundation).

Overtaking company may not increase share capital based on merging by overtaking while it keeps its own stocks or shares, i.e. while it owns stocks or shares which are not paid for in full and belong to company being overtaken.

There is also Merger through Take-Over in Special Cases; If at least 90% of the share capital of a dependent company is in the ownership of a parent company, the merger through take-over is carried out without the consent of the Assembly of the dependent company, except if the shareholders or members of such company who possess or represent at least one tenth of the share capital of the company request the convening of the Assembly for the passing of the resolution. Own shares or stakes of the dependent company and shares or stakes belonging to another for the account of such company are deducted from the share capital.

The person who, in an company or other business person, creates a false balance sheet that determines a profit or loss of an company or that determines the share of each member of a company in the profit or loss with a purpose of acquiring benefit for themselves or another person or with a purpose of causing another person damages, will be penalized for a criminal act with a jail sentence from three months to five years.

A private company, shop or agricultural farm with the character of a legal entity that is entered in the Register of a competent court up to the day of coming into effect of this Law that in the procedure of bringing into accord with this Law register as an entrepreneur, register with the same Register.

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