

**Law on Companies of the Republic of Serbia
(Official Gazette of the Republic of Serbia 36/2011)**

Assembly of the Republic of Serbia adopted the Law on Companies of the Republic of Serbia (Official Gazette of the Republic of Serbia 36/2011) (Hereinafter "Law")

Law was adopted on May 27, 2011 and entered into force eight days after publication in the Official Gazette of the Republic of Serbia. Law will be applicable from February 01, 2012.

The existing limited liability companies are required to perform harmonization with the Law provisions from the date when application of law starts (February 01, 2012). Also the companies are obliged to register changes that are prescribed by the Law within three months from the date when application of the Law starts. If the company fails to comply with the previous method, enforced liquidation proceedings will be initiated.

ADJUSTMENT WITH LAW

The existing limited liability companies are obliged to:

1. Harmonize their capital with the provisions of this Law. The shares, need to be expressed in dinars (RSD). If the founders do not convert capital into RSD, it will be done by the Business Registers Agency ex officio. After that, all shares need to be expressed in dinars. If the payment is performed in foreign currency, the RSD equivalent of the shares will be calculated using the middle rate of the National Bank of Serbia on the date of deposit.

Founding Act may prescribe an obligation of contractual damage being paid in case of delay in paying the capital or in case of failure to perform this obligation, that is applicable only in case of non-cash capital (Article 48, paragraph 1.). If a member of the company fails to fulfill its obligation to pay the capital, the company may invite him, in written, to perform his obligation in the additional period of 30 days from the date of dispatch of invitations. This

invitation needs to be published on a website of the Business Register Agency. If a member fails to perform his obligations, even in the additional period, he may be excluded from the company. The warning that a member may be excluded from company in the case, when even in the additional period does not perform his duty, must be pointed out in the invitation.

2. Harmonization of company's bodies. The management of the company may be unicameral or bicameral. In the case of unicameral governance, company bodies consist of Assembly and one or more directors. In the case of bicameral governance, company organs consist the Assembly, the Supervisory board and one or more directors. The way of managing of the company is determined by the Foundation Act.

Restrictions on representative of the company's powers can not have legal effect toward third parties. In exception, restrictions on representative of the company's powers, in the form of compulsory co-signature, may have legal effect on third parties if it is registered.

Unicameral management:

Assembly of the company: The Director can summon Assembly session, if the management of the company is unicameral or if it is prescribed by the Foundation Act, the Assembly may be summoned by a member of the company or other person. Session of the Assembly can be summoned when it is required, in written, by members of the company who hold or represent at least 20% of the vote rights, also it can be prescribed by Foundation Act, that the right to summon session of the assembly, have members who together hold or represent a smaller percentage of the vote rights.

Invitation for an Assembly includes, in particular, the date of dispatch of invitations, time and place of the session, a draft of agenda with a clear indication which items on the agenda is proposed to be decided and material for the meeting.

The Directors and the Supervisory Board are obliged to attend sessions of the Assembly, if they are timely call by the President of the Assembly or by any member of the company or if so is determined by the Foundation Act.

Jurisdictions of the Assembly are similar as it is prescribed in the Law which is currently applicable.

Director

The company may have one or more directors who are legal representative of company. If the number of directors is not determined by the Foundation Act or by decision of the Assembly, the company has one director. Director has to be registered. The Assembly appoints directors. If, by the Foundation Act or by the decision of Assembly, is not specified differently, it is considered that the mandate of the director is not limited. Assembly or the Supervisory board can dismiss the director with no obligation to state reasons for dismissal otherwise it is expressly prescribed in the Foundation Act or by the Assembly decision. In a company where the management is unicameral, directors perform all tasks that are not under the jurisdiction of the Assembly.

Bicameral management

Assembly:

The Director or the Supervisory board can summon assembly session, if the management of the company is bicameral or if it is prescribed by the Foundation Act, the Assembly may be summoned by a member of the company or other person. Session of the Assembly can be summoned when it is required, in written, by members of the company who hold or represent at least 20% of the vote rights, also it can be prescribed by Foundation Act, that the right to summon session of the assembly, have members who together hold or represent a smaller percentage of the vote rights.

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Supervisory Board

The Supervisory Board supervises the work of the director. The President and members of the Supervisory board shell be elected by the Assembly, and they also must be registered before the Business Register Agency.

Issues within the competence of the Supervisory board can not be transferred to the directors of the company. Unless otherwise provided in the Foundation Act, the Supervisory Board shall submit annually a written report on the business activities of the company and conducted supervision of the director to Assembly. Members of the Supervisory Board can not be executive directors of the company or procurators of the company. The Supervisory board must have an odd number of members, at least three.

GENERAL PROVISIONS

Amendments to the Foundation Act and Statute

Legal representative of the company is obliged to, after every changes of the Foundation act, prepare and singe the integral version of the Foundation Act. Amendments of the Foundation Act and revised text of the document after each change need to be registered in front of the Business register agency.