Law of Georgia on Entrepreneurs

Section I – General Part

Chapter I – Introductory Provisions

Article 1 – Scope of the Law and the principle of disposition

1. This Law regulates the legal forms of an entrepreneur, the procedures for their incorporation and registration, and issues related to their activities. Where such a procedure or issue is regulated otherwise by other legislative acts, or a respective legal act of the National Bank of Georgia adopted/issued on the basis of another legislative act, the said other legislative act/respective legal act of the National Bank of Georgia shall apply.

2. A statute or a partners' agreement of a general partnership, a limited partnership, a limited liability company, and a cooperative may establish rules different from those provided for by this Law, unless it is clear from the content and purpose of a provision in this Law that it shall prevail in the event of a conflict with said rules.

3. A statute of a company ('a statute') may also regulate issues that are not regulated by this Law, or supplement provisions in this Law which fail to comprehensively regulate certain issues.

4. A statute or a shareholders' agreement of a joint-stock company may establish rules different from those provided for by this Law only in the cases and within the scope allowed by law.

Article 2 – Concept of an entrepreneur

1. An entrepreneur is a natural person or a legal person that has an undertaking.

2. An undertaking is an organised system for carrying out business activities. A business activity is a legitimate, repeated, independent and organised activity carried out for the purpose of earning profit.

3. Business activities may be carried out by an individual entrepreneur or a company. A general partnership, a limited partnership, a limited liability company, a joint-stock company and a cooperative shall all be deemed companies for the purposes of this Law.

4. A company is a legal person.

5. An individual entrepreneur is not a legal person. An individual entrepreneur exercises his/her rights and fulfils his/her obligations in business relations as a natural person. An individual entrepreneur shall be personally liable to a creditor with all his/her assets for the obligations arising from his/her business activities, unless otherwise provided for by an agreement between the individual entrepreneur and the creditor (except for the standard contractual conditions determined by the Civil Code of Georgia).

Article 3 – Activities that are not considered as business activities

1. The artistic, scientific, medical, architectural, legal, arbitration, mediation, notary, audit or consulting (including tax consulting) activities of natural persons, as well as the utilisation by a natural person or a legal person, or other types of organisations, of a micro power plant connected to the electricity distribution network as provided for by the appropriate legislation, shall not be considered as business activities.

2. Agricultural or forestry activities carried out by natural persons shall not be considered as business activities, unless at least 5 persons are permanently employed in carrying out such activities, which persons shall not be family members of an owner of an undertaking. In such cases, in order to carry out activities, it is necessary to establish a legal form of an entrepreneur.

3. Unless otherwise provided for by special laws, natural persons who are carrying out the activities determined by paragraph 1 of this article, namely representatives of free professions, may use the legal forms of an entrepreneur provided for by this Law.

Chapter II – Establishment of an Entrepreneur

Article 4 – Articles of association of a company and their form

1. The instrument of incorporation of a company shall be necessary to establish a company.

2. The instrument of incorporation of a company shall be drawn up in a written form and shall be signed by all founding partners of the company.

3. A signature on the instrument of incorporation of a company shall be notarised. The notarisation of a signature is not mandatory if it is certified, according to the established procedure, by the Legal Entity under Public Law called the National Agency of Public Registry ('registration authority'), operating under the governance of the Ministry of Justice of Georgia, or other administrative body or other person authorised by the registration authority, or if a signature is created in accordance with the Law of Georgia on Electronic Documents and Electronic Trust Services.

4. A power of representation requires the notarisation of a signature or the creation of a signature in accordance with the Law of Georgia on Electronic Documents and Electronic Trust Services.

Article 5 – Instrument of incorporation of a company

1. The instrument of incorporation of a company contains its statute and the data determined by this article.

2. The instrument of incorporation of a company of any legal form shall, in addition to the statute, contain the following data:

a) the brand name of a company;

b) the legal address of a company;

c) the identification data of each partner/founder, such as: the first name, last name, residential address and personal identification number, or, if a partner is a legal person, its brand name, legal address and identification number;

d) the identification data and term of office, if determined, of a person with management and representative powers, and if there is a supervisory board, of a member of the supervisory board;

e) the identification or registration data, as well as the term of office of a general commercial representative, if any;

f) the identification or registration data of a manager of a partner's shares, if any;

g) the procedure for the appointment and dismissal of a person with management and representative powers, and of the members of the supervisory board, if any, and the number of such members, if those issues are regulated in a different way than provided for by this Law, as well as the powers of such members;

h) in the case of representation other than the joint representation determined by Article 42(2) of this Law, the description of that representation.

3. In the absence of a statute drawn up by the founders, a standard statute shall be considered as part of the instrument of incorporation of a company.

4. The instrument of incorporation of a limited partnership shall additionally contain information on limited partners and on the amount of their contributions.

5. The instrument of incorporation of a limited liability company shall additionally contain the following information:

a) the number of shares issued by the limited liability company for consideration, whether the company has received the consideration or not (subscribed shares), as well as the partners' shareholdings in the capital. The partners' shares shall be expressed in percentages and their sum shall be equal to 100 % of the capital;

b) the maximum amount of capital, if any, at the time the company is incorporated, within which a limited liability company may decide to subscribe shares in the future (authorised capital);

c) the number of shares, if any, issued at the time the company is incorporated, as well as information on the redistribution of current shares and the percentage participation of partners in the capital in the case of subscription of shares;

d) the nominal value of the shares, if any;

e) special conditions, if any, limiting the alienation of shares;

f) the information referred to in sub-paragraphs (d) and (e) of this paragraph for each class of shares.

6. The instrument of incorporation of a joint-stock company shall additionally contain the following information:

a) the amount of subscribed capital at the time the joint-stock company is registered;

b) the maximum amount of capital with which the joint-stock company may decide to subscribe shares in future (authorised capital), as well as the nominal value of the shares (if any);

c) the nominal value (if any) and the number of shares, or where there is no nominal value, the number of shares subscribed at the time the joint-stock company is incorporated;

d) special conditions, if any, limiting the alienation of shares;

e) the information referred to in sub-paragraphs (c) and (d) of this paragraph for each class of shares;

f) the paid-up portion of the subscribed capital at the time the joint-stock company is incorporated (paid-up capital);

g) the nominal value of shares issued for contributions in kind, or where there is no nominal value, the number of issued shares, the nature of the contribution, and the name of the person making that contribution;

h) the amount of existing or estimated costs of incorporating the joint-stock company and obtaining a licence/authorisation, which shall be borne by the joint-stock company;

i) the economic benefits received or to be received from the joint-stock company by the persons involved in the performance of the actions related to the incorporation and the obtaining of a licence/authorisation.

7. The instrument of incorporation of a cooperative shall additionally contain information on the nominal value of shares.

8. Any change in the data/information provided for in paragraph 2(a), (b), (g), and (h), paragraph 5(b) and (c), and paragraphs 6 and 7 of this article shall be decided on by a majority of votes necessary for amending the statute.

9. In the case of a natural person who is not a citizen of Georgia, or a foreign legal person, the articles of association of a company shall include the equivalent data determined for a citizen of Georgia or a company registered in Georgia, which are used for the identification of a person in the process of notarial actions in Georgia.

10. The legal address of an entrepreneur shall be his/her/its actual address in the territory of Georgia.

Article 6 – Statute of a company

1. The statute of a company of any legal form shall contain at least the following data:

a) the legal form of the company;

b) the subject of the activities of a company. Both general business activity and a specific subject of activities may be referred to as the subject of the activities of the company;

c) any limitation regarding the title to shares as agreed between the partners, if any;

d) information on a partners' agreement, if any.

2. Standard statutes according to the legal forms of a company shall be approved by the Minister of Justice of Georgia ('the Minister'). The amendment or annulment of a standard statute by the Minister shall not necessitate making amendments to the statute of a company which used, for registration purposes, the standard statute applicable at that time, unless the reason for making amendments to or annulling the standard statute is a respective amendment to law, in which case a company shall be obliged to ensure that its statute is in compliance with the imperative requirements of law.

Article 7 – Partner of a company

1. A partner of a company is a person who holds shares in the company (the term 'partner' referred to in the General Part of this Law includes a partner of a general partnership, a limited partnership, a limited liability company, a shareholder of a joint-stock company, and a holder of shares in a cooperative).

2. A partner of a company may be both a natural person and a legal person, as well as a registered independent organisational form with no status of a legal person, which can acquire rights and undertake obligations on its own behalf.

3. Limitations may be imposed on the acquisition of title to shares in the cases expressly provided for by the statute or by law.

Article 8 – Registration of an entrepreneur

1. Registration of an entrepreneur is mandatory. Registration of an entrepreneur entails both state registration and tax registration. An entrepreneur shall be registered by a registration authority.

2. Information on the registration of the data stored in the Registry of Entrepreneurial and Non-entrepreneurial (Non-commercial) Legal Entities ('the Registry'), and on making changes to and annulling the registered data, shall be electronically sent by the registration authority to the Legal Entity under Public Law called the Revenue Service operating under the governance of the Ministry of Finance of Georgia.

3. Only a partner/founder of a general partnership, a limited partnership and a limited liability company shall be registered with the Registry.

4. A body determined by this Law and/or the instrument of incorporation of a company, that is authorised to prepare the data and the documents submitted to the registration authority, shall be responsible for the authenticity and accuracy of the content of such data and documents, and for observing the respective procedure for their preparation. The registration authority shall be responsible only for the compliance of the registered data with the registration and other documents stored with it, and the safety thereof.

5. The procedure for maintaining the Registry and registration conditions shall be determined by the Law of Georgia on Public Registry, the order of the Minister of Justice of Georgia 'on Approval of the Instructions for Registration of Entrepreneurial and Non-entrepreneurial (Non-commercial) Legal Entities' ('the Instructions'), and other normative acts.

6. An entrepreneur shall be deemed established from the moment of its registration.

7. A decision of the registration authority on the registration of an entrepreneur shall enter into force upon its publication on the central electronic platform of the registration authority.

Article 9 – Precondition for the registration of a company

1. The following shall be submitted to the registration authority in order to register a company:

a) the instrument of incorporation of the company;

b) the consent of each person with management and representative powers of the company to perform their stated functions, unless their consent is expressed in the instrument of incorporation of the company.

2. The legislation of Georgia may establish other preconditions for the registration of a company as well.

Article 10 – Liability for the actions performed on behalf of a company before its registration

1. Liability for the obligations undertaken on behalf of a company before its registration shall be assumed, directly and with no limitation, by the founding partners of the company and the persons performing the actions which led to the origination of such obligations, as joint and several debtors, unless otherwise agreed with a creditor.

2. The rights acquired and the obligations undertaken on behalf of a company before its registration, if approved by the company, shall become the rights and obligations of the company. In such case, the founding partners of the company and those persons whose actions led to the origination of such rights and/or obligations shall be exempted from such obligations, unless otherwise agreed with a creditor.

Article 11 – Registration of an individual entrepreneur

1. In order to register as an individual entrepreneur or to register changes in the registered data, a natural person shall submit to the registration authority a written application requesting registration as an individual entrepreneur or the registration of changes in the registered data, and the identity document of a citizen of Georgia, or if an applicant is not a citizen of Georgia or is an alien, an identity document which is used for the identification of the person in the process of carrying out notarial actions.

2. An application as referred to in paragraph 1 of this article shall contain the following data:

a) the full name of an applicant;

b) the legal address of an applicant;

c) the personal identification number of an applicant, or if the applicant is not a citizen of Georgia or is an alien, the identification data of an identity document presented by him/her;

d) the signature of an applicant.

3. Natural persons living legitimately in the territory of the Autonomous Republic of Abkhazia and the Tskhinvali Region (the territories of the former South Ossetian Autonomous Region), the occupied territories of Georgia as determined by the Law of Georgia on Occupied Territories, who are registered according to the procedure established by the legislation of Georgia and who have been assigned personal identification numbers, shall also have the right to submit an application to the registration authority requesting registration as an individual entrepreneur or the registration of changes in the registered data.

4. The procedure for the registration of a natural person as referred to in paragraph 3 of this article as an individual entrepreneur shall be determined by the Instructions.

Article 12 – Registration of changes in the registered data

1. Any change in the data referred to in Articles 5 and 6 of this Law shall be registered with the Registry.

2. Changes in the registered data shall be made on the basis of an application of a person with management and representative powers of a company, unless otherwise provided for by the statute or an agreement submitted as the ground for the registration of such changes.

3. In addition to the application of a person referred to in paragraph 2 of this article, changes in the data referred to in Article 5(2)(c) of this Law, in the case of alienation of shares, may also be made upon the request of a partner alienating the shares or a person acquiring the shares, or in the case of succession, upon the request of a successor/successors. Changes in the data referred to in Article 5(2)(d) of this Law may also be made upon the request of any partner. Changes in the shareholding of a partner in the capital of a company subject to registration, as well as changes in the data referred to in Article 5(2)(f) of this Law, may also be made upon the request of a respective partner.

4. Unless another procedure is established by the instrument of incorporation of a company, any change in the statute shall be signed by the chairperson of the general meeting of partners/general meeting of shareholders/general meeting of the members of a cooperative ('the general meeting'). If a notary public attends the general meeting, the minutes of the general meeting shall be drawn up and signed by the notary public as well. Unless otherwise provided for by the instrument of incorporation of a company, partners' signatures shall not be required for amendments to the statute or for a new version of the statute. The procedure determined by Article 4(3) of this Law shall apply to the certification of amendments to the statute.

5. An agreement submitted for the purpose of making changes in the registered data shall be certified according to the procedure established by Article 4(3) of this Law.

6. If it is requested to make amendments to the instrument of incorporation of a company, the consolidated text of the instrument of incorporation shall be submitted to the registration authority together with the text of the amendment. Any defect in the submitted consolidated text may hinder the process of registration.

7. Changes in the entrepreneur's registered data shall be made in accordance with the Law of Georgia on Public Registry and other normative acts.

8. Pre-registration of the title to shares shall be carried out according to the procedure established by the Law of Georgia on Public Registry for pre-registration of immovable property rights.

9. If a person acquiring shares in a general partnership, a limited partnership or a limited liability company requests, together with the registration of title, to make changes based on an issue which such person was entitled to decide on as the owner of shares, after the registration of the person's title to the shares, such decision shall be considered to have been made by an authorised person.

10. In order to make changes under paragraph 1 of this article in data on an authorised investment company determined by the Law of Georgia on Investment Funds, an interested person shall submit a document of consent from the National Bank of Georgia, except for the cases provided for by a legal act of the National Bank of Georgia.

11. Changes in the registered data of a commercial bank in the resolution mode shall be registered with the Registry immediately upon the application of the National Bank of Georgia.

Article 13 – Publicity of the Registry and the disclosure obligations

1. The data registered with the Registry shall be public. Any person shall have the right to look through the data registered with the Registry and to obtain an extract from the registration authority.

2. An extract from the Registry shall be issued within the timeframe determined by an ordinance of the Government of Georgia for preparing extracts, after the payment of the established fee. An extract shall be prepared on the basis of the data from the Registry, the Registry of Public Law Restrictions, the Registry of Tax Liens/Mortgages, the Registry of Movable and Intangible Property Rights, and the Registry of Debtors, and shall contain the data on the registered entity that are in force at the moment of preparation of the extract.

3. Electronic copies of the documents submitted in the process of registration are published on the central electronic platform of the registration authority and are available for any person free of charge. A request for registration shall be considered as consent from the data subject to process the personal data in accordance with this article.

4. In the cases provided for by this Law or a statute, disclosure shall mean the publication of the information or documents about a

fact on the central electronic platform of the registration authority.

5. In addition to other instances determined by this Law, the following data shall be disclosed:

a) the data registered with the Registry and all changes made thereto;

b) the amount of the subscribed capital of a joint-stock company at least once a year, if such data are registered with the Registry.

6. A person with the management powers of an entrepreneur or a branch of an entrepreneur registered abroad shall be responsible for submitting to the Registry the data to be disclosed under this Law. Administrative liability for the failure to fulfil the above obligation shall be determined by the legislation of Georgia.

Article 14 – Presumption of reliability and entirety of the Registry data

1. The presumption of reliability and entirety applies to the disclosed data that are registered with the Registry.

2. The data registered with the Registry may be relied on by an entrepreneur as against third parties only after they have been disclosed, unless the entrepreneur proves that the third parties had knowledge of the respective fact or document.

3. With regard to transactions taking place within 15 days following the registration and disclosure of data, the registered and disclosed data may be relied on as against third parties, unless the third parties prove that they did not know and it was impossible for them to have knowledge of the respective fact or document.

4. Third parties may rely on any data in respect of which the registration and disclosure formalities have not yet been completed, except for cases where such data enter into force only after their registration and disclosure.

5. In the case of the appointment of a person with the power of representation of a company, and due registration and disclosure o the data on such person, an irregularity in his/her appointment shall not be relied on as against third parties, unless the company proves that such third parties had knowledge thereof.

Article 15 – A branch of an entrepreneur

1. An entrepreneur may establish a branch. The branch shall not be a legal person. A branch of an entrepreneur registered in Georgia shall not be subject to registration.

2. An entrepreneur registered within a free industrial zone may establish a branch outside the free industrial zone as provided for by paragraphs 5-9 of this article.

3. An entrepreneur registered outside a free industrial zone may establish a branch within the free industrial zone as provided for by paragraphs 5-9 of this article.

4. All documents necessary for the registration of a branch of an entrepreneur registered abroad shall be submitted to the registration authority in a duly certified form as provided for by the legislation of Georgia.

5. An application for the registration of a branch of an entrepreneur registered abroad shall contain the following data:

a) the brand name of the entrepreneur;

b) the legal address of the entrepreneur;

c) the principal place of business of the entrepreneur;

d) the legal form of the entrepreneur and the country whose legislation applies to the registration of the entrepreneur;

e) the body of a foreign country which has registered the entrepreneur, and the registration number, if registration is mandatory under the legislation of that country, or if registration is not mandatory but the entrepreneur is nevertheless registered;

f) the brand name of the branch, which shall consist of the brand name of the entrepreneur and an addition of 'branch' or 'a brand name different from the brand name of the entrepreneur';

g) the legal address of the branch;

h) the identification data of the manager of the branch and the scope of his/her representative powers. If a branch has more than one person with representative powers, it shall be specified whether they represent the branch jointly or individually;

i) the subject of the activities of both the entrepreneur and the branch. In this case, the rules established by this Law on determining the subject of the activities of an undertaking by its statute shall apply;

j) the amount of the subscribed capital of a company, if any, at the moment of the registration of the branch.

6. The following shall be attached to an application for the registration of a branch of an entrepreneur registered abroad:

a) a document of registration of the entrepreneur certified in accordance with the legislation of Georgia;

b) the articles of association and the statute of a company certified in accordance with the legislation of Georgia;

c) a document determining the identity and identification data of a person with management and representative powers of a company, as well as information on the appointment and termination of office of such person. Such document shall state whether the person represents the branch as a member of the body of the company or as a permanent representative of the company for the activities of the branch;

d) the decision of the entrepreneur (an appropriate person/body with management powers) on the establishment of the branch certified in accordance with the legislation of Georgia;

e) the consent of a person to be appointed as a manager/representative of the branch.

7. A branch of a joint-stock company or a limited liability company, if any, is obliged to disclose or publish on the website of the company/branch the financial statement/consolidated financial statement of the company, which has been drawn up, audited and disclosed in accordance with the legislation of the country registering the entrepreneur.

8. A person with management powers of a branch shall inform the registration authority of any changes in the data that are required to be registered, as well as of closure of the branch, the winding-up of a relevant company, the commencement and termination of its liquidation proceedings, the identity of its liquidators, their appointment and the termination of their powers, the commencement and termination of the insolvency proceedings, and the revocation of registration of an entrepreneur.

9. The termination of existence of an entrepreneur shall result in the closure of its branches.

Article 16 – Brand name of an entrepreneur

1. The brand name of an entrepreneur is a name which is registered as such with the Registry and under which the entrepreneur operates.

2. A name and/or surname of an individual entrepreneur or a partner of a company may be used as a brand name of an entrepreneur. Moreover, a brand name may be selected according to the subject of the activities of a company, or it may be an imaginary name in compliance with the conditions of paragraphs 5-8 of this article.

3. A brand name of an entrepreneur shall include an addition indicating its legal form:

a) in the case of an individual entrepreneur: 'Individual Entrepreneur' or 'Ind. Entrepreneur';

b) in the case of a general partnership: 'General Partnership' or 'GP';

c) in the case of a limited partnership: 'Limited Partnership' or 'LP';

d) in the case of a limited liability company: 'Limited Liability Company' or 'LLC';

e) in the case of a joint-stock company: 'Joint-Stock Company' or 'JSC';

f) in the case of a cooperative: 'Cooperative' or 'Coop.'

4. If a personally liable person of a general partnership or a limited partnership is only a company, the liability of the partners of which is limited, its brand name shall additionally include an indication of 'Limited Liability GP' or 'Limited Liability LP', respectively.

5. A brand name of an entrepreneur (except for an individual entrepreneur) shall be different from a brand name of an already registered entrepreneur. The brand name of an entrepreneur shall be changed or an additional indication shall be added to it, if it is necessary to differentiate it from the brand name of another entrepreneur.

6. A brand name of an entrepreneur shall be in the Georgian language.

7. A brand name of an entrepreneur shall not include graphic symbols which do not have phonetic or verbal equivalents in language.

8. The following shall not be used in the brand name of an entrepreneur:

a) a word or an order of words which includes approval and/or encouragement of overthrowing or forcibly changing the constitutional system of Georgia, or infringing the independence and territorial integrity of the country, or which provokes national, provincial, religious, or social strife in the country, or approves and/or propagandises war, terrorism, violence and/or violation of the legislation of Georgia;

b) a word or an order of words, which provokes strife on the grounds of race, skin colour, language, gender, religion, political or other affiliation, national, ethnic or social affiliation, origin, property or titular status, profession, place of residence or place of birth, marital status, sexual orientation, gender identity, health status, disability, or on any other grounds, or contravenes public order or universally recognised moral standards;

c) an addition that may mislead any third party and/or cause any mistake and/or misunderstanding concerning the legal form, the scale or nature of activities of an entrepreneur, and/or the relations among the partners;

d) any formulation that is identical or similar to the name of a state body (institution), a body (institution) of the Autonomous Republic of Abkhazia, a body (institution) of the Autonomous Republic of Ajara, or a municipality body (institution), a legal entity under public law established under the Law of Georgia on Legal Entities under Public Law, any other body exercising public legal authority, or a political association of citizens, except for legal persons established by those entities and/or operating with their shareholding;

e) any formulation that is identical or similar to the name of another legal person registered in Georgia, without the consent of the latter;

f) any formulation that is identical or so similar to the brand name of a well-known person in Georgia, such that it may cause confusion, without the consent of such person;

g) a word or an order of words specifying the position of an official determined by Article 2(1) of the Law of Georgia on the Fight against Corruption;

h) a word or an order of words identical or similar to a term designating a military rank, a special state rank and/or a diplomatic rank determined by the legislation of Georgia;

i) an unquotable or offensive word or order of words;

j) the name of a natural person without his/her written consent;

k) the name of a natural person within not later than 30 years after his/her death without the written consent of his/her heir to us the name of such person.

9. The registration authority shall, based on the respective databases, check compliance with the conditions set out in this article. If the information stored with the registration authority is not enough, it shall have the right to require from an interested person that they submit additional information/documents evidencing the absence of the circumstances determined by this article.

10. A person unlawfully using a brand name of another legal person shall, upon the request of an authorised person, stop using that name and compensate for the damage caused by such unlawful use. Instead of compensation for the damage, a company may require from a violator that they transfer to the company any profit earned as a result of the unlawful use of a brand name of other legal person or to cede the right to earn such profit.

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Article 17 – A business letter and a website

1. A business letter of a limited partnership, a limited liability company, and a joint-stock company shall include at least the following data:

a) the brand name;

b) the legal address;

c) the identification number.

2. Where, in the business letter, mention is made of the capital of a company, the reference shall be to the capital which is subscribed and paid up.

3. If a company is in the process of liquidation, a business letter shall contain the brand name of the company and an additional indication of 'in the process of liquidation'. The same rule applies to persons that are under insolvency proceedings. Such persons shall make an additional indication of 'under insolvency proceedings' or indicate a specific insolvency regime, such as 'under a rehabilitation regime' or 'under a bankruptcy regime'.

4. All business letters of a branch of a foreign company shall also include a reference to the registration authority and the registration number.

5. All data included in a business letter shall also be published on the website (if any) of a company.

6. The requirements of this article shall apply to business letters in both paper and electronic form.

7. The administrative liability of a person with management powers for the failure to fulfil the obligations set out in this article shall be determined by the legislation of Georgia.

Article 18 – Procedures for serving a notice of the registration authority

1. A notice of the registration authority shall be considered served upon it being viewed by an entrepreneur, from the moment of its delivery to the legal address, or on the 15^{th} day after its placement on the electronic address, unless it is confirmed that the notice placed on the electronic address has been viewed earlier by the addressee.

2. An electronic address is an authorised user's page of an entrepreneur assigned by the registration authority within the central electronic platform for the purpose of communication between the entrepreneur and the registration authority, and the provision of electronic services to the entrepreneur.

3. The rules established by this Law, the Law of Georgia on Public Registry, and the Instructions, shall apply to the establishment of standards for a legal address and an electronic address, and for registration in accordance with those standards.

Chapter III – Single-Member Company

Article 19 – Single-member company

1. A limited liability company or a joint-stock company may be established by one person.

2. When, after the registration of a limited liability company or a joint-stock company, all its shares come to be held by a single partner, such company becomes a single-member company. The information thereon and the partner's identification data shall be entered into the Registry in the case of a limited liability company, or in the shareholders' register in the case of a joint-stock company, and shall be publicly available.

Article 20 – Obligation to observe a written form rule

1. If a company has a sole partner, such partner shall exercise the powers of the general meeting. A decision made within the scope of such powers shall be documented in a written form.

2. An agreement between a company and its sole partner shall be concluded in a written form, unless it is concluded in the company's ordinary course of business.

Chapter IV – Contributions

Article 21 – Concept of a contribution

A contribution is an asset transferred into the ownership of a company, the economic value of which is entered into the balance sheet of the company.

Article 22 – Subject of a contribution

The subject of a contribution is a material good, which a future or a current partner of a company undertakes to transfer into the ownership of the company (the obligation to make a contribution) in exchange for acquiring the shares or increasing the value of the shares in the capital of the company.

Article 23 – Types of contribution

The obligation to make a contribution may be fulfilled by making a payment (monetary contribution) or by transferring other tangible or intangible material goods (contribution in kind). The performance of work or the provision of services may be the subject of a contribution in kind.

Article 24 – Procedure and timeframe for making contributions

1. Contributions shall be made according to the procedure and within the timeframe established by law and the statute in question.

2. Monetary contributions shall be considered made from the moment of depositing money in the bank account opened by a company.

3. Contributions in kind shall be considered made from the moment of performing the actions determined by the legislation of Georgia that are necessary for transferring ownership rights.

4. If, in the case of a contribution in kind, its value is less than the amount of the agreed contribution, the partner shall pay the outstanding value of the agreed contribution in cash.

5. If the value of the contributions in kind made in a general partnership, a limited partnership or a limited liability company, is more than the amount of the agreed contributions, a partner shall have the right to require reimbursement of the difference in cash, and the company shall have the right to postpone the fulfilment of such obligation for not more than one year, unless otherwise agreed between the parties.

Article 25 – Organisational support for making contributions

1. The body of a company with management powers shall assess the compliance of the value of a contribution in kind with the amount of the contribution, and organise the fulfilment of the obligation to make contributions.

2. Upon the request of a partner, the body of a company with management powers shall issue a written certificate in respect of making a contribution, namely of the complete or partial fulfilment of an obligation to make a contribution, and of the timeframe and conditions for the fulfilment of such obligation.

3. Liability for the culpable inaccuracy of a certificate in respect of making a contribution shall be imposed on the body of a company with management powers.

Article 26 – Liability of a partner

1. A limited partner of a limited partnership, or a partner of a limited liability company, a joint-stock company or a cooperative, shall not be liable to creditors for the obligations of the company.

2. In exceptional cases, a limited partner of a limited partnership, or a partner of a limited liability company, a joint-stock company or a cooperative, shall be personally liable to the creditors of the company, if such partner abuses the legal form of limited liability and if the company cannot satisfy the creditors' claims.

Article 27 – No exemption from the obligation to make contributions

A limited partner of a limited partnership, or a partner of a limited liability company, a joint-stock company or a cooperative, shall not be exempted from the obligation to make contributions, except for the cases provided for by this Law.

Chapter V – Subscribed Capital, Shares and Dividends of a Company

Article 28 – Concept of the subscribed capital of a company

The subscribed capital of a company is the amount of money determined by the company. The subscribed capital of a company shall be equal to the sum of the nominal values of the subscribed shares of the company, or if the company has also subscribed shares with no nominal value, the subscribed capital shall be more than the sum of the nominal values of the subscribed shares. If a company (except for a joint-stock company) has subscribed only shares without nominal value, the subscribed capital may be determined in any amount.

Article 29 – Shares

A share is a right which entails a person's participation in the capital of a company and to which rights and obligations are attached. A share is a subject of ownership.

Article 30 – Disposal of shares

1. A partner shall have the right to freely dispose of his/her shares in a company, unless any restriction is imposed by the legislation of Georgia, the statute, or a partners' agreement of the company in relation to the disposal of shares. The transfer of shares shall not be prohibited.

2. If the shares in a company are in the co-ownership of several persons, they shall be considered as co-partners. In that case, the rights attached to the shares may be exercised by one of the co-partners or a third party determined by them. Such persons shall b considered as joint creditors. In that case, the provisions of the Civil Code of Georgia regarding the co-ownership and/or co-ownership rights shall apply.

3. If co-partners or successors fail to agree, by a majority of votes, on the administration of shares, on the basis of an application of the company or the co-partner or one of the successors, the court shall appoint a manager of the shares, who shall be assigned all rights attached to the shares.

4. A decision on the acquisition/redemption of the shares of a company operating with the shareholding of the State, the Autonomous Republic of Abkhazia or Ajara, according to the procedure established by the Law of Georgia on Entrepreneurs, shall be made by the Government of Georgia.

Article 31 – Right to receive dividends

1. In accordance with the rules established by this Law, a partner shall have the right to receive annual or interim dividends on th basis of a decision on the distribution of the profits/assets of the company.

2. The payment of dividends in a limited partnership, a limited liability company, a joint-stock company or a cooperative shall not be generally prohibited.

3. Dividends shall be proportional to the shares of the partners of a company, unless otherwise provided for by law, the statute or a partners' agreement of the company.

Article 32 – Recovery of dividends

Paid dividends shall not be claimed back, unless the recipients of the dividends knew or ought to have known, at the moment of receiving the dividends, that they had been distributed in violation of rules established by law or the statute.

Article 33 – Limitations on the payment of dividends

A company shall not have the right to pay dividends if it causes the insolvency of the company.

Article 34 – Duty of loyalty and the principle of equality

1. When exercising their rights, partners shall take into consideration the legal interests and rights of the company and the other partners.

2. In equal circumstances, partners shall have equal rights and obligations. An exception may be made only if expressly provided for by this Law or the statute, and necessary in the interests of the company.

3. Shares, and different rights and obligations, may be determined by the statute irrespective of the partners' contributions.

Chapter VI – Bodies of a Company

Article 35 – General provisions

1. The bodies of a company are: a general meeting, a management body and a supervisory board, if the establishment of the latter is provided for by law or the statute.

2. The bodies of a company and their members shall carry out their activities and make decisions only within the scope of authority determined by law or the statute.

Article 36 – General meeting

1. All partners of a company shall have the right to participate in the general meeting, save the exceptions provided for by this Law.

2. A company shall hold a regular general meeting at least once a year, not later than within six months after drawing up the annual balance sheet. The management body of the company shall be responsible for holding regular general meetings.

3. The general meeting shall elect the chairperson of the general meeting. Before the election of the chairperson of the general meeting, or if the chairperson of the general meeting is not elected, the general meeting shall be chaired by a person convening it, the chairperson of the convening body or the head of the convening legal person or, if the general meeting was convened by more than one person, it shall be chaired by a person selected by casting lots from among the convening persons or the heads of the convening legal persons.

4. The decisions made by the general meeting within its scope of authority shall be binding for the partners and bodies of the company.

5. The general meeting shall make decisions on the issues that fall within the scope of authority of the general meeting by law. The authority of the general meeting may be extended or delegated on the basis of the statute, except in the case of a joint-stock company.

6. The general meeting shall decide on the approval of the work performed by a management body and the supervisory board, if any. In the case of a general partnership, a limited partnership, or a limited liability company, the approval by the general meeting of the work performed by the management body and the supervisory board shall result in the waiver by the company of the right to claim compensation for damage from those bodies, if such right would have been evident from the thorough examination of the documents and information submitted to the general meeting.

7. A decision may be adopted in the case of a violation of the procedure established by this Law and/or the statute for convening the general meeting, if all the partners attend the meeting and give their consent for convening the meeting and adopting the decision. If a partner does not require the general meeting to be held at another time due to the violation of the procedure established for convening it, it shall be considered as the consent of the partner.

8. The body convening the general meeting shall be responsible for properly convening and holding the meeting.

Article 37 – Decisions of the general meeting

1. Unless otherwise provided for by the statute, the general meeting is authorised to adopt decisions if attended by a partner/partners having a majority of votes. If the general meeting is not authorised to adopt decisions, the person convening the general meeting may reconvene the meeting according to the same procedure and with the same agenda. The reconvened meeting shall be authorised to adopt decisions irrespective of the number of attending partners with voting rights.

2. In general partnerships and limited partnerships the number of votes shall be calculated according to the number of partners, and in limited liability companies, joint-stock companies and cooperatives, the number of votes shall be calculated according to the shares in the capital of the company, unless otherwise provided for by the statute.

3. The general meeting shall adopt decisions by a majority of votes, unless a greater number of votes or other additional conditions are determined by law or the statute. In the case of electing an official and/or a body provided for by this Law or the statute, or voting on alternative proposals, the statute may provide for different rules, including a smaller number of votes.

4. A written decision/consent of the partner of a company operating with a 100 % shareholding of the State, or the Autonomous Republics of Abkhazia or Ajara, shall be equivalent to the minutes of the general meeting, and shall be considered as a decision of the general meeting.

Article 38 – Minutes of the general meeting

1. Within 15 days after the completion of the general meeting, the minutes of the general meeting shall be drawn up on the convening, progress and results of the meeting, which shall be signed by the chairperson of the general meeting elected by the general meeting or determined by the statute. In the cases provided for by this Law or the statute, the minutes of the general meeting shall be drawn up and certified by a notary public. The minutes of the general meeting shall immediately be sent to the partners at the expense of the company.

2. The minutes of the general meeting shall include the following:

a) the brand name and identification number of the company;

b) the place and date and time of the general meeting;

c) a statement that the procedure for convening the general meeting was observed and that the general meeting is authorised to adopt decisions. The documents related to the above circumstances may be attached to the minutes;

d) a list and the identification data of the partners with voting rights who participated in the work of or attended the general meeting, or of other attendants, shall be included in the main document, or as an annex. In the case of representation, a written document certifying representative powers shall be attached to the minutes, or the minutes shall include a reference to such document, if the latter is stored with other documents by the company;

e) the identification data of the chairperson of the general meeting;

f) the agenda of the general meeting;

g) a decision(s) adopted by the general meeting, which shall include the voting results;

h) if a participant in the general meeting has a different opinion or any objection with regard to the decision made at the general meeting, the identity of such participant and the contents of the objection shall be stated, if the participant demands his/her opinion/objection to be included in the minutes.

Article 39 – Invalidity of a decision of the general meeting or a part of it

1. In addition to the grounds for invalidity determined by this Law, a decision of the general meeting of a limited liability company or a joint-stock company, or part thereof, may be invalidated in the cases provided for by Article 36(7) of this Law and if:

a) the minutes of the general meeting are not properly certified;

b) the general meeting had been convened by an unauthorised body/person;

c) the written notice convening the general meeting did not contain, or contained inaccurately, the brand name of the company, and/or the place, date or time of the general meeting;

d) the procedure for serving upon the partners a notice on the decision to convene the general meeting had been violated;

e) the subject-matter of the decision does not fall within the authority of the general meeting;

f) the decision concerns an amendment to the statute that contradicts law;

g) the decision contravenes provisions of law whose primary purpose is the protection of creditors' rights;

h) the decision contravenes public order or moral standards;

i) the decision has been declared invalid by the court on the basis of rescission.

2. In the case provided for by paragraph 1 of this article, the invalidity of a decision of the general meeting or a part thereof shall not be asserted if three years have passed since the registration of the decision with the Registry, unless a dispute on invalidating the decision of the general meeting has been initiated at the court before the expiry of the said timeframe.

Article 40 – Measures taken after invaliding a decision of the general meeting

1. Managers shall immediately submit to the registration authority a legally effective court decision on invalidating a decision of the general meeting, if registration has already been effected on the basis of an appealed decision of the general meeting.

2. Managers shall immediately publish information on the court decision referred to in paragraph 1 of this article on the company's website, or otherwise inform the partners in this regard.

Article 41 – Management body of a company

1. A company shall have a management body in order to carry out managerial activities in the company. The powers of and the procedures for making decisions by the management body shall be determined by law and the statute.

2. In the case of a general partnership, all partners shall have management powers. In the case of a limited partnership, a personally liable partner (general partner) shall have management powers, unless, based on the partners' decision, another person is appointed as a manager of the company. In the case of a limited liability company, a joint-stock company and a cooperative, a manager/managers shall have management powers.

3. According to the statute, a company may be managed:

a) solely by one person;

b) by more than one manager jointly or individually;

c) jointly by all managers.

4. Unless otherwise provided for by the statute, it shall be assumed that all managers of a company jointly carry out the managerial activities.

Article 42 – Representative powers of the management body of a company

1. The management body of a company shall represent the company in relations with third parties. The representative powers of the management body may not be limited in relations with third parties.

2. If the management body of a company comprises several members, they shall exercise representative powers only jointly, unless the statute provides for individual representation by a single or several persons, or joint representation by several persons, or allows for such possibility. Article 14(2)-(4) of this Law shall apply in the relations with third parties.

3. If, at the time of entering into an agreement, a contracting party knew of the limitation of the powers of the management body of a company, the company shall have the right to challenge the validity of the agreement. The same shall apply if a person with representative powers and a contracting party intentionally act jointly to cause damage to the company, to which end the person with representative powers acts.

4. A declaration of intent in respect of a company shall be valid even if the intent is declared in respect of only one manager.

Article 43 – Composition of the management body of a company and decision-making procedures

1. The management body may be individual or collegiate.

2. If the management body comprises several members, they shall, by a majority of votes, elect the chairperson of the management body from among its members, who shall carry out the organisational administration of the collegiate management body, unless otherwise provided for by law. If candidates obtain equal votes, the chairperson of the management body shall be elected by casting lots.

3. A meeting of the collegiate management body shall be authorised to adopt decisions if attended by a majority of its members. If the meeting is not attended by the chairperson of the management body, the attending members shall elect the chairperson of the meeting by a majority of votes.

4. The management body shall adopt decisions by a majority of votes of the members attending the meeting. The statute may provide for a greater number of votes required for adopting decisions. In the case of electing an official and/or a body provided for by this Law or the statute, or voting on alternative proposals, the statute may provide for different rules, including a smaller number of votes. If, in the decision-making process, the votes are equally divided, the vote of the chairperson of the management body/chairperson of the meeting shall be decisive, unless otherwise provided for by this Law or the statute.

5. A member of the management body may be a legally competent natural person or a legal person.

6. If the general meeting or the supervisory board fails to appoint a member of the management body, and this poses a significant threat to the operations of the company, on the basis of an application of one of the partners or creditors, the court may appoint an acting member of the management body for a period that is necessary for the general meeting or the supervisory board to appoint a new member.

7. As a rule, the management body makes decisions at the meeting. A different decision-making procedure may be established by the statute.

Article 44 – Appointment and dismissal of a manager of a company

1. A manager of a limited liability company, a joint-stock company, and a cooperative shall be appointed and may be dismissed by the general meeting, unless the appointment of the manager falls within the authority of the supervisory board.

2. A manager shall be appointed for a maximum term of three years, with the right to reappointment. If, after the expiry of the said period, a new term of office of the manager or the replacement of the person with management and representative powers is not registered as provided for by law, the term of office of the registered manager shall be considered extended for an unlimited period of time.

3. The general meeting or the supervisory board, if any, shall be authorised to dismiss a manager at any time, without stating the reason therefor. Any agreement that contradicts this provision shall be void.

4. A manager shall have the right to resign in accordance with the respective procedure.

Article 45 – Service agreement

1. Once a decision on the appointment of a manager/member of the supervisory board is made, a service agreement shall be concluded between the limited liability company/joint-stock company/cooperative and the manager/member of the supervisory board. Service agreements shall not be subject to the provisions of labour law. The same rule applies to a manager of a general partnership or a limited partnership, if an invited person, rather than a partner, is appointed as a manager.

2. A service agreement with a manager shall be concluded, on behalf of the company, by the chairperson of the supervisory board

or the chairperson of the general meeting determined by the statute or elected by the meeting which made a decision on the election of the person as a manager. A service agreement shall be concluded with a member of the supervisory board by the chairperson of the general meeting determined by the statute or elected by the meeting which made a decision on the election of the person as a manager.

3. A service agreement shall specify the amount, form and periodicity of the remuneration and the benefits a manager will be entitled to receive during the term of the service agreement, as well as the rights and obligations of the manager that will remain in force even after the termination of such agreement. If a service agreement does not contain information on the remuneration of a manager, it shall be assumed that the manager is performing his/her duties free of charge.

4. Unless otherwise provided for by a service agreement, a manager/member of the supervisory board shall have the right to repudiate a service agreement and thereby terminate his/her position, provided he/she notifies in this regard, in writing, the supervisory board, the management body or the general meeting at least one month in advance. Such meeting shall be convened by the manager.

5. The dismissal of a manager/member of the supervisory board shall automatically result in the repudiation of his/her service agreement concluded with the company, unless otherwise provided for by the agreement.

Article 46 – Supervisory board of a company

1. In order to exercise control over the activities of the management body/managers, a company may have a supervisory board in the cases determined by law or the statute.

2. The supervisory board shall control the activities of the management body/managers, and the functions of the management body may not be delegated to it, except for the cases provided for by law.

3. A meeting of the supervisory board shall be authorised to adopt decisions if attended by a majority of its members. The supervisory board shall make decisions by a majority of votes, unless a greater number of votes is determined by the statute.

4. By a decision of the Government of Georgia, or the governments of the Autonomous Republic of Abkhazia or the Autonomous Republic of Ajara, a supervisory board may be established in companies where the State, or the Autonomous Republic of Abkhazia or the Autonomous Republic of Ajara, holds more than 50 % of the total number of votes. In this case, a state representative, or a representative of the Autonomous Republic of Abkhazia or the Autonomous Republic of Ajara, on the supervisory board may be a public servant if he/she has no conflict of interest with the company. A member of the supervisory board who is a public servant at the same time shall fulfil his/her duties without remuneration, and his/her activities shall not be considered to constitute a conflict of interest with a public institution.

5. The appointment and dismissal of a manager of a company in which the State, or the Autonomous Republic of Abkhazia or the Autonomous Republic of Ajara, holds more than 50 % of the total number of votes, shall be agreed by the supervisory board with a shareholder holding more than 50 % of the votes in the company.

Article 47 – Duties and responsibilities of a member of the supervisory board of a company

A member of the supervisory board of a company shall control the activities of the management body/managers of the company in good faith, and in the cases provided for by law, represent the company in relations with the management body/managers.

Article 48 – General commercial power of attorney

1. On the basis of a decision of the general meeting, in the case of an individual entrepreneur or a company, or of the supervisory board, if any, the persons determined by Article 41(2) of this Law may grant a written general commercial power of attorney. A general commercial power of attorney may be granted jointly to two or more persons, who may individually or jointly represent an entrepreneur (a joint general commercial power of attorney).

2. A holder of a general commercial power of attorney shall be registered with the Registry.

3. A general commercial power of attorney shall grant a general commercial representative the power to perform, in court and in other relations, all activities and legal actions related to the operation of the company, except for the power to alienate and encumber immovable property. A general commercial representative may alienate or encumber immovable property only if he/she has been specifically granted powers to do so.

4. Except for the cases expressly provided for by law, any limitation of the scope of a general commercial power of attorney shall be void as regards third parties. The limitation of a general commercial power of attorney to one or several branches as regards third parties shall be valid only if the branches are operated under different brand names.

5. A general commercial representative shall, when signing a document, supplement the brand name with his/her name and surname and an addition indicating the general commercial power of attorney.

6. A general commercial power of attorney may be annulled at any time, without prejudicing the right to compensation as provided for by such power of attorney.

7. A general commercial power of attorney shall not be transferred.

8. The revocation of registration of an entrepreneur shall result in the termination of a general commercial power of attorney.

Article 49 – Remuneration and reimbursement of expenses to persons appointed in a company by a court

1. In the cases provided for by this Law, persons appointed in a company by a court shall have the right to request from the company remuneration and the reimbursement of reasonably incurred expenses.

2. If the persons appointed in a company by a court and the company fail to agree on the remuneration and reimbursement of the expenses, the amount of the remuneration and the expenses to be reimbursed shall be determined by the court.

Article 50 – Duty of care

1. A manager shall conduct the company's business legitimately and with the diligence of a manager in good faith, in particular, he/she shall take care as an ordinary person of sound mind under similar circumstances would take care/act, in the belief that his/her actions are in the best economic interests of the company.

2. A manager shall be liable to the company for any damage incurred as a result of his/her culpable failure to fulfil the duty of good faith. The manager's liability for intentional failure to fulfil the duty of good faith may not be limited by the statute or the partners' decision.

3. The management body, another manager, the supervisory board, or in the cases and according to the procedure provided for by law, each partner, shall have the right to claim compensation for any damage inflicted by a manager on the company. The statute may additionally determine a person who has the right to claim compensation for damage incurred by the company.

4. A manager shall be exempted from liability if he/she is carrying out a decision of the general meeting, unless he/she has contributed to the decision of the general meeting by providing incorrect information, or if he/she knew that such decision would result in damage, and failed to notify the general meeting thereof before making or carrying out the decision.

5. If a transaction value exceeds 50 % of the book value of the company's assets or a smaller amount provided for by the statute, the transaction shall be approved by the general meeting.

Article 51 – Duty of care in special circumstances

If a company is insolvent or at the risk of insolvency, a manager shall, without culpable delay but not later than three weeks from the moment the company becomes insolvent, file an application for insolvency according to the procedure established by the Law of Georgia on Rehabilitation and the Collective Satisfaction of Creditors' Claims. The application for insolvency shall not be considered to be culpably delayed if the manager duly fulfils the duty of care.

Article 52 – Freedom of business decisions

1. There is no violation of the duty of care, and a manager is not obliged to compensate for any damage incurred by the company as a result of his/her business decision, if the manager could have reasonably believed that he made the business decision on the basis of sufficient and reliable information, in the interests of the company, independently, and without conflict of interest or another person's influence.

2. Paragraph 1 of this article shall not apply if a business decision is made in violation of the duties provided for by law or the statute.

Article 53 – Prohibition of competition

1. Without the consent of a company, a manager shall not have the right to carry out the same activities that are carried out by the company, or to be a manager of another company operating in the same field. Under the service agreement concluded with a manager, the above obligation may remain in force even after the dismissal of the manager, but for not longer than three years. Compensation may be provided for the violation of the said obligation. The amount and the procedure for payment of the compensation shall be determined by the service agreement or an additional agreement between the parties. In the case of a violation of the rules on prohibition of competition, a company may require from the violator, in addition to compensation for the damage incurred by the company, that he/she pay an agreed penalty. Instead of the compensation for damage, a company may require from a violator that he/she transfer to the company any profit earned from the transactions conducted on behalf of the violator or a third party, or to cede the right to earn such profit. Such right may be exercised by the management body, another manager, the supervisory board, or in the cases provided for by law, by each partner.

2. In the case of a general partnership or a limited partnership, the consent to carry out the activities determined by paragraph 1 of this article may be given by the general meeting, and in the case of a limited liability company, a joint-stock company or a cooperative, such consent may be given by the body appointing a manager. The consent may be given for general as well as specific activities and/or types of transaction, and participation in the company. Such consent shall not be unreasonably withheld.

3. The consent for any activity determined by paragraph 1 of this article shall be considered given if, at the time of the appointment of a manager of a company, the partners knew that the manager of the company was carrying out such activity but they did not require him/her to stop.

Article 54 – Prohibition of misappropriation of business opportunities

1. Without the prior consent of a company, a manager shall not have the right to take advantage, for personal benefit or for the benefit of other persons than the company, of business opportunities related to the field of activities of the company, which he/she became aware of while performing his/her official duties or on account of his/her position, and which may reasonably have been a subject of interest for the company. The prior consent of a company shall not be required if the general meeting or the supervisory board has already discussed such business opportunities and refused to take advantage of them. The above obligation shall remain in force for not more than three years after the dismissal of a manager. The service agreement concluded with the manager may provide for a shorter period.

2. In the case of a general partnership or a limited partnership, prior consent to take advantage of the business opportunities determined by paragraph 1 of this article may be given by the general meeting, and in the case of a limited liability company, a joint-stock company or a cooperative, such consent may be given by the body appointing a manager.

3. If the rule of prohibition of misappropriation of business opportunities is violated, a company may require from the violator compensation for any damage (including lost profits) incurred by the company as a result of such violation. Instead of compensation for the damage, a company may require from a violator that he/she transfer to the company any profit earned from the transactions conducted on behalf of the violator or a third party, or to cede the right to earn such profit.

4. The right to claim under paragraph 3 of this article may be exercised by the management body, the supervisory board, or in the cases provided for by law, by each partner.

Article 55 – Joint and several liability

1. If an obligation is not fulfilled as a result of any action or omission of more than one manager, they shall be jointly and severally liable to the company.

2. The general meeting may decide to waive or settle a claim in respect of damage inflicted on the company by a manager, unless such decision is objected to by partners holding at least 10 % of votes. A manager shall also be exempted from liability for the damage incurred by a company if, by his/her actions, he/she was fulfilling a decision of the general meeting. A manager, whose exemption from liability for damage incurred by the company is being discussed, shall not participate in the voting on that issue.

3. The liability of a manager for damage incurred by a company as a result of his/her deliberate failure to perform his/her duties may not be excluded from the statute or a service agreement concluded with the manager.

Chapter VII – Accounting, Reporting and Audit

Article 56 – Accounting, reporting and audit

1. Accounting, and the preparation, submission and audit of financial statements, shall be carried out in accordance with the Law of Georgia on Accounting, Reporting and Audit.

2. A public-interest entity determined by the Law of Georgia on Accounting, Reporting and Audit, which is a category I or II undertaking, shall ensure the annual auditing of its financial statements/consolidated financial statements in accordance with the Law of Georgia on Accounting, Reporting and Audit.

3. The participation of the shareholders/partners, and the members of the management body and the supervisory board of the company, in the audit shall not compromise an auditor's independence and objectivity.

4. The managers and the members of the supervisory board of an undertaking shall be jointly responsible for the preparation and submission of financial statements in accordance with the Law of Georgia on Accounting, Reporting and Audit.

Article 57 – Audit committee of a public-interest entity

1. An audit committee shall be established within the supervisory board of a public-interest entity, which comprises the members of the supervisory board and at least one independent member. An independent member shall be considered a person with no legal and/or economic relations with the undertaking, who holds no shares in the undertaking and receives no remuneration or other economic benefits from the undertaking, other than the remuneration determined for membership of the supervisory board and/or the audit committee.

2. An independent audit committee shall be established in a public-interest entity with no supervisory board, the members of which shall be independent persons elected by the general meeting for a definite term.

3. A member of the audit committee shall have competence in the field of activities of the undertaking. At least one member of the audit committee shall have competence in accounting and/or auditing.

4. The chairperson of the audit committee shall be elected from among its members by the supervisory board of a public-interest entity, or if a public-interest entity has no supervisory board, the chairperson of the audit committee shall be elected by the general meeting. The supervisory board/general meeting of a public-interest entity shall elect an independent member determined by paragraph 1 of this article as the chairperson of the audit committee.

5. The audit committee shall supervise:

a) the financial reporting process;

b) the effectiveness of quality control, risk management and, where relevant, of the internal audit of financial information;

c) the audit of the financial statements/consolidated financial statements based on the opinions included in a quality control system monitoring report;

d) the observance by the auditor/audit firm of the requirements (including the rules regarding independence) of the Law of Georgia on Accounting, Reporting and Audit.

6. An audit committee shall submit to the supervisory board of a public-interest entity, or in the absence thereof, to the general meeting, information about the results of the audit conducted, the effect of the audit on the veracity of the financial statements, and the involvement of the audit committee in that process.

7. An audit committee shall make recommendations for ensuring the veracity of financial information, and for the auditor/audit firm to be selected by the general meeting.

8. An audit committee shall regularly submit to the supervisory board, or in the absence thereof, to the general meeting, an activity report, and shall immediately notify them of any hindrances that emerged while it was performing its functions.

Article 58 – Withdrawal from an agreement concluded with an auditor/audit firm

1. The general meeting shall have the right to make a decision on the withdrawal from an agreement concluded with an auditor/audit firm only when there is an appropriate ground to do so. Differences in opinions about the accounting and audit procedures may not be a ground for withdrawing from such agreement.

2. An entrepreneur and an auditor/audit firm shall notify the Service for Accounting, Reporting and Auditing Supervision, the state subordinate agency operating within the system of the Ministry of Finance of Georgia, of their withdrawal from the agreement concluded with the auditor/audit firm, and provide appropriate substantiation therefor.

3. A partner/shareholder or a group of partners/shareholders holding 5 % of votes or shares in a public-interest entity shall have the right to apply to a court with a request to withdraw from an agreement concluded with an auditor/audit firm when there is an appropriate ground to do so.

Chapter VIII – Reorganisation of a Company. Redomiciliation to Georgia of the Registration of an Entrepreneur Registered in a Foreign Country

Article 59 – Types of reorganisation of a company

1. A company may be reorganised in the following forms:

a) the conversion of a company;

b) the merger of companies (a merger by acquisition or a merger by the formation of a new company);

c) the division of a company (division or separation).

2. The procedure for serving a notice of the liquidation of a company, as determined by Article 82(2) of this Law, shall apply to decisions on the reorganisation of a company.

Article 60 – Conversion of a company

1. Upon the decision of the partners, a company may be converted into a company of other legal form. After the conversion, the company shall continue operation with the new legal form.

2. In the case of the conversion of a company, the requirements of this Law with regard to the incorporation of a company with a new legal form shall apply to the converted company.

3. The partners of a general partnership or the general partners of a limited partnership shall jointly and severally, and personally, be liable with all their assets for the obligations of the company which arose before its conversion, and at the same time, where a claim matured before its conversion or not later than 5 years after its conversion.

Article 61 – Decision on conversion

1. A decision on the conversion of a general partnership and a limited partnership shall be made with the consent of all partners. A statute may provide for the making of such decision by a majority of not less than three quarters of the votes of the participants in the voting.

2. If a limited liability company, a joint-stock company or a cooperative are converted into a general partnership, a decision on conversion shall be made with the consent of all partners, and in the case of their conversion into a limited partnership, such decision shall be made by a majority of three quarters of the votes of the participants in the voting, on condition that such decision is voted for by all partners who are to become general partners.

3. Except as provided for by paragraphs 1 and 2 of this article, a decision on conversion shall be made by a majority of three quarters of the votes of the participants in the voting. A decision on the conversion of a joint-stock company shall be made by a majority of three quarters of the votes of the participants in the voting, and in the case of several classes of shares, by a majority of three quarters of the votes of each class of shareholders, unless more votes are determined by the statute.

4. The management body shall send out to all partners, together with an invitation to the general meeting, a draft statute of the company to be formed, and a written report which shall state the reasons and goals of the conversion of the company. Upon the decision of the management body of a joint-stock company with more than 100 shareholders, the general meeting may be convened by publishing appropriate information, and the report shall be made available by displaying it in a visible place in the administration building of the company and on the website (if any) of the joint-stock company. A report need not be submitted if a company has only one shareholder or if all shareholders refuse in writing to submit the report.

5. The following shall be specified in the decision on conversion:

a) the new legal form of the company;

b) the new brand name of the company;

c) information on the draft statute of the new company. Such draft shall be attached to the decision on conversion;

d) conditions for the allotment of shares in the new company and conditions related to monetary compensation (if any), including the rights that the new company shall confer on the holders of shares (except for ordinary shares), as well as on the partners to whose shares special rights were attached, and the holders of other securities, or the measures proposed concerning them;

e) a decision on the appointment of managers and the election of the supervisory board members, if they are necessary for the new company. Such decision shall be attached to the decision on conversion.

6. A decision of the partners of a company on conversion shall be certified as provided for by Article 4(3) of this Law.

Article 62 – Conversion conditions

A partner's shares in a converted company shall be proportional to the shares which the partner held in the former company. In other cases, the partners of a company shall unanimously make a decision on conversion.

Article 63 – Publication of a decision on conversion

A decision of the partners of a company on conversion shall be published as provided for by Article 13(4) of this Law.

Article 64 – Registration of conversion

1. In order to register a conversion, the management body shall submit to the registration authority an application for the conversion of a company.

2. An application for the conversion of a company shall be signed by authorised persons.

3. The following documents shall be attached to an application for the conversion of a company:

a) the decision of the partners of the company on conversion;

b) the documents attached to the decision of the partners of the company under Article 61(5) of this Law;

c) data on the partners' identity and on their shares in the converted company (except for cooperatives and joint-stock companies).

4. In addition to an application for the conversion of a company, the company shall submit all other documents and data that are necessary for the incorporation of a company with a new legal form.

5. Conversion shall take effect from the moment of its registration. After the registration of conversion, no reference shall be made to the invalidity of the decision of the partners of the company on conversion.

6. An application for the registration of the conversion of a company may be submitted to the registration authority after one month from publishing the decision of the partners of the company on conversion. The above timeframe may not be observed if all partners waive in writing their right to appeal, which shall be certified according to the procedure established by this Law for certifying signatures on the statute. Creditors' rights shall be determined by Article 74 of this Law.

7. In the cases provided for by the legislation of Georgia, the consent of an appropriate administrative body shall be submitted to the registration authority.

Article 65 – Merger of companies and division of companies

1. One or more companies ('the company being acquired') may be merged by acquisition with another company ('the acquiring company') without going into liquidation by transferring all its assets and liabilities in exchange for the issue to the partners of the company being acquired of shares in the acquiring company.

2. Two or more companies ('the merging companies') may be merged by the formation of a new company ('the merged company'), without going into liquidation, to which all the assets and liabilities of the merging companies shall be transferred under law in exchange for the issue to the partners of the merging companies of shares in the merged company. The transfer of assets and liabilities shall take effect according to the procedure established in Article 67(2)(i) or Article 67(4) and (5) of this Law.

3. A company being divided may transfer, under law, all its assets and liabilities to:

a) two or more companies newly formed as a result of the division ('division by the formation of new companies');

b) two or more existing companies ('division by acquisition').

4. A company, from which a company is separated, may transfer part/parts of its assets and liabilities to:

a) one or more companies newly formed as a result of the separation ('separation by the formation of new companies');

b) one or more existing companies ('separation by acquisition').

5. In the cases provided for by paragraphs 1-4 of this article, the partners of a former company/companies shall have the right to receive a cash payment in addition to shares in a merged company/acquiring company, if the share exchange ratio cannot be observed. In the case of a joint-stock company, cash payment shall not exceed 10 % of the nominal value of the shares to be issued

to the partners for the purposes of merger/division, or where they have no nominal value, 10 % of the value determined by Article 156(2) of this Law.

6. The shares of an acquiring company shall not be issued in exchange for the shares of a company being divided/company being acquired, which are held by:

a) the acquiring company or persons acting in their own names but on behalf of the acquiring company;

b) the company being divided/company being acquired or persons acting in their own names but on behalf of the company being divided/company being acquired.

7. A merger/division of a wound up company may be carried out if it has not yet begun to distribute its assets to its partners.

8. Companies involved in a merger/division may have different legal forms.

9. In the case of a merger/division, the registration of the merging companies/company being acquired/company being divided shall be revoked without going into liquidation, and their assets and liabilities shall be fully transferred to the merged company/acquiring company/newly formed company.

10. In the case of a merger, the merged company/acquiring company shall be liable for all the obligations of the merging companies. In the case of a division, a newly formed company/recipient company shall be jointly and severally liable for the obligations of the company being divided. Such liability shall be limited to the net assets allocated to each company as a result of division.

Article 66 – Decision on merger/division

1. A decision on merger/division shall be made by the general meeting of each company involved in the merger/division.

2. In the case of a division by the formation of new companies, a decision on merger/division shall be made by the company being divided, and in the case of a division by acquisition, a decision on merger/division shall be made by the company being divided and the recipient company. In the case of a merger, such decision shall be made by the merging companies, and in the case of acquisition, such decision shall be made by the company being acquired and the acquiring company.

3. In the case of a limited liability company, a joint-stock company and a cooperative, a decision on merger/division shall be made by a majority of three quarters of the votes of the participants in the voting, and in other cases, such decision shall be made unanimously by all partners. If a joint-stock company involved in the merger/division has issued several classes of shares, a decision on merger/division shall be subject to a separate vote for each class of shareholders, if their rights are affected by the decision.

4. For the purposes of the incorporation and registration of a new company formed as a result of a merger/division, the appropriate requirements of this Law shall apply, unless otherwise provided for by the provisions of this Law regarding merger/division.

Article 67 – Terms of merger/division

1. The terms of a merger/division shall be drawn up, in the case of merger, by the bodies of all companies with management powers that are involved in the merger, and in the case of a division by acquisition, by the bodies with management powers of the company being divided and the recipient company, and in the case of a division by the formation of new companies, by the management body of the company being divided. The terms of a merger/division shall contain the conditions of the merger/division.

2. The terms of a merger/division shall contain at least the following information:

a) the identification data of each company involved in the merger/division, as well as the legal form, brand name and legal address of such company and the newly formed company;

b) the share exchange ratio and the amount of cash payment determined by Article 65(5) of this Law, if applicable;

c) conditions relating to the allotment of shares in the acquiring company/newly formed company;

d) the date from which the holding of the shares determined by sub-paragraph (c) of this paragraph entitles the holders to participate in the profits of the company, and any special conditions, if any, affecting that entitlement;

e) the date from which the transactions of the merging companies/company being divided shall be treated for accounting purposes as being those of the merged company/acquiring company/newly formed company;

f) the rights conferred by the merged company/acquiring company/newly formed company on the holders of shares (except for ordinary shares) of the merging companies/company being divided, as well as on the partners, to whose shares special rights are attached, and the holders of other securities, or the measures proposed concerning them;

g) any advantage granted to the managers, supervisory board members, partners, or independent auditors of any company involved in the merger/division;

h) the composition of a new supervisory board, where necessary;

i) the precise description and allocation of the assets and liabilities to be transferred to the recipient company/newly formed company in the case of division;

j) the allocation to the partners of the company being divided of shares in the recipient company/newly formed company and the criteria upon which such allocation is based;

k) the nominal value, if applicable, of the shares which the partners will receive in the recipient company/newly formed company/merged company.

3. The following documents shall be attached to the terms of a merger/division, which shall constitute an integral part thereof:

a) in the case of an acquisition or a division by acquisition, the draft amendments to the statute of the acquiring company/recipient company;

b) in the case of a merger or a division by the formation of new companies, the draft statute of the merged company/newly formed company.

4. Where an asset is not allocated to the recipient company or a newly formed company by the terms of division, and where the interpretation of these terms does not make a decision on its allocation possible, the asset shall be allocated to all the recipient companies or newly formed companies in proportion to the net assets allocated to each of those companies under the terms of division.

5. Where a liability is not allocated to the recipient company or a newly formed company by the terms of division, and where the interpretation of these terms does not make a decision on its allocation possible, each of the recipient companies or newly formed companies shall be jointly and severally liable for said liability, but by not more than the net assets allocated to each company under the terms of division.

Article 68 – Report of merger/division of a company

1. The management bodies of each of the companies involved in a merger/division shall draw up a report of the merger/division of the company. The report shall explain in detail the following:

a) the terms of merger/division, setting out the legal and economic grounds for them;

b) the criteria and methods for determining the share exchange ratio, and the difficulties in the valuation of the share exchange ratio, if such difficulties have arisen;

c) in the case of a division, if necessary, information on the contributions in kind referred to in Article 164(4) of this Law, information on the preparation of a report for a recipient company, and an indication concerning its registration by the registration authority.

2. Except for the cases provided for by the legislation of Georgia, the preparation of a report of a merger/division of a company

shall not be obligatory if all the shareholders of the company involved in the merger/division refuse in writing to submit a report.

Article 69 – Publication of the draft terms of a merger/division and notification of a possible merger/division

1. The body with management powers of each of the companies involved in a merger/division shall publish the draft terms of the merger/division, or upload them on the website of the company, within 30 days before the date of the general meeting which is to approve the terms of the merger/division. The draft terms of the merger/division shall be available free of charge.

2. In order to ensure free access for the shareholders of a joint-stock company, the body with management powers of a joint-stock company involved in a merger/division shall display the following documents in the administration building or publish them on the website of the joint-stock company, and/or on the central electronic platform of the registration authority, as well as on the website of the Legal Entity under Public Law called the Legislative Herald of Georgia, at least 30 days before the date of the general meeting which is to approve the terms of the merger/division:

a) the draft terms of the merger/division;

b) financial statements for the preceding three years of the companies involved in the merger/division, according to the principle of comparability;

c) a financial statement drawn up at a date which must not be earlier than the first day of the third month preceding the date of the publication of the draft terms of the merger/division. A company shall be exempted from the above obligation if, as provided for by the Law of Georgia on on Accounting, Reporting and Audit, it has published six-months financial statements;

d) a report of the merger/division, if any;

e) a report of an independent auditor, if any.

3. The management body of a joint-stock company involved in the merger/division shall notify the general meeting and the management bodies of all the companies involved in the merger/division of any material change in the assets and liabilities from the date of the preparation of the draft terms of the merger/division to the date of the general meeting.

4. If a decision on division is not approved by the general meeting in accordance with Article 72(3) of this Law, the management body of a joint-stock company involved in the division shall notify the general meeting and the management bodies of all the companies involved in the division of any material change in the assets and liabilities after the date of the preparation of the draft terms of division, within 5 business days after such changes.

Article 70 – Examination of the draft terms of a merger/division of a joint-stock company

1. If a joint-stock company is involved in a merger/division, the draft terms of the merger/division of the joint-stock company shall be examined by an independent auditor selected by the parties involved in the merger/division. A joint-stock company involved in the merger/division may have one or more shared auditors. An independent auditor shall draw up a written report and submit it to the partners. The examination of the draft terms of the merger/division and the submission of a written report by an independent auditor shall not be necessary if all the shareholders of the joint-stock company involved in the merger/division so agree.

2. An independent auditor's report shall state whether the share exchange ratio envisaged by the draft terms of a merger/division of a joint-stock company is fair and reasonable. The report shall also:

a) state the methods used to arrive at the share exchange ratio proposed;

b) state whether the methods used to arrive at the share exchange ratio are adequate in the case in question, and indicate the values arrived at using each such method, and the relative importance attributed to such methods in arriving at the share exchange ratio;

c) state the difficulties, if any, which arose while arriving at the share exchange ratio.

3. An independent auditor shall be entitled to obtain from the joint-stock company all relevant information and documents and to carry out all necessary examinations.

Article 71 – Approval of the terms of a merger/division

1. The terms of a merger/division shall be approved by the general meeting as provided for by Article 61 of this Law. If the general meeting approves the terms of the merger/division, the decision on the merger/division shall be considered made.

2. In addition to the terms of a merger/division, draft amendments to the statute of the recipient company, if such amendments are necessary, shall also be subject to voting at the general meeting, and in the case of the formation of a new company, the draft statute of the newly formed company shall be subject to voting.

Article 72 – Special cases of merger and division by acquisition

1. If an acquiring company holds at least 90 % of the shares of a company being acquired, but not the entire shares, Article 66(3), Article 68(1)(a) and (b), Article 68(2), Article 69(2) and (4), and Article 70 of this Law shall not apply, if the partners have the right to redeem shares under Article 75 of this Law.

2. If an acquiring company, or a third party on its behalf, holds the entire shares in a company being acquired, the obligations determined by Article 66(3), Article 67(2)(b)-(d), Article 68, Article 69(2)(d) and (e), Article 69(4), and Article 70 of this Law shall not apply.

3. If recipient companies hold the entire shares in a company being divided, the decision on division need not be approved by the general meeting of the company being divided.

4. The requirements of Article 68(1), Article 69(2)(c)-(e), Article 69(4) and Article 70 of this Law shall not apply where the shares in each of the new companies are allocated to the partners of the company being divided in proportion to their shares in the capital of that company.

5. The acquiring company referred to in paragraphs 1 and 2 of this article shall notify the partners of the company of the merger/division at least 30 days before the merger/division takes effect, according to the procedure established for convening the general meeting of the company of a respective legal form. Where relevant, the procedure established by Article 69 of this Law regarding the publication and availability of documents shall apply.

6. In the case provided for by paragraph 5 of this article, a partner/group of partners of the acquiring company, whose shares amount to at least 5 % of the capital of the company, or in the case of a general partnership or a limited partnership, each partner, shall have the right to require that the general meeting be convened within 15 days after receiving the notice. In this case, a decision on the acquisition shall be made by the general meeting. Where relevant, the procedure established by Article 69 of this Law regarding the publication and availability of documents shall apply.

Article 73 – Registration of a merger/division

1. An application for the registration of a merger/division with the Registry shall be submitted to the registration authority after one month from the publication of the terms of the merger/division. The said timeframe need not be observed if all partners waive that right in writing. Creditors' rights shall be determined by Article 74 of this Law.

2. The following documents shall be attached to the application for the registration of a merger/division with the Registry:

a) the terms of the merger/division;

b) amendments to the statute of the acquiring company or the statute of a newly formed company;

c) the decision of the general meeting which approved the terms of the merger/division, and the minutes of the general meeting (if any);

d) the decision, if any, on the election of the managers and supervisory board members of a newly formed company;

e) an independent auditor's report, if any;

f) a report of the merger/division, if any;

g) the consent of a state institution or other competent body for the merger/division, if required by the legislation of Georgia.

3. If a new company is formed as a result of a merger/division, all other documents and data, necessary for the incorporation of a company of the respective legal form, shall be attached to an application for the registration of a merger/division with the Registry.

4. A merger/division shall take effect from the moment of its registration. After the registration of a merger/division, no reference shall be made to the invalidity of the decision of the company on merger/division.

5. Upon the registration of a merger/division, the registration of the company being acquired or the company being divided shall be annulled.

6. In the cases provided for by the legislation of Georgia, the consent of an appropriate administrative body shall be submitted to the registration authority.

Article 74 – Protection of creditors in the process of the reorganisation of a company

1. Within three months after the registration of reorganisation, the creditors of the companies involved in the reorganisation shall have the right to require from the company the security of their claims, if they prove that the reorganisation puts at risk the satisfaction of such claims. Only creditors whose claims predate the publication of the decision on conversion or the draft terms of merger/division shall have such right.

2. Paragraph 1 of this article shall also apply to the debenture holders of the companies involved in a reorganisation, except where the reorganisation has been approved by a meeting of the debenture holders or by the debenture holders individually.

3. Holders of securities, other than shares, to which special rights are attached, shall be given rights in the newly formed company/acquiring company/converted company equivalent to those they possessed in the company that is under the process of reorganisation, unless the alteration of those rights has been approved by a meeting of the holders of such securities, or by the holders of those securities individually, or unless the holders are entitled to have their securities repurchased from the newly formed company/acquiring company/converted company.

Article 75 – Repurchasing the partners' shares during the reorganisation of a company

1. A partner who voted against the reorganisation of a company at the general meeting shall be granted 20 days after the general meeting to apply to the company in writing with a request to repurchase his/her shares.

2. Partners who request the repurchase of their shares under this Law shall be paid a fair price for their shares by the company. The management body of the company shall adopt a decision on determining the repurchase price of the shares and inform the partner in this regard within 20 days after the expiry of the timeframe specified in paragraph 1 of this article, and the payment for repurchasing the shares shall be made not later than 30 days after making the decision on determining the repurchase price of the shares. A company formed as a result of reorganisation shall be entitled to sell the repurchased shares within one year after the reorganisation, provided that the partners have pre-emptive rights to purchase them, or to make a decision on the cancellation of the repurchased shares.

3. A partner who disagrees with the repurchase price of his/her shares may, within 20 days after receiving the notice about the repurchase price, apply to a court with a request to determine a fair repurchase price. After exercising such right, the partner shall lose all rights to his/her shares, except for the right to a fair price for the shares. The process of reorganisation shall not be suspended during the court proceedings.

4. If an independent auditor appointed by a court establishes that the value of the partner's shares is equal to or less than the value offered by the company, the expenses incurred for the services of the independent auditor shall be covered by the partner. Otherwise, such expenses shall be covered by the company. If the value of the shares established by a court is higher than the value offered by the company, the company shall repurchase all partners' shares at that higher price.

5. The company shall repurchase the partner's shares within 30 days after a court establishes the value of the shares.

6. By an agreement between the company and the partners, the timeframe for repurchasing the shares may be extended to not more than three months after establishing the repurchase price of the shares.

Article 76 – Merger of companies/division of a company during rehabilitation

Articles 65-75 of this Law shall not apply to companies against which rehabilitation proceedings have been initiated.

Article 77 – Redomiciliation of a company

1. The registration of an entrepreneur registered in a foreign country may be redomiciled to Georgia without interrupting the continuity of its business.

2. An entrepreneur as referred to in paragraph 1 of this article may be registered only in a legal form provided for by the legislation of Georgia.

3. An entrepreneur registered in Georgia may redomicile its registration to a foreign country without interrupting the continuity of its business under the following conditions:

a) the redomiciliation to another country of an entrepreneur registered in that foreign country is not prohibited under an international agreement concluded with such country;

b) there is no lawsuit or insolvency proceedings or criminal proceedings pending in Georgia against the entrepreneur registered in Georgia;

c) the entrepreneur registered in Georgia has no tax arrears with the Georgian tax authorities at the time of its redomiciliation to a foreign country.

4. The redomiciliation to Georgia of an entrepreneur registered in a foreign country shall be equal to the reorganisation of the entrepreneur, and such entrepreneur shall be subject to the company reorganisation regulations provided for by this Law, depending on their nature.

5. The procedure and conditions for the redomiciliation of an entrepreneur registered in a foreign country to Georgia, or for the redomiciliation of an undertaking registered in Georgia to a foreign country, shall be determined by the Instructions.

Chapter IX – Winding-up of a Company. A Company with a Defect

Article 78 – Winding-up of a company

1. The following shall be the grounds for the winding-up of a company:

a) a decision of the partners of the company on the winding-up of the company;

b) a violation of the requirements of this Law regarding the mandatory number of partners of a company;

c) the entry into force of a court judgment in a criminal case concerning the liquidation of a legal person;

d) a court decision on the winding-up of the company based on an application/lawsuit of a partner of the company;

e) other grounds provided for by the statute.

2. In the cases provided for by paragraph 1(a), (b) or (e) of this article, a person with management and representative powers shall submit to the registration authority an application for the registration of the winding-up of the company with the Registry. In the cases provided for by paragraph 1(c) or (d) of this article, the registration authority shall register the winding-up of the company based on the application of a court or of any person. In the cases provided for by the legislation of Georgia, the consent of an appropriate administrative body shall also be submitted to the registration authority when the company is wound up on the above grounds.

3. In the case of a limited liability company, a joint-stock company and a cooperative, a decision on the winding-up of a company shall be made by a majority of three quarters of the votes of the participants in the voting, and in other cases, such decision shall be made unanimously by all partners.

4. The procedure for the winding-up of a company in which the State holds more than 50 % of the shares, shall be approved by the Minister of Economy and Sustainable Development of Georgia, and the procedure for the winding-up of a company in which the Autonomous Republic of Abkhazia or the Autonomous Republic of Ajara holds more than 50 % of the shares, shall be approved by an appropriate line minister of the Autonomous Republic of Abkhazia or Ajara who is competent in the field of economics. This paragraph shall not apply to the liquidation of an interim bank established by the Ministry of Finance of Georgia in the resolution mode of a commercial bank, and to the liquidation of a commercial bank in the resolution mode, which shall be carried out according to the procedure established by special legislation.

5. The registration authority shall immediately inform the National Bank of Georgia of the registration of the commencement of the winding-up of a system participant undertaking operating in accordance with the Law of Georgia on Payment Systems and Payment Services (if any).

Article 79 – Winding-up of a company by a court decision based on a partner's application/lawsuit

1. Where there are significant grounds, a company may be wound up by a court decision on the basis of a partner's application/lawsuit.

2. Significant grounds exist if one of the partners has violated, intentionally or by gross negligence, any significant obligation imposed on him/her by law or the statute, or if a partner no longer fulfils his/her duties and the goals of the company can no longer be achieved.

3. A partner may redeem through a court, at a fair price, the shares of a partner who has filed to the court an application for the winding-up of a company, within 30 days after such application has been filed. In that case, each partner shall be allowed to participate in the redemption of the shares in proportion to his/her shares, unless the other partners have agreed on a different procedure for distributing the shares.

4. In the case provided for by paragraph 3 of this article, if the parties fail to agree on a fair price for the redemption of the shares within 30 days after making an offer, a fair price shall be determined by a court.

5. The statute may exclude, or contrary to the provisions of this article, restrict the right to require the winding-up of a company.

Article 80 – A company with a defect

1. If the registered data of a company no longer comply with the mandatory conditions of registration provided for by this Law, the registration authority shall, on its own initiative, make a decision on the identification of a defect and grant the company the status of a company with a defect, which shall be indicated in the Registry and notified to the company. When the status of a company with a defect applies, the validity of the registered data shall be suspended and an extract from the Registry shall not be issued.

2. If a defect is identified in a representative of the financial sector as determined by the Organic Law of Georgia on the National Bank of Georgia, whose liquidation is carried out by the National Bank of Georgia, the registration authority shall notify the National Bank of Georgia thereof in writing.

3. The validity of the registered data shall be suspended and an extract from the Registry shall not be issued even if the decision of the registration authority is appealed.

4. When a company with a defect submits the information/documents which remedy the defect, and the registration is carried out on the basis thereof, the status of a company with a defect shall be annulled.

Article 81 – Commencement of company liquidation proceedings

1. The registration of the winding-up of a company shall result in the commencement of company liquidation proceedings, unless insolvency proceedings have been initiated in relation to the assets of the company, and except for the case provided for by paragraph 4 of this article.

2. A company that goes into liquidation shall maintain the status of a legal person and use its brand name together with an addition: 'in liquidation'.

3. The bodies of a company that goes into liquidation shall maintain their powers, except for the managers, whose management and representative powers shall be terminated immediately upon the registration of liquidators.

4. From the moment of initiating criminal proceedings against a legal person to the moment of the entry into force of a court judgment or termination of the criminal proceedings, liquidation and reorganisation proceedings may not be initiated against a legal person on the basis of an application of the body carrying out the criminal proceedings.

Article 82 – Obligation to notify creditors of the winding-up of a company

1. The liquidators shall immediately notify the creditors of the winding-up of a company by publishing an appropriate announcement on the central electronic platform of the registration authority or on their websites, and invite them to submit their claims.

2. The registration authority shall provide information, through electronic means of communication, on the registration of the initiation of company liquidation proceedings to the Legal Entity under Public Law called the Revenue Service operating under the governance of the Ministry of Finance of Georgia, which shall, within 10 business days after receiving the notification, inform the registration authority of the possible tax liability of the entity. The information on any possible tax liability of the entity shall include a reference to the timeframe for conducting a tax audit in order to check the existence of any tax liability/arrears. The above timeframe shall not exceed 90 days from the registration of the initiation of the liquidation of the company. If necessary, the 90-day timeframe for conducting a tax audit may be extended only once, by a maximum of two months. If the 10-day timeframe for providing information on any possible tax liability of an entity as referred to in this paragraph, as well as the timeframe for conducting a tax audit as provided for in that information, expires without any result, the entity shall be considered to have no tax liability.

Article 83 – Liquidators

1. The liquidation of an undertaking shall be jointly administered by its managers, who shall be appointed as liquidators, unless the statute or a decision of the general meeting provides for the appointment of other persons as liquidators.

2. On the basis of a legally effective court judgment of conviction in a criminal case concerning the compulsory winding-up of a legal person, the liquidation of the legal person shall be carried out by a person determined by a court.

3. A liquidator shall meet the requirements set out for the managers of a company.

4. The general meeting shall be authorised to dismiss a liquidator at any time, unless the liquidator is appointed by a court.

5. If there are significant grounds, a court shall be entitled to dismiss a liquidator or to appoint a new liquidator based on an application of any of the partners of a company, or in the case of a joint-stock company, a limited liability company or a cooperative, based on an application of 10 % of the partners, or if there is a supervisory board, based on an application of the supervisory board. The issue referred to in this paragraph shall be reviewed by a court of first-instance, according to the legal address of the company.

6. A manager shall submit an application to the registration authority requesting the registration of liquidators with the Registry.

A partner shall also have the right to submit such application to the registration authority. A document on the appointment or dismissal of a liquidator and on the liquidator's powers, certified under Article 4(3) of this Law, a specimen signature of the liquidator, and if the liquidator is not a manager, the consent of the liquidator, shall be attached to the application. An application for registration with the Registry of any change of liquidators or in their powers shall be submitted by the liquidators upon any such change.

Article 84 – Powers of a liquidator

1. When carrying out activities related to liquidation, liquidators shall have the same rights and obligations as managers, except for the prohibition of competition. The obligation determined by Article 51 of this Law shall apply to liquidators.

2. Liquidators are obliged to finish current operations, sell assets and cover the company's obligations. Liquidators shall have the right to enter into new transactions, if they are necessary for liquidation.

3. A liquidator shall, upon his/her appointment, draw up a balance sheet as of the date of the commencement of liquidation.

Article 85 – Distribution of assets

1. Unless otherwise provided for by the statute, the assets of a company that goes into liquidation shall be distributed among its partners based on the rights attached to their shares.

2. If contributions were not made in full, initially the contributions or their equivalent value shall be returned, and the remaining assets shall be distributed based on the rights attached to the partners' shares.

3. If the assets are not enough to return the contributions, the remaining assets shall be distributed based on the rights attached to the shares, or where the contributions were not made in full, in proportion to their paid-up portions.

Article 86 – Protection of creditors during liquidation proceedings

1. The assets of a company may be distributed only after five months from covering the liabilities of the company and publishing an announcement on the winding-up of the company. Based on a court decision, the assets of the company may be distributed after three months from publishing an announcement on the winding-up of the company, if there is an independent auditor's report to the effect that all liabilities have been covered, and in the current circumstances, the distribution of assets does not prejudice the rights of third parties.

2. If known creditors fail to submit their claims, the company's assets may be distributed only after depositing the equivalent value of their claims in the deposit account of a court or a notary public.

3. If a claim is disputable or is not matured, the assets may be distributed only if a creditor is offered a security equivalent to the claim.

Article 87 – Continued existence of a wound up company

1. A company which is wound up on the basis of the partners' decision may continue to exist if so decided by the general meeting by a majority of three quarters of the votes of the participants in the voting, and if the distribution of the company's assets among the partners has not begun. The statute may provide for a greater number of votes or any other precondition.

2. A decision on a wound up company continuing its existence shall be submitted to the registration authority by the liquidators for registering with the Registry. The liquidators shall also prove that the distribution of the company's assets among the partners has not begun.

3. A decision on a wound up company continuing its existence shall enter into force only after its registration with the Registry.

Article 88 – Revocation of registration of a company

1. Complete distribution of a company's assets shall result in the completion of the liquidation of the company. The company liquidation proceedings shall be completed not later than four months after the registration of the commencement of its liquidation, or if the timeframe for a tax audit has been extended, not later than one month after the registration authority receives information on the completion of the tax audit.

2. The liquidators shall apply to the registration authority with a request to register the liquidation, on the basis of which the registration authority shall revoke the registration of the company.

3. If a company is declared bankrupt under the legislation of Georgia, a person authorised to represent the debtor shall submit to the registration authority a respective court ruling within 30 days after such ruling is delivered, as a result of which the registration of the company shall be revoked.

Article 89 – Obligation to store the documents of a liquidated company

The documents of a liquidated company shall be stored for six years after they are drawn up, or if such documents include agreements concluded by the company, they shall be stored for six years after the expiry of such agreements, in a safe place determined by the liquidators; if the liquidators fail to agree on the place of storage of such documents, such place shall be determined by a court based on an application of a liquidator or a partner. Former partners and liquidators shall have access to such documents without any hindrance, subject to the limitations established by the legislation of Georgia.

Article 90 – Resumption of liquidation due to the discovery of remaining assets or the necessity to carry out additional liquidation procedures

If, after the revocation of registration of a company, it has been established that certain assets are left undistributed or that it is necessary to carry out additional liquidation procedures, a court shall appoint the same or a new liquidator on the basis of an application of a person having legal interest. The rights and obligations of the liquidator shall be determined by Article 84 of this Law. The liquidation shall be completed according to the general procedure established by this Law.

Article 91 – Revocation of registration of an individual entrepreneur

1. The grounds for revocation of registration of an individual entrepreneur shall be:

a) a personal application;

b) the death of a natural person registered as an individual entrepreneur, the declaration by a court of such person as deceased or missing, or the recognition of such person as a beneficiary of support, unless otherwise provided for by a court decision on the recognition as a beneficiary of support.

2. The revocation of registration of an individual entrepreneur shall result in the termination of a general commercial power of attorney (if any).

3. If the registration of an individual entrepreneur is revoked, his/her successor in title shall be a respective natural person.

4. In the cases provided for by paragraph 1(b) of this article, the registration of an individual entrepreneur shall be revoked upon the request of any person or on the initiative of the registration authority.

Chapter X – Limitation Period and Rescission. Right and Timeframe of Appeal

Article 92 – Limitation period and period for rescission

1. Based on the legal relations regulated by this Law, the general limitation period for claims shall be five years. Where relevant, Articles 128-146 of the Civil Code of Georgia shall apply.

2. Under this Law, the general period for rescission shall be six months, which shall commence from the moment when the person who has the right to rescission became aware or should have become aware of his/her right to rescission.

Article 93 – Right and period of rescission/appeal of a decision of the general meeting, supervisory board, management body/manager

1. A decision of the general meeting, supervisory board, management body/manager shall be voidable and may be appealed if it violates the requirements of the legislation of Georgia or the statute. Such decision shall not be declared void in the case of a mino violation.

2. A decision of the general meeting may be rescinded by:

a) the partners participating in the general meeting who attended the general meeting and voted against such decision, or in the case of a joint-stock company, the partners who have additionally included their opposite opinions in the minutes of the general meeting or have submitted to a court evidence that their opposite opinions have unreasonably not been included in the minutes of the general meeting;

b) partners who did not attend the general meeting if they had not been allowed to attend the meeting without appropriate legal grounds, or if the general meeting had been convened in violation of the established procedure, and/or the issue on which the decision was made had not been included in the agenda;

c) the management body;

d) a member of the management body, or a member of the supervisory board, if such decision imposes any obligation on or limits any rights of such member.

3. A decision of the supervisory board may be rescinded by a partner and the management body/manager, as well as a member of the supervisory board, if such decision imposes any obligation on them or limits any of their rights.

4. A decision of the management body/manager may be rescinded by a partner and the supervisory board, as well as by another manager, if such decision imposes any obligation on them or limits any of their rights, and if the person declaring rescission had not supported such decision.

5. A lawsuit for the rescission of a decision shall be filed within one month from the moment the person having the right to rescission became aware or should have become aware of such decision, but not later than six months from the date the decision was made, or if the general meeting was convened or held in gross violation of the requirements of law or the statute, not later than one year from the date the decision was made. In the case of hiding a decision or information, the period for rescission shall start from the moment the person having the right to rescission became aware of such decision. The missed timeframe for appealing a decision shall not be resumed.

Section II – Special Part

Chapter XI – General Partnership

Article 94 – Concept of a general partnership

1. A general partnership is a company where the partners conduct business activities jointly, under a single brand name, and are personally liable to creditors, without limitation, for the obligations of the company as joint and several debtors.

2. A general partnership shall have at least two partners.

Article 95 – Amending a statute by consensus

A statute may be amended only with the consent of all partners (the principle of consensus), unless otherwise provided for by the statute.

Article 96 – Obligation to make contributions

1. If, under the statute, a partner undertakes an obligation to make contributions, but fails to make such contributions within the timeframe determined by the statute, the other partners may make a decision to expel such partner from the general partnership, unless otherwise provided for by the statute or unless the general partnership has only two partners. If a general partnership has only two partners, in the case of the failure to fulfil the obligation determined by this paragraph, the general partnership may be wound up as provided for by Chapter IX of this Law.

2. Each partner may request, on behalf of a general partnership, that the other partners fulfil their obligations to make contributions, and for that purpose, may represent the general partnership in a court.

3. A partner shall have the right to file a lawsuit to a court on behalf of the general partnership only if a partner, who failed to fulfil his/her obligation to make contributions, had been warned in this regard in writing but failed to fulfil such obligation within one month after the warning.

Article 97 – Representation of a general partnership

1. All partners shall be authorised to represent a general partnership as against third parties.

2. A partner may be deprived of representative powers by a court decision made on the basis of a lawsuit of the other partners, if there are significant grounds. There are significant grounds if a partner grossly violates undertaken obligations or fails to properly represent a general partnership as against third parties, etc.

Article 98 – Response of a partner of a general partnership

1. If a creditor's claim is submitted to a partner regarding the obligation of a general partnership, the partner may submit a response. The response may be submitted by the general partnership, or by the partner personally, against the creditor's claim.

2. A partner may refuse to satisfy a creditor's claim provided that the general partnership has the right to rescind the transaction which is the basis for the obligation of the general partnership to the creditor.

3. A partner may refuse to satisfy a creditor's claim provided that the creditor's claim can be satisfied by fulfilling a matured counterclaim of the general partnership (offset of claims).

4. In order to subject a partner's property to compulsory enforcement, a creditor shall, together with the issuance of a writ of execution against the general partnership, request the issuance of a writ of execution against such partner.

Article 99 – General meeting of a general partnership

1. A partner may convene the general meeting of a general partnership by giving all partners one week's notice by registered mail

or electronic mail. The notice shall include a draft agenda of the general meeting. Within three days after receiving the notice, the partners may make a request to make additions to the agenda. Such requests shall be granted.

2. Partners attending the general meeting shall elect, from among themselves, the chairperson of the general meeting by a majority of the votes of the participants in the voting. Each partner at the general meeting shall have one vote.

Article 100 – Adopting a decision by general meeting

1. If a decision to be adopted at the general meeting concerns a change in the object of the activities of the general partnership, or goes beyond its ordinary course of business, it shall be adopted with the consent of all partners, unless otherwise provided for by the statute, or an amendment to the statute which has been made with the consent of all partners.

2. If a decision of the general meeting creates unequal conditions for any partner compared to other partners, the consent of such partner shall be necessary.

3. If a decision to be adopted at the general meeting concerns a dispute between the general partnership and a partner, or a transaction to be conducted between the general partnership and a partner, such partner shall not participate in the voting.

Article 101 – Management of a general partnership

1. All partners of a general partnership shall have management powers. A partner who has management powers and has not been removed from managerial activities is obliged to carry out such activities. A partner may not perform any action, on the basis of his/her management powers, that is opposed by another partner with management powers.

2. If, under the statute, management powers are granted to one or more partners, the other partners shall not carry out managerial activities.

3. It is inadmissible to completely remove all partners from managerial activities.

4. If a partner of a general partnership is a legal person, the management powers shall be exercised by its manager/managers.

Article 102 – Consent of a partner and depriving a managing partner of management powers

1. Under a statute, the prior mandatory consent of partners may be required for entering into certain transactions.

2. A managing partner shall have the right to enter into a transaction without the consent of other partners, if the delay will lead to grave consequences for a general partnership. The managing partner shall immediately inform the other partners in this regard.

3. If there are significant grounds, a managing partner may be deprived of management powers by a court decision made on the basis of a lawsuit of the other partners. There are significant grounds if a partner grossly violates undertaken obligations or fails to properly manage a general partnership, etc.

Article 103 – Partner's right to exercise control

1. Any partner, including one not participating in the management of a general partnership, shall have the right to obtain information on the activities of the general partnership and to have access to its business documents. Such right may not be restricted.

2. Any partner, including one not participating in the management of a general partnership, shall have the right to request from other partners that they fulfil their obligations to the general partnership, and may file a lawsuit on behalf of the general partnership to enforce the same.

Article 104 – Profit and loss of a general partnership

1. Unless otherwise provided for by the statute, the annual profit or loss of a general partnership shall be determined and each partner's portion in it shall be calculated at the end of each business year, on the basis of the financial statements.

2. A partner's portion of profit shall be added to his/her contribution if it is not fully paid up.

3. A partner's portion of loss and the amount of money spent from the account of the general partnership during the business year shall be deducted from the partner's portion of profit.

Article 105 – Distribution of profit and loss of a general partnership

1. A partner shall have the right to receive a dividend from the annual profit of a general partnership, which is established at the end of a business year, in the amount of 4 % of a sum corresponding to the partner's share in the capital of the general partnership If the annual profit is not sufficient, the dividend percentage shall be reduced accordingly.

2. The contribution made by a partner during a business year in proportion to the period remaining from the date the contribution was made to the end of the business year shall be taken into consideration in the calculation of the dividends referred to in paragraph 1 of this article. If, during a business year, partners spent money from their shares in the capital of the general partnership, the spent amount of money shall be taken into consideration in proportion to the period passed before the date the money was spent.

3. The profit left after the calculation of dividends under paragraphs 1 and 2 of this article, as well as the loss for the business year, shall be equally distributed among the partners.

4. The statute of a general partnership may provide for a procedure for distributing the profit or loss of the general partnership other than the one determined by this article.

5. A partner shall not be obliged to return money received as profit on the basis of a balance sheet that is drawn up properly and in good faith.

Article 106 – Partner's right to spend money

1. Partners shall have the right to withdraw, for personal expenses, from the cash office of the general partnership, up to 10 % of their shares in the capital for the last business year, and unless it clearly affects the general partnership, to require the withdrawal of their portion of profit from the profits of the last business year, which may exceed the stated amount.

2. A statute may provide for a procedure for the spending of money by a partner other than the one determined by paragraph 1 of this article, including a requirement for a decision of the general meeting enabling a partner to spend money.

3. Except for the cases determined by paragraph 1 of this article, partners shall not have the right to withdraw money from their shares in the capital without the consent of the other partners.

Article 107 – Reimbursement of expenses to a partner

A general partnership shall reimburse a partner in respect of all the necessary expenses incurred by the partner in relation to the activities of the general partnership.

Article 108 – Alienation of shares by a partner

1. A partner may alienate shares with the prior written consent of all other partners, unless otherwise provided for by the statute.

2. A written agreement is necessary for the alienation of shares by a partner.

Article 109 – Withdrawal or expulsion of a partner from the general partnership

1. If a partner intends to withdraw from a general partnership, such announcement shall be made at least six months prior to the end of a business year.

2. If bankruptcy proceedings are initiated against a partner within the framework of insolvency proceedings, the partner shall be considered withdrawn from the general partnership from the moment of the commencement of the bankruptcy regime.

3. If a partner fails to fulfil a material obligation undertaken to the general partnership intentionally or by gross negligence, or if the partner is no longer able to fulfil such obligation, or if there are other significant grounds, on the basis of a request from other partners, a court may make a decision on the expulsion of said partner from the general partnership.

Article 110 – Relations after the withdrawal/expulsion of a partner from a general partnership

1. In the case of the withdrawal/expulsion of a partner from a general partnership, the partner's shares in the general partnership shall be added to the shares of the other partners, in proportion to those shares.

2. The other partners shall release a partner who has withdrawn/has been expelled from a general partnership from the debts of the general partnership and pay him/her/it compensation in the amount he/she/it would receive in the case of the winding-up of the general partnership. A partner who has withdrawn/has been expelled from the general partnership shall not have the right to require a security.

3. The obligations of a partner who has withdrawn/has been expelled from a general partnership to the creditors of the general partnership which had arisen before his/her/its withdrawal/expulsion from the general partnership shall remain in force for three years after the withdrawal/expulsion.

4. The value of the assets of a general partnership shall be evaluated as of the date when the withdrawal of a partner from the general partnership enters into force, or bankruptcy proceedings are initiated against the partner within the framework of insolvency proceedings, and/or a lawsuit is filed on the expulsion of the partner from the general partnership. The claim shall be satisfied upon the submission of a separation balance sheet.

Article 111 – Death of a partner of a general partnership

1. In the case of the death of a partner of a general partnership, his/her shares shall be added to the shares of the other partners. The general partnership shall pay compensation to the successors of the deceased partner as provided for by Article 110(2) of this Law, unless otherwise provided for by the statute.

2. If the statute provides for the substitution of a deceased partner by his/her successor, each successor may decide to participate in the general partnership depending on whether he/she shall be granted the status of a limited partner, and whether his/her share in the contributions of the deceased partner shall be considered as a limited contribution.

3. Unless otherwise provided for by the statute, a limited partner’s portion of profit shall be determined according to the successor’s share in the contributions of a deceased partner.

4. If the other partners disagree with the substitution of a successor of the deceased partner as a limited partner under paragraph 2 of this article, paragraph 1 of this article shall apply.

5. A successor of a deceased partner may make a respective announcement within six months after receiving the succession. If the successor does not join the general partnership as a jointly and severally liable partner, he/she shall be liable for the debts of the general partnership which had arisen before his/her status was determined, and according to the procedure established by the Civil Code of Georgia, which determines the liability of a successor for a testamentary burden.

6. If more than one successor of a deceased partner intend to be partners, they shall become co-partners.

7. The substitution of a deceased partner by his/her successor with the status of a limited partner shall result in the conversion of a general partnership into a limited partnership, to which the rules established by this Law for the reorganisation of a company shall not apply. The limited partnership shall ensure the compliance of the registration documents with the rules governing limited partnerships, within two months after making a decision on substituting a deceased partner by his/her successor with the status of a limited partner.

Chapter XII – Limited Partnership

Article 112 – Concept of a limited partnership

1. A limited partnership is a company where the partners conduct business activities jointly, under a single brand name, and where the liability of at least one partner to the creditors of the limited partnership is limited to a guarantee amount (limited partner) and the other partner/partners are personally liable to the creditors, without limitation, as joint and several debtors (general partner).

2. In addition to the rules determined by the General Part of this Law, the rules governing general partnerships shall also apply to a limited partnership, unless otherwise provided for by this Chapter.

Article 113 – Limited partner's right to exercise control

1. A limited partner may request a copy of the annual accounts of the limited partnership and check the accuracy thereof in accordance with respective business documents.

2. If there are significant grounds, a court may, upon an application of one of the limited partners, require the presentation of the balance sheet and annual accounts, as well as other information and documents of the limited partnership, at any time.

3. A limited partner may not be deprived of the right determined by paragraphs 1 and 2 of this article under the statute, nor shall such right be restricted.

Article 114 – Management of a limited partnership

1. A limited partner may not act against the managerial activities carried out by the general partners within the ordinary course of business of a limited partnership. If an activity of the general partners goes beyond the ordinary course of business of a limited partnership, a decision of the general meeting adopted with the participation of limited partners shall be required.

2. If, under an agreement, a limited partner is authorised to carry out an activity having legal significance, he/she shall be liable to the limited partnership as a management body of a limited liability company. If a limited partner alienates his/her shares, the management powers shall not be transferred together with the shares.

Article 115 – Voting right of a limited partner

1. A limited partner shall have the right to participate in the general meeting.

2. A limited partner shall have a voting right at the general meeting only in the cases provided for by law or the statute. Each limited partner shall have one voting right, unless otherwise provided for by the statute.

Article 116 – Guarantee amount of a limited partner

1. The guarantee amount of a limited partner in respect of the creditors of a limited partnership shall be determined according to the guarantee amount specified in the Registry.

2. A limited partner shall be liable to the creditors of a limited partnership only with the guarantee amount. If the guarantee amount is not fully paid, a limited partner shall be liable to the creditors of the limited partnership for the amount of contributions not paid up.

3. If the guarantee amount is returned to a limited partner, the guarantee amount shall not be considered paid in respect of the creditors of a limited partnership.

4. An unregistered increase in the guarantee amount specified in the Registry may be relied upon by the creditors only if they learn about the increase according to the procedure established in business relations, or if the limited partnership notifies the creditors thereof by other means.

Article 117 – Reduction of the guarantee amount of a limited partner

The reduction of the guarantee amount of a limited partner shall not result in the reduction of his/her/its liability, if the obligation of the limited partnership to the creditors had arisen before the reduction of the guarantee amount.

Article 118 – Representation of a limited partnership

General partners shall represent a limited partnership as against third parties, unless the representative powers of a general partner are limited under the statute.

Article 119 – Representative powers of a limited partner

A limited partner shall have the power of representation of a limited partnership only on the basis of a power of attorney, which shall be issued by the general partners.

Article 120 – Distribution of profit and loss of a limited partnership

1. Limited partners' portion of profit shall be accrued on their shares in the capital of a limited partnership only until that portion reaches the guarantee amount determined by the statute.

2. Limited partners shall participate in the reimbursement of losses of a limited partnership with their guarantee amount and the amount of their contributions not paid up.

Article 121 – Earning profits by a limited partner

1. Limited partners may earn profits only in proportion to their shares. Limited partners may not claim such profit insofar as their contribution is less than the amount determined by the statute.

2. Limited partners shall not be obliged to return money received as profit on the basis of a balance sheet that is drawn up properly and in good faith.

Article 122 – Alienation or succession of shares by a limited partner

1. Limited partners may alienate or transfer by succession their shares without the consent of other partners, unless otherwise provided for by the statute.

2. A written agreement is necessary for the alienation of shares by limited partners.

Chapter XIII – Limited Liability Company

Article 123 – Concept of a limited liability company

1. A limited liability company is a company, the capital of which is divided into shares and the partners' liability for the obligations of which is limited.

2. A limited liability company shall be liable to its creditors with all its assets.

3. A limited liability company shall not be liable for the obligations of its partners.

Article 124 – Management body of a limited liability company

1. A limited liability company shall be managed and represented as against third parties by the management body, which comprises one or more managers. If there are several managers, appropriate provisions regarding the bodies of a joint-stock company shall apply. A manager may be both a natural and a legal person.

2. When exercising management and representative powers, a manager shall comply with the partners' decisions.

3. A manager is authorised to make decisions on all issues which, under law or the statute, do not fall within the authority of the partners or the supervisory board. In addition, the general meeting is authorised to make decisions on any issue by a majority of votes as provided for by Article 195(3) of this Law.

4. The nature of the relationship with and the remuneration of a manager shall be determined by this Law and a service agreement, which is concluded with the manager by the general meeting, or in the case of a two-tier management system, by the supervisory board.

5. In the case of death, resignation or termination by other means of the powers of a manager, the partners shall elect a new manager within one month.

Article 125 – Supervisory board of a limited liability company

1. A limited liability company shall establish a supervisory board, if law or the statute provides for the existence thereof.

2. Articles 209-220 of this Law shall apply to a supervisory board where relevant, unless otherwise provided for by a statute.

3. Articles 51 and 53 of this Law shall apply to the supervisory board members, unless otherwise provided for by the statute.

Article 126 – Decision of the partners of a limited liability company

1. The following issues require a decision by the partners:

a) the approval of financial reports;

b) the distribution of the assets of the limited liability company among its partners;

c) the acquisition of shares by the limited liability company in its own capital;

d) changes in rights depending on shares and classes of shares;

e) the expulsion of a partner from the limited liability company;

f) the withdrawal of a partner from the limited liability company;

g) the appointment of a manager, the conclusion of a service agreement with a manager, and the dismissal of a manager;

h) the establishment of the supervisory board, unless the establishment of the supervisory board is provided for by law;

i) the election of a member to the supervisory board, the determination of his/her term of office, and his/her dismissal;

j) the approval of the reports of the director and the supervisory board;

k) the determination of the remuneration of a member of the supervisory board;

l) participation in court proceedings against a member of the supervisory board or a director (including the appointment of a representative in the proceedings);

m) the reorganisation of the limited liability company;

n) the winding-up of the limited liability company;

o) the adoption of amendments to the instrument of incorporation/statute of the limited liability company.

2. The partners' decision shall be adopted by more than half of the votes of the participants in the voting, unless otherwise provided for by the statute. The number of partners' votes shall be calculated according to their shares in the capital of the limited liability company, unless otherwise provided for by the statute.

3. Amendments to the instrument of incorporation/statute of a limited liability company shall be adopted by a majority of three quarters of the votes of participants in the voting, unless a greater number of votes is determined by the statute.

4. A decision related to a change in the rights attached to any class of shares (including any change in the procedure for exercising rights) shall additionally require the consent of at least three quarters of the total votes related to the class of subscribed shares subject to the change, unless otherwise provided for by the respective part of the statute, which has been unanimously adopted by the partners.

5. If, according to a decision to be made, a partner is exempted from the obligation undertaken to a limited liability company, or if the extent of a partner's obligation is reduced, or a decision concerns entering into a transaction with a partner or filing a lawsuit against a partner, or a conciliation, or a renunciation of a lawsuit, such partner may not vote on that issue. Moreover, a partner shall not have the right to vote on behalf of another partner, unless the latter partner's power of attorney is related to that issue.

Article 127 – General meeting of a limited liability company

1. The management body or, in the case determined by the statute, the supervisory board of a limited liability company, shall convene the general meeting at least once a year, except as provided for by Article 129 of this Law.

2. The general meeting, which reviews the annual results of the activities of a limited liability company, shall be convened within six months after drawing up an annual balance sheet, unless a shorter period is determined by the statute.

3. The general meeting shall be held after at least 14 days from the publication of a notice on convening the general meeting by the management body, or in the case determined by the statute, by the supervisory board, and the sending of invitations to the partners. A different timeframe may be established by the statute. The place and time of holding the general meeting shall not unreasonably limit a partner's right to participate in the general meeting.

4. A notice/invitation on convening the general meeting shall include the agenda of the general meeting.

5. Partners shall have the right to request explanations from the management body for each item on the agenda and to state their requirements/opinions. If a partner's request is submitted in writing at least three days prior to the general meeting, the request shall be granted or included in the agenda as one of the items. A partner may request, in the same manner, the inclusion/addition of items on the agenda. Refusal to provide explanations about the items on the agenda of the general meeting, or to grant a request for including other items on the agenda, shall be admissible only in the substantial interests of the limited liability company, which must be substantiated in writing.

6. The managers, the supervisory board members, and other persons of a limited liability company, may also be invited to the general meeting.

Article 128 – Extraordinary meeting of partners of a limited liability company

1. An extraordinary meeting of partners may be convened by the management body or the supervisory board (if any), or in the case of absence of managers (because of death, resignation, other cases of termination of their office, etc.), a partner/partners who hold at least 5 % of the shares or voting shares of a limited liability company.

2. A partner/partners, who holds/hold at least 5 % of the shares or voting shares of a limited liability company (initiating partner/partners), shall have the right to request the body authorised to convene a meeting under the statute to convene an extraordinary meeting of partners. The right to request the convening of an extraordinary meeting of partners shall apply not earlier than one month after the last general meeting.

3. A request of an initiating partner/partners to convene an extraordinary meeting of partners shall be submitted in writing and shall include the items on the agenda. The content of the items shall comply with the legislation of Georgia, and the goals and nature of the activities of a limited liability company. A body authorised to convene the general meeting shall hold an extraordinary meeting of partners not later than three months after receiving such request.

4. If an extraordinary meeting of partners is not convened within 20 days after the submission of a request by an initiating partner/partners to convene such meeting, the initiating partner/partners shall have the right to convene the extraordinary meeting of partners, to approve its agenda and to elect the chairperson of the extraordinary meeting of partners as provided for by Article 36 of this Law. An extraordinary meeting of partners shall be authorised to adopt decisions if attended by the partners holding the majority of votes in the limited liability company.

5. The expenses of convening an extraordinary meeting of partners shall be borne by a limited liability company. An extraordinary meeting of partners shall be convened and held according to the procedures established by this Law and the statute for general meetings.

Article 129 – Adopting a decision of the general meeting of a limited liability company without convening the general meeting

1. In the cases provided for by the statute, it is not necessary to convene the general meeting to adopt a decision of the partners. A body/person authorised to convene the general meeting shall send the agenda containing the issues to be decided and the draft partners' decision to the partners at their registered addresses, or in the cases provided for by the statute, via electronic means. The notice shall, in addition to the draft partners' decision and the agenda, include the following:

a) a timeframe during which the partners shall submit to the body authorised to convene the general meeting their position in writing about the issues to be decided, unless such timeframe is determined by the statute or the draft decision. If the timeframe is not determined by the statute or the draft decision, it shall be 15 days after the partner receives the draft decision;

b) all information/data and documents necessary for adopting the decision;

c) other documents and/or information/data determined by the statute.

2. The statute may require the notarisation of a partner's signature on the partner's written position.

3. If, within the timeframe determined by paragraph 1(a) of this article, a partner fails to notify in writing a body authorised to

convene the general meeting of his/her/its consent to the draft partners' decision, it shall be considered that the partner does not agree to the draft partners' decision.

4. If the partners' decision is adopted without convening the general meeting, the majority of votes shall be calculated from the total number of votes of all partners.

5. The partners' decision adopted under this article shall be signed by the body authorised to convene the general meeting, which shall send the copies of the partners' decision, containing the date of the adoption of such decision, to the partners within not later than five days after its adoption.

Article 130 – Participation of the partners of a limited liability company in the general meeting

1. A partner of a limited liability company shall participate in the general meeting personally or though a representative. The power of representation (power of attorney) shall be issued in writing granting the right of representation at one or more general meetings, or for a certain period of time.

2. The body convening the general meeting shall be informed of the participation of a partner in the general meeting through a representative, and shall be provided with a respective power of attorney before the meeting or immediately upon the commencement of the meeting.

Article 131 – Procedure and conditions for voting and participation in the adoption of a partners' decision by a partner of a limited liability company

1. The procedure and conditions for voting and participating in the adoption of a partners' decision by a partner of a limited liability company shall be determined by the statute. Such procedure and conditions shall be specified in the document on convening the general meeting or in the draft partners' decision sent to the partners. If such procedure and conditions are not determined in the statute, they shall be determined by the management body of the limited liability company.

2. The statute may provide that a partner, who does not participate in the general meeting either personally or through a representative, may vote on an item on the agenda remotely, in writing, according to the procedure established by paragraph 3 of this article, before the general meeting is held. In that case, it shall be considered that the partner participated in the process of review of the items on the agenda of the general meeting.

3. If the statute provides for voting via remote means by a partner attending or not attending the general meeting, such vote shall be taken into consideration only if it is possible to reliably identify the person authorised to exercise the voting right and the respective shares. In the case of voting via electronic means of communication, such vote shall be certified by a notary public or an electronic signature, as provided for by the legislation of Georgia.

4. The chairperson of the general meeting and the body convening the general meeting shall be responsible for reliably identifying a person authorised to exercise the voting right and the respective shares.

Article 132 – Using cumulative voting in a limited liability company

In the case provided for by the statute, or upon the partners' decision, the cumulative voting procedure determined by Article 199 of this Law shall be used for electing the management body or the supervisory board of a limited liability company.

Article 133 – Shares in a limited liability company

1. A share is a right which determines the participation of a person in the capital of a limited liability company.

2. Partners' contributions to the capital of a limited liability company shall be determined in proportion to their shares.

Article 134 – Subscribed capital of a limited liability company

1. A limited liability company may have subscribed capital.

2. If a limited liability company has only shares with nominal value, the amount of the subscribed capital shall be the sum of the shares with nominal value. If a limited liability company has subscribed shares with nominal value and shares without nominal value, the amount of the subscribed capital shall exceed the sum of the shares with nominal value. If a limited liability company has subscribed only shares without nominal value, the subscribed capital may be determined in any amount.

3. The subscribed capital of a limited liability company shall be denominated in the national currency.

4. The initial amount of the subscribed capital of a limited liability company shall be determined by the instrument of incorporation. A decision on changing the amount of the subscribed capital of a limited liability company shall be made by the partners.

5. The minimum contribution to receive the shares/shares of any class (nominal value of shares) may be determined by the instrument of incorporation. The nominal values of shares of different classes may be determined in different amounts.

Article 135 – Classes of shares of a limited liability company

1. Different classes of shares of a limited liability company may be allowed under the statute. Shares which create identical rights and obligations form a class of shares.

2. Each share of the same class shall have the same nominal value.

3. The rights and obligations attached to different classes of shares, and their nature, shall be regulated by the statute.

4. A decision related to a change in rights attached to any class of shares (including any change in the procedure for exercising rights or fulfilling obligations) shall additionally require the consent of at least three quarters of the total votes related to the class of subscribed shares, unless otherwise provided for by the respective part of the statute, which has been unanimously adopted by the partners.

Article 136 – Types of shares and issuance of new shares by a limited liability company

1. Shares shall be considered subscribed if issued by a limited liability company to other persons in exchange for consideration, whether the limited liability company has received the compensation or not.

2. Shares in respect of which subscription has been decided on by the partners, or by the body determined by the partners' decision or the statute, are issued shares. Issued shares shall be registered with the Registry and shall not create any rights or obligations until their subscription. Shares shall be subscribed by the management body of a limited liability company.

3. Shares which may be issued and subscribed in the future based on the partners' decision shall be authorised shares. The number and class of authorised shares, as well as their portion in the capital of a limited liability company and their nominal value (if established), shall be specified in the instrument of incorporation of a limited liability company.

4. The partners' decision or the instrument of incorporation of a limited liability company may establish the conditions, in the case of which and in compliance with which authorised shares may be issued and subscribed.

5. A decision on issuing shares within the scope of authorised shares shall be made by the partners, or an authorised body determined by the statute or the partners' decision. Such decision shall include the number, nominal value (if established) and class of shares. Such decision may also include the timeframe, minimum price and other conditions for the subscription of shares.

6. The statute or the partners' decision may determine that in the case of failure to subscribe shares under certain conditions, the unsubscribed shares may be cancelled, which may, in turn, result in the reduction of the number of issued shares by the number o cancelled shares. The management body of a limited liability company shall make respective amendments to the instrument of incorporation.

7. In the case provided for by the statute, based on the partners' decision, shares may be issued proportionally to the partners or to the partners holding one or several classes of shares, without requiring contributions (the issuance of shares from the assets of a limited liability company). Shares of the same class may not be issued as shares from the assets of a limited liability company to the partners holding other classes of shares, unless the statute had provided for such possibility before the issuance of such shares or part thereof, or the partners holding such classes of shares agree, by a majority of votes, to issue such shares, and/or the subscribed shares do not include the class of shares to be issued.

Article 137 – Right of pre-emption of new shares issued by a limited liability company

1. Unless otherwise provided for by the statute, partners shall have the right of pre-emption in respect of new shares issued by a limited liability company.

2. Unless otherwise provided for by the statute or a decision adopted under paragraph 6 of this article, a limited liability company shall not have the right to subscribe issued shares or to offer to an unlimited number of persons the subscription of shares under any conditions, until it offers its partners in writing the option to acquire the issued shares under the same conditions, and determines a reasonable timeframe therefor.

3. If a partner is offered the option to exercise the right of pre-emption in respect of new issued shares, a limited liability company shall determine a reasonable timeframe for the partner to exercise such right, which shall not be less than 14 days.

4. The right of pre-emption of new issued shares shall be proportional to the shares, unless all partners agree on a different procedure to exercise such right. If the shares offered proportionally to the partners cannot be precisely distributed, the procedure for pre-emption in respect of the shares that cannot be distributed among the partners shall be determined by the partners by a majority of votes.

5. A partner who has the right of pre-emption in respect of new issued shares may waive such right in favour of any third party within the timeframe determined by paragraph 3 of this article.

6. When issuing new shares, the right of pre-emption in respect of such shares may be restricted or excluded based on the partners' decision, which shall be made by a majority of at least three quarters of the votes of participants in the voting. Such decision may be made only on the basis of a report of the management body of a limited liability company, where reasonable grounds for the restriction or exclusion of such right shall be specified, and the value of the transfer of shares shall be substantiated.

Article 138 – Making contributions by a partner of a limited liability company

1. A partner shall make the agreed contributions either in cash or in kind, unless contributions in kind are prohibited by the statute.

2. The general meeting shall be authorised to exempt a partner from the obligation to make contributions, unless making contributions is necessary to satisfy creditors' claims, or for significant interests related to the functioning of a limited liability company.

3. If the exemption from the obligation to make contributions concerns shares with nominal value, the exemption shall be permitted only by reducing the subscribed capital respectively.

4. Contributions shall be made according to the procedure established by the statute or the partners' agreement. It is not mandatory to make contributions in full or in part immediately upon the subscription of shares. In the absence of an agreement with respect to the timeframe for making contributions, contributions shall be made within a reasonable period after the request of a limited liability company, which shall be determined by taking into consideration the needs of the limited liability company, the partners' property status, and the extent of the outstanding obligations.

Article 139 – Failure of a partner of a limited liability company to make contributions and the consequences thereof

1. If a partner fails to make contributions within the established timeframe, an annual default interest shall accrue on the value of the overdue contributions in the amount of double the refinancing rate set by the National Bank of Georgia for the respective period, unless otherwise provided for by the statute.

2. In the case of overdue contributions, the management body may initiate the process of forfeiture of shares. A partner shall be notified of the commencement of the said process and shall be granted an additional period of at least 30 days to make contributions.

3. If the additional period granted for making contributions passes without any result, a respective written notice shall be sent to the partner in default, who shall lose his/her/its shares, the partially made contributions, and the attached rights, in favour of the limited liability company. Claims related to the contributions shall remain in force.

Article 140 – Mandatory and voluntary additional contributions

1. Before the subscription of shares, the statute or the amendments to the statute adopted unanimously by the partners holding the shares, may provide for the obligation to make additional monetary contributions by the partners on the basis of the partners' decision, and determine to which shares the obligation to make additional contributions shall apply. In such case, the statute shall determine the maximum amount of additional contributions.

2. The partners shall make additional contributions in proportion to their shares.

3. In the case of failure to make additional mandatory contributions, where relevant, Article 139 of this Law shall apply, unless a partner withdraws from a limited liability company as provided for by Article 144 of this Law.

4. A partner may, upon the consent of a director, make additional voluntary contributions in kind as well, even if the statute does not provide for the obligation to make additional contributions.

Article 141 – Transfer of shares of a limited liability company

1. Partners may transfer (alienate or encumber) their shares without the consent of a limited liability company and the partners.

2. A decision which limits, prohibits and/or subjects to the consent of the partners or a limited liability company the transfer (alienation or encumbrance) of shares by a partner, and/or amends the applicable limitation, prohibition or the procedure for giving consent to the transfer (alienation or encumbrance) of shares by the partner, shall be made only with the consent of all the partners, to whom the limitation or prohibition applies.

3. An agreement on transferring shares shall be concluded in writing.

4. A partner shall notify a limited liability company immediately upon the conclusion of an agreement on transferring shares.

5. The transfer of shares shall take effect upon the registration by the registration authority of the shares in the name of a new partner. In that case, the rules established by the legislation of Georgia with regard to a bona fide purchaser shall apply.

6. At the moment of the alienation of shares, the partner alienating the shares and the partner acquiring the shares shall be jointly and severally liable to a limited liability company for the outstanding obligations related to the alienated shares, unless otherwise provided for by the statute.

Article 142 – Acquisition of shares by a limited liability company in its own capital

1. In the case of the acquisition of shares by a limited liability company in its own capital, Article 145(1), (4) and (7) shall apply, where relevant. Shares for which the contributions have been made in full may be acquired in the capital of the limited liability company.

2. A limited liability company may not fully acquire shares in its own capital where such shares grant unlimited voting rights or the right to obtain the assets of the limited liability company after the completion of its liquidation.

3. In the case of the acquisition of shares by a limited liability company in its own capital or the acquisition of the same shares by subsidiary of such limited liability company, such shares shall not be considered for the purposes of counting votes, distributing the assets of the limited liability company, requesting the winding-up of the limited liability company, or exercising other rights attached to the ownership of shares.

4. If the statute provides for the cancellation of shares acquired by a limited liability company in its own capital, the decision on cancelling such shares shall be made by the partners. The cancellation of such shares shall be specified in the statute.

5. Shares acquired by a limited liability company in its own capital in violation of this Law or the statute shall be sold or cancelled before the end of the calendar year during which they were acquired.

6. Where relevant, this article shall apply to the acquisition of shares in the capital of a limited liability company by a third party on its own behalf or at the expense of the limited liability company.

Article 143 – Expulsion of a partner from a limited liability company

1. If there are significant grounds, a court may make a decision on the expulsion of a partner from a limited liability company on the basis of a lawsuit of the limited liability company, filed by a decision of the partners.

2. There are significant grounds if the actions of a partner significantly prejudice the interests of a limited liability company, or if the continuation of such person as a partner prejudices the further activities of the limited liability company, or if the partner has been warned in writing by the limited liability company to stop the actions prejudicing the interests of the limited liability company and of possible expulsion, but such warning was not complied with.

3. Unless a greater number of votes is required under the statute, the partners' decision referred to in paragraph 1 of this article shall be made by a majority of votes of the participants in the voting, but by not less than the half of the total shares of a limited liability company, which grant the right to participate in the voting for that matter. In that case, the partner against whom the decision is to be made shall not have a voting right. If a limited liability company has two partners, a decision under Article 20(1) of this Law shall be made by the other partner.

4. A limited liability company may file a lawsuit to a court under paragraph 1 of this article within 30 days after the partners adopt a respective decision.

5. A court may, upon the request of a limited liability company, suspend the voting right or other non-property rights of a partner until a final decision is made on the case.

6. If a court makes a decision on the expulsion of a partner from a limited liability company, the partner shall be considered expelled from the moment the court decision enters into legal force.

7. The shares of a partner who has been expelled from a limited liability company shall be transferred to the limited liability company. The statute may provide for the transfer of the shares of an expelled partner to the remaining partners proportionally, or the cancellation of such share/shares.

8. A partner expelled from a limited liability company shall be paid a fair price for his/her shares. Where relevant, Article 145(1), (4) and (7) of this Law shall apply.

Article 144 – Withdrawal of a partner from a limited liability company

1. A partner shall have the right to withdraw from a limited liability company in the cases provided for by the statute, or if the actions of the management or other partners of the limited liability company significantly prejudice the partner's interests, and/or if there exist one of the following significant grounds/circumstances:

a) the subject of the activities of the limited liability company has been significantly changed;

b) the limited liability company has not distributed dividends for the past three years despite the fact that its financial standing allowed for same;

c) the limited liability company has made a decision determined by Article 135(4) of this Law;

d) the other partners made a decision on the obligation to make additional contributions, which applies to that partner as well.

2. If the circumstances determined by paragraph 1 of this article came about on the basis of a decision of the partners, a partner may withdraw from a limited liability company only if he/she/it did not vote in favour of that decision.

3. A partner shall inform in writing a limited liability company of his/her/its withdrawal from the limited liability company and the reasons for such withdrawal. Upon the receipt of such notice, the management body of a limited liability company shall notify the other partners of the withdrawal of the partner from the limited liability company, after which the partners shall make a decision on giving their consent to the withdrawal of the partner from the limited liability company, the transfer of the partner's shares to the limited liability company, the distribution of the partner's shares proportionally among the other partners, or the cancellation of the partner's shares.

4. If, within 30 days after receiving a notice, the partners fail to make the decisions determined by paragraph 3 of this article, or by their decision, refuse to give consent to the withdrawal of a partner from a limited liability company, the management body shall immediately notify the partner withdrawing from the limited liability company. If, within 30 days after receiving a notice, the management body fails to notify the partner withdrawing from a limited liability company of any decision made by the partners, it shall be considered that the partners have refused to give their consent to the withdrawal of the partner from the limited liability company.

5. The value of the shares of a partner withdrawing from a limited liability company shall be established by an agreement between the parties, or if they fail to agree, by an independent auditor appointed by the parties. If the parties fail to agree on the candidate of an independent auditor, the independent auditor shall be appointed by a court on the basis of an application of one of the parties.

6. The parties shall equally share the expenses for the services of an independent auditor, and they shall be jointly and severally liable to the independent auditor for the payment for his/her services, unless otherwise provided for by an agreement between the parties.

7. A decision on the withdrawal of a partner from a limited liability company shall be made by a court based on the partner's application, if the circumstances referred to in paragraph 1 of this article exist. Such application may be submitted within 30 days after the partners make a decision under paragraph 4 of this article, or if such decision is not made, within 30 days after the 30-day timeframe expires without any results. A court shall also determine the value of the shares of a partner withdrawing from a limited liability company and the timeframe for the payment of consideration to the partner for his/her/its shares, which shall not exceed 30 days after the court decision enters into force.

8. Partners withdrawing from a limited liability company shall be paid consideration for their shares:

a) within 15 days after the parties agree on the amount of consideration, unless the parties agree on a different timeframe;

b) within 30 days after an independent auditor submits his/her written report to the parties;

c) within the timeframe determined by a court.

9. In the case provided for by paragraph 8 of this article, Article 145(1), (4) and (7) of this Law shall apply.

Article 145 – Distribution of dividends of a limited liability company

1. Taking into consideration the data of the financial statements, the management body of a limited liability company shall prepare and submit to the partners a proposal concerning the distribution of dividends of the limited liability company to the partners. Together with the proposal concerning the distribution of dividends of a limited liability company to the partners, the management body shall submit to the partners a statement on the solvency of the limited liability company, which proves that during the calendar year following the date of the distribution of dividends, the limited liability company shall be able to fulfil the matured obligations in the ordinary and/or scheduled course of business.

2. The partners shall adopt a decision on the distribution of dividends to the partners as proposed by the management body, or a different decision. The partners' decision on the distribution of dividends to the partners shall state the date of the distribution of

dividends.

3. A person who is a partner of a limited liability company at the moment of adoption of the decision under paragraph 2 of this article shall have the right to a dividend.

4. Dividends shall be distributed to partners within the period established by the statute or the partners' decision on the distribution of dividends to the partners, from the date specified in the decision, which shall not exceed nine months after the adoption of such decision. If such date is not specified in the decision on the distribution of dividends to the partners, the date of the distribution of dividends shall be the date such decision was made. Before their distribution, dividends shall be the liability of a limited liability company.

5. In the case of the reduction of the subscribed capital, dividends shall not be distributed from the amount by which the subscribed capital was reduced, within six months from the date of the reduction of the subscribed capital. Where relevant, Article 169 of this Law shall apply.

6. Dividends shall not be distributed to partners if there is a high probability that, as a result, in the following calendar year a limited liability company will not be able to fulfil its matured obligations in the ordinary and/or scheduled course of business. Moreover, dividends shall not be distributed to partners if, as a result, the assets of a limited liability company will not cover its liabilities and the amount of subscribed capital. In addition, reserves shall not be distributed where prohibited by law or the statute.

7. A partner or a person related to a partner may have contractual relations with a limited liability company (including being a manager or a member of the supervisory board and receiving consideration from the limited liability company under a respective agreement), if the conditions of the agreement, and the consideration determined by the agreement, substantially correspond to the conditions of contractual relations between independent persons.

8. In the case of the failure to fulfil the obligations determined by this article, partners shall return the received dividends/consideration if they knew or should have known about the inadmissibility of distributing dividends or receiving dividends/consideration. For the failure to fulfil the obligations determined by this article, managers shall be jointly and severally liable to a limited liability company with all their property. A limited liability company may not waive such right.

Article 146 – A right of a partner of a limited liability company to obtain information and to look through documents

1. Upon the request of a partner, the management body of a limited liability company shall provide to the partner, within a reasonable period, information on the activities of the limited liability company and allow the partner to look through the business documents of the limited liability company.

2. The provision of information under paragraph 1 of this article may be refused in order to protect the substantial interests of a limited liability company from the risk of violation. Such refusal shall be substantiated in writing. The provision of information may also be refused if the requested information is publicly available.

3. Article 174 of this Law shall apply to the request of a partner of a limited liability company to appoint a special auditor.

Article 147 – A right of a partner to file a lawsuit in favour of a limited liability company

Article 222 of this Law shall apply if a partner files a lawsuit in favour of a limited liability company.

Article 148 – Abuse of dominant influence by a partner of a limited liability company

Article 176 of this Law shall apply in the case of the abuse of dominant influence by a partner of a limited liability company.

Article 149 – Partners' agreement of a limited liability company

Articles 177 and 178 of this Law shall apply to a partners' agreement of a limited liability company.

Chapter XIV – Joint-Stock Company

Article 150 – Concept of a joint-stock company

1. A joint-stock company is a company whose capital is divided into shares.

2. A shareholder shall not be liable for the obligations of a joint-stock company.

3. A joint-stock company shall be liable to its creditors with all its assets.

4. A joint-stock company shall not be liable for the obligations of its shareholders.

Article 151 – Concept of a share

A share is a registered intangible security that determines the participation of a person in the capital of a joint-stock company.

Article 152 – Making contributions in a joint-stock company

1. The performance of works or the provision of services may not be the subject of contributions in kind in a joint-stock company.

2. The procedure and timeframe for making contributions shall be determined by law and/or the statute. If such timeframe is not determined, a shareholder shall make contributions within a reasonable period after the request of a joint-stock company. At the moment of the alienation of shares, the alienating shareholder and the acquiring shareholder shall be jointly and severally liable to a joint-stock company for the outstanding obligations related to the alienated shares, unless otherwise provided for by the statute.

3. In the case of the incorporation of a joint-stock company or an increase in its capital, a shareholder shall make contributions within five years from the moment of registration of the joint-stock company or the increase in its capital, unless a shorter timeframe is determined by the statute.

4. At the moment of registration of a joint-stock company or an increase in its capital, a shareholder shall make monetary contributions in the amount of at least 25 % of the nominal value of the respective issued shares, or where there is no nominal value, in the amount of at least 25 % of the value determined by Article 156(2) of this Law.

5. If a shareholder fails to make monetary contributions within the established timeframe, annual interest shall accrue on the overdue monetary contributions in the amount of double the refinancing rate set by the National Bank of Georgia for the respective period, unless otherwise provided for by the statute. A joint-stock company may additionally require compensation for the damage incurred as a result of a violation of the stated timeframe. The same rule applies to contributions in kind.

6. If a shareholder fails to make monetary contributions within the established timeframe, the management body of a joint-stock company may initiate the process of forfeiture of shares. In that case, the joint-stock company shall warn the shareholder about the commencement of the process of forfeiture of shares and grant the shareholder an additional period of at least 30 days to make monetary contributions.

7. If the additional period passes without any result, by virtue of a notice sent by the management body a shareholder shall lose his/her/its shares, the partially made contributions and the attached rights in favour of the joint-stock company. Claims of the joint-stock company in relation to the contributions not paid up shall remain in force.

8. The management body may make a decision on the termination of the process of forfeiture of shares at any time.

9. Under the statute, the consent of the supervisory board may be required for the management body to exercise the powers

determined by this article. Such powers may be fully or partially determined as the powers of the general meeting, if the statute provides for such possibility.

10. Before the registration of a joint-stock company, an independent auditor selected by the shareholders shall draw up a report on any contribution in kind, which shall be published on the electronic platform of the registration authority. An independent auditor may be a natural person or a legal person.

11. An independent auditor's report shall contain at least a description of each of the assets comprising the contribution in kind as well as the methods of valuation used, and shall state whether the values arrived at by the application of those methods correspond to the number and nominal value of the respective shares, or where there is no nominal value, the value determined by Article 156(2) of this Law.

12. Paragraph 9 of this article shall not apply to the formation of a new company by way of merger or division, if the draft terms o merger/division are examined by an independent auditor as provided for by Article 70 of this Law.

Article 153 – Authorised, issued and subscribed shares

1. The number of authorised shares shall be the maximum number of subscribed shares determined by the instrument of incorporation.

2. Issued shares shall be the shares, the exact number of which is determined by a decision of an authorised body of a joint-stock company, which shall be subscribed and paid up in accordance with the conditions of the decision on subscription.

3. Subscribed shares shall be shares which are issued by a joint-stock company to other persons on condition of payment of monetary or other consideration, and which are registered with the shareholders' register according to the established procedure, which is kept by the joint-stock company or an independent registrar and which includes data on the number of registered shareholders and the shares held by them, as well as classes of such shares, and other information concerning them, as provided for by the legislation of Georgia.

Article 154 – Nominal value of shares

1. The instrument of incorporation may determine the value below which the shares of the respective class shall not be issued (nominal value of shares).

2. Each share of the same class shall have the same nominal value.

Article 155 – Shares without nominal value

1. A joint-stock company may issue shares without nominal value.

2. The minimum value of shares issued without nominal value shall be determined by their portion in the respective subscribed capital.

Article 156 – Subscribed capital of a joint-stock company

1. The minimum amount of the subscribed capital of a joint-stock company at the moment of registration of the joint-stock company shall be GEL 100 000.

2. If a joint-stock company has only shares with nominal value, the amount of the subscribed capital shall be the sum of the shares with nominal value. If a joint-stock company has subscribed both shares with nominal value and shares without nominal value, the amount of the subscribed capital shall exceed the sum of the shares with nominal value. If a joint-stock company has subscribed only shares without nominal value, the amount of the subscribed capital shall be at least the amount determined by paragraph 1 of this article.

3. If the value arrived at as a result of the subscription of shares exceeds the nominal value of the shares, such surplus shall be the reserve of a joint-stock company, to which Article 168(1) and (2) of this Law shall not apply.

4. The amount of the subscribed capital shall be indicated in the balance sheet of a joint-stock company.

Article 157 – Consolidation and sub-division of shares

1. Shares with nominal value may be consolidated or sub-divided by correspondingly changing the nominal value and number of each share.

2. Shares without nominal value may be consolidated or sub-divided by correspondingly changing their number.

3. A decision on the consolidation or sub-division of shares shall be made by the general meeting by a majority of at least three quarters of the votes of participants in the voting, unless otherwise provided for by the statute. Where there are different classes o shares, the consent of a majority of three quarters of the holders of the portion of capital affected by such decision shall be required.

4. Shares shall be consolidated and sub-divided on condition of maintaining the shares of each shareholder in the capital of a joint-stock company.

Article 158 – Classes of shares. Other securities convertible into shares

1. Unless otherwise provided for by the statute, shares may be common or preferred. One common share shall provide one voting right at the general meeting. Preferred shares shall not provide voting rights, except for the cases provided for by law or the statute. The number of preferred shares shall not exceed half of the number of subscribed shares.

2. A preferred share shall provide its holder with a preference under the statute with regard to the rate of a dividend and order of receiving dividends. The same preference shall apply to the distribution of assets of a wound up company among its shareholders, unless otherwise provided for by the statute.

3. All shares of the same class shall provide equal rights to their holders.

4. A joint-stock company may issue classes of shares other than those determined by this article.

5. The number of shares of any class, the attached rights and obligations, as well as the conditions for changing those rights and obligations, shall be included in the statute (and in the case of a public offering they shall be included in the prospectus as well), before the subscription of the shares of that class. After the subscription of shares, changes to the rights and obligations attached to the subscribed shares may be made only with the consent of three quarters of the holders of shares of that class.

6. A joint-stock company may issue other securities convertible into shares as provided for by law.

Article 159 – Transfer of shares depending on the approval of a joint-stock company

1. The transfer of certain classes of shares may be subject to the approval of a joint-stock company. The procedure for the approval of the transfer of shares by a joint-stock company shall be determined by the statute, before such transfer of shares.

2. It is prohibited to require the approval by a joint-stock company of the transfer of publicly traded securities determined by the Law of Georgia on Securities Market.

Article 160 – No subscription for new shares by a joint-stock company itself

1. New shares of a joint-stock company may not be subscribed for by the joint-stock company itself.

2. If the shares of a joint-stock company have been subscribed for by third parties acting in their own name, but on behalf of the joint-stock company, it shall be considered that the shares have been subscribed for on their own account.

3. In the case of a violation of paragraph 1 of this article, the shareholders of a joint-stock company, or in the case of an increase in the subscribed capital, the members of the management body, shall pay for the shares, unless they prove that no fault is attributable to them.

Article 161 – Own shares

1. A joint-stock company may acquire and alienate its own shares under the conditions of paragraph 3 of this article.

2. A joint-stock company shall not have shareholder's rights based on its own shares. The same rule applies to the voting rights attached to the shares of a subsidiary of a joint-stock company.

3. A joint-stock company may redeem its own shares subject to the following conditions:

a) authorisation shall be given by the general meeting for the redemption of such shares. Such authorisation shall determine the maximum number of shares to be redeemed, the duration of the period for which the authorisation is given, not exceeding five years, and in the case of acquisition for value, the maximum and minimum consideration;

b) the redemption of such shares may not have the effect of reducing the net assets of the joint-stock company below the amount of the subscribed capital mentioned in the approved financial statements of the last financial year of the joint-stock company, as well as below the amount of the sum of reserves, as determined by law or the statute, which may not be distributed among the shareholders;

c) only fully paid up shares may be redeemed.

4. The nominal value of shares redeemed by a joint-stock company shall not exceed 25 % of the subscribed shares. The same rule applies to the value determined under Article 156(2) of this Law, if the nominal value of the shares has not been established.

5. The redemption of shares under paragraph 4 of this article shall be prohibited if, at the moment of the redemption of shares, a joint-stock company is insolvent, or as a result of the redemption of shares, it may become insolvent.

6. Shares which have been acquired or redeemed by a joint-stock company to reduce subscribed capital shall be cancelled by the management body of the joint-stock company.

7. In the case of a violation of paragraphs 3 or 4 of this article, a joint-stock company shall alienate its own redeemed shares within one year of their redemption. If the redeemed shares are not alienated within the stated period, they shall be cancelled and the subscribed capital shall be reduced.

8. This article shall also apply to the acquisition of shares by third parties in their own name but on behalf of a joint-stock company.

9. In the case of the acquisition of its own shares by a joint-stock company, the rights attaching to such shares shall be suspended.

10. In the case of the acquisition of its own shares by a joint-stock company, the data determined by Article 7(6)(e) of the Law of Georgia on Accounting, Reporting and Audit shall be included in the financial statements.

11. The acceptance of the shares of a joint-stock company as security, either by the joint-stock company itself or through a third party determined by paragraph 8 of this article, where relevant, shall be subject to the rules of this article applicable to the acquisition of own shares, unless the shares are used as security by commercial banks or other financial institutions in the ordinary course of business.

12. If a joint-stock company holds more than half of the voting shares or otherwise exercises a dominant influence in another joint-stock company or limited liability company, the acquisition or ownership by such joint-stock company or limited liability company of the shares of the joint-stock company shall be considered as the acquisition of own shares under this article, and shall be subject to relevant regulations, unless an acquiring company is a nominee holder and is not acting in the name or on behalf of

the joint-stock company, or in the name or on behalf of the joint-stock company or the limited liability company, in which the joint-stock company holds more than half of the voting shares or otherwise exercises a dominant influence.

Article 162 – Shareholders' register

1. The shareholders' register, in which the titles to shares are registered, shall be kept according to the procedure established by the National Bank of Georgia. A person authorised to keep the shareholders' register as provided for by the legislation of Georgia and/or the statute shall be responsible for the registration of shareholders and their rights with the shareholders' register.

2. The title to shares and attached shareholder's rights shall be originated, modified and terminated from the moment of their registration with the shareholders' register, or from the moment of entering into the records of the nominee holders' register if, based on such records, the shares have been transferred into the nominee's holding.

3. A shareholder's title to shares shall be certified by the records in the shareholders' register or the records of a nominee holder. A shareholder shall be provided with an extract from the shareholders' register or an extract of a nominee holder. The management body of a joint-stock company, or in the cases provided for by paragraphs 4 and 5 of this article, an independent registrar, shall be responsible for the issuance of an extract from the shareholders' register. A nominee holder shall be responsible for the issuance of an extract of a nominee holder.

4. A joint-stock company with more than 50 shareholders shall keep the shareholders' register through an independent registrar.

5. A joint-stock company with less than 50 shareholders may keep the shareholders' register by itself or through an independent registrar, except for an accountable undertaking determined by the Law of Georgia on Securities Market, the shareholders' register of which shall be kept by an independent registrar.

Article 163 – Procedure for alteration of the subscribed capital of a joint-stock company

1. The subscribed capital of a joint-stock company may be altered as provided for by the legislation of Georgia and the statute.

2. A decision on the alteration of the subscribed capital shall be made by the general meeting.

3. A decision on the alteration of the subscribed capital shall specify the grounds and procedure for alteration, and the respective amount. Such decision shall also include information on the number and nominal value of shares to be subscribed or cancelled, if the value of the shares is determined.

4. A decision on the alteration of the subscribed capital shall be valid from the moment of its registration and publication. The management body of a joint-stock company shall be responsible for satisfying that requirement.

5. In the case of increasing the subscribed capital, it is possible:

a) to issue and subscribe new shares;

b) to issue and subscribe new shares using the assets of a joint-stock company;

c) to issue and subscribe new shares at the expense of increasing the nominal value of already subscribed shares, using the assets of a joint-stock company.

6. The issuance of new shares and the increase in the nominal value of subscribed shares shall be registered according to the established procedure.

7. A decision on the alteration of the subscribed capital shall be subject to a separate vote for each class of shareholders, whose rights are affected by that decision.

8. This article shall apply, where relevant, to the issuance of other securities which are convertible into shares, but not to the conversion of such securities.

Article 164 – Increase in capital by issuing additional shares

1. Unless otherwise provided for by the statute, a decision on increasing the capital by issuing additional shares shall be made by the general meeting by at least three quarters of the votes of participants in the voting.

2. The number and class of shares to be subscribed, as well as the procedure and conditions for their subscription, shall be specified in the decision on increasing the capital by issuing additional shares.

3. Shares issued in the course of an increase in capital shall be paid up, at the moment of their subscription, to at least 25 % of thei nominal value, or where there is no nominal value, to at least 25 % of the value determined by Article 156(2) of this Law. Where provision is made for an issue premium, it must be paid in full.

4. Where shares are issued for contributions in kind in the course of an increase in the capital, such contributions shall be transferred in full within a period of five years from the decision to increase the capital. In that case, the contributions in kind shall be evaluated and published as provided for by Article 152(10) and (11) of this Law.

5. The evaluation referred to in paragraph 4 of this article is not required if an increase in the capital of a joint-stock company is made in order to give effect to a public offer of shares, or in the case of a merger/division, to pay the shareholders of a company being acquired/company being divided, provided the draft terms of the merger/division are examined by an independent auditor as provided for by Article 70 of this Law.

Article 165 – Issuance of new shares by a joint-stock company at the expense of its own assets

Unless otherwise provided for by the statute, the general meeting may adopt a decision by at least three quarters of the votes of participants in the voting on the issuance of new shares by transforming the reserve of a joint-stock company determined by Article 156(3) of this Law or by using retained earnings, which shall be proportionally distributed to the shareholders. The reserve and the retained earnings may not be transformed into subscribed capital in the case of a loss shown in the last annual or interim balance sheet of a joint-stock company.

Article 166 – Increase in capital by the management body of a joint-stock company within the limit of the authorised capital

1. Under the statute or a decision of the general meeting, the management body of a joint-stock company may be granted the authority to adopt a decision on the issuance of new shares up to the maximum number determined by the statute. The maximum term of validity of such authority shall be determined by the statute, and it shall not exceed five years. The maximum number of new issued shares shall not exceed 50 % of the authorised shares. If the authority to issue new shares is granted by a decision of th general meeting rather than the statute, such decision shall be published and entered into the shareholders' register.

2. The number, class and minimum price of the shares to be subscribed shall be specified in the instrument of incorporation or a decision of the general meeting.

3. The statute or a decision of the general meeting may provide for additional conditions for exercising the authority determined by this article.

4. This article shall apply, where relevant, to the issuance of other securities which are convertible into shares, but not to the conversion of such securities.

Article 167 – Right of pre-emption of shares

1. If a decision is made by the general meeting on the issuance of new shares, initially a shareholder holding the shares of the same class, and then other shareholders, in proportion to their shares, shall have the right of pre-emption in respect of such shares.

2. The right of pre-emption of shares may be annulled by a decision of the general meeting on the issuance of new shares, which shall be made by a majority of the votes of participants in the voting, as well as by a decision of the management body of a joint-stock company adopted with the prior consent of the general meeting in the case of an increase in capital within the limit of the

authorised capital under Article 166 of this Law. In such case, shareholders holding at least two thirds of the total votes shall be present at the general meeting. Such decision may be made only on the basis of a written report of the management body of a joint-stock company, which shall state the grounds for the annulment of the right of pre-emption of shares and substantiate the price of the issuance of new shares. A decision of the general meeting on the annulment of the right of pre-emption of shares shall be published as provided for by this Law.

3. The right of pre-emption of shares shall not be considered annulled if, by a decision of the general meeting on the issuance of the new shares, such shares are issued for a commercial bank or a brokerage company with the obligation to offer the received shares to the shareholders of a joint-stock company for exercising the right of pre-emption of shares.

4. A joint-stock company shall notify shareholders holding at least 1 % of the voting rights of exercising the right of pre-emption of shares, via registered mail, and other shareholders, via registered mail or by publishing the respective information on its website or the electronic platform of the registration authority. A joint-stock company shall grant the shareholders at least 14 days to exercise such right, which shall commence from the moment of the delivery of the notice to a respective person or the publication of the respective information.

5. This article shall apply, where relevant, to the issuance of securities which are convertible into shares or which carry the right to subscribe for shares, or the undertaking of loan obligations by a joint-stock company, but shall not apply to the conversion of such securities, nor to the exercise of the right to subscribe, attaching to such securities or loan obligations.

6. Unless otherwise provided for by the statute, the right of pre-emption of shares shall not apply to:

a) shares issued in order to pay consideration to the members of the management body, representatives, employees and related persons of an undertaking or its subsidiary, including to satisfy the rights attached to their own securities convertible into shares, or options. If the shares are not used for the above purposes as intended, they shall be subject to the right of pre-emption;

b) shares issued for contributions in kind;

c) own shares redeemed by a joint-stock company, in the case of their re-subscription.

7. If a joint-stock company has several classes of shares carrying different rights with regard to voting or participation in the distribution of the assets of the joint-stock company, the instrument of incorporation may provide for the exercise of the right of pre-emption of shares by the shareholders of the class of shares in which the new shares are being issued.

Article 168 – Reserve

1. The statute may provide for the creation of a reserve. The reserve shall amount to at least 10 % of the subscribed capital, unless larger amount is provided for by the statute. The stated amount of the reserve shall also include the amount determined by Article 156(3) of this Law (if any).

2. Until the amount of the reserve reaches the limit determined by the statute, a joint-stock company shall transfer funds from the annual net profit to the reserve, every year. The amount of the transferred funds shall be determined by the general meeting and shall not be less than 5 % of the annual net profit.

3. The purpose of the reserve is to offset losses incurred in the preceding business year or losses brought forward, and to redeem the shares of a joint-stock company, if the joint-stock company has no other funds.

Article 169 – Reduction in the subscribed capital

1. A joint-stock company may reduce its subscribed capital.

2. The subscribed capital may be reduced in the case of the reduction of the nominal value of shares or the value determined by Article 156(2) of this Law, or the reduction of the total number of shares, including the redemption or withdrawal of a portion of subscribed shares by a joint-stock company.

3. A decision on reducing the subscribed capital and information thereon shall be published and entered into the shareholders' register.

4. A decision on reducing the nominal value of shares in the subscribed capital or the value determined by Article 156(2) of this Law may provide for the payment of consideration by a joint-stock company to the respective shareholders. Such decision shall determine:

a) the amount by which the subscribed capital is being reduced;

b) the classes of shares whose value is being reduced, and the amount by which the value of each share is being reduced;

c) the reduced value of each class of shares;

d) the amount to be paid by a joint-stock company to its shareholders as consideration as a result of the reduction of the value of shares.

5. A decision on reducing the subscribed capital shall be made by the general meeting by a majority of three quarters of the votes of participants in the voting. In such case, shareholders holding at least two thirds of the total votes shall be present at the general meeting. Such decision shall be subject to a separate vote for each class of shares which are affected by the decision. The general meeting may adopt such decision only on the basis of the proposal of the supervisory board of a joint-stock company. or in the case of a one-tier management system, on the basis of the proposal of the management body of a joint-stock company. A notice on convening the general meeting shall specify the purpose of the reduction of subscribed capital and the way in which it is to be carried out.

6. The data of persons who are entitled to receive consideration from a joint-stock company, and/or securities of the joint-stock company, on the basis of a decision on reducing the value of shares in the subscribed capital, shall be determined by the date an amendment to the statute is published.

7. A joint-stock company may not adopt a decision on reducing the subscribed capital if:

a) the amount of the subscribed capital after the reduction will not meet the requirement of Article 156(1) of this Law;

b) the redemption of all shares, which shall be redeemed under paragraph 2 of this article, has not been completed yet;

c) in the case of adopting such decision, the joint-stock company shall become insolvent, or face a risk of insolvency as a result of the payment of consideration or transfer of other securities to its shareholders;

d) there are other circumstances provided for by the legislation of Georgia.

8. As a result of the reduction of the subscribed capital, shareholders may be paid consideration or partially or fully exempted from the obligation to make contributions to the subscribed capital only after at least six months from the date of publication of the information on adopting a decision on reducing the subscribed capital, if the creditors' claims that predate the publication of the decision on reducing the subscribed capital were satisfied or secured by the joint-stock company, or rejected by a court. Creditors shall be provided with such satisfaction or security by a joint-stock company if they submit their claims within six months from the date of publication of the said decision, unless such safeguards are not necessary having regard to the assets of the joint-stock company. Creditors shall have the right to obtain security for claims against a joint-stock company which have not fallen due. The creditors' rights shall be specified in the published decision on reducing the subscribed capital.

Article 170 – Reduction in capital by withdrawal of shares by a joint-stock company

1. In order to reduce the capital, the general meeting shall have the right to decide on the withdrawal of shares acquired by the joint-stock company itself or by third parties acting in their own name but on behalf of the company, or the compulsory withdrawal of the subscribed shares. If the conditions and procedure for the withdrawal of shares are not determined by the statute, they shall be determined by a decision of the general meeting.

2. The compulsory withdrawal of shares shall be admissible if expressly provided for or authorised by the statute before the subscription of shares. If the statute authorises only the compulsory withdrawal of shares, it shall be decided upon by the general meeting, unless the compulsory withdrawal of shares has been unanimously approved by the shareholders concerned.

3. The rules of reduction in capital shall apply to the withdrawal of shares, taking into consideration the peculiarities of this article.

4. If a joint-stock company has issued several classes of shares, a decision concerning the withdrawal of shares shall be subject to a separate vote for each class of shareholders whose rights are affected by the decision. Where relevant, Article 37(1) and Article 195 of this Law shall apply.

5. Article 169(8) of this Law shall not apply to shares which are fully paid up, if:

a) the shares are transferred to a joint-stock company free of charge;

b) compensation for the withdrawal of shares is paid within the amount authorised under Article 181(1) and (2) of this Law.

6. In the cases determined by paragraph 4 of this article, an amount equal to the nominal value of all the shares withdrawn, or in the absence thereof, to the value determined by Article 157(2) of this Law, shall be included by a joint-stock company in a reserve which may not be distributed to shareholders. The reserve may be used only for offsetting losses incurred by, or increasing the subscribed capital of, the joint-stock company.

7. Article 169(5) of this Law shall not apply to the reduction in capital by the withdrawal of shares.

Article 171 – Serious loss of capital of a joint-stock company

If, according to the financial report for the reporting period or an interim financial report, the net asset value of a joint-stock company is less than half of the subscribed capital of the joint-stock company, the general meeting shall be immediately convened to discuss the issue of the possible winding-up of the joint-stock company or the possibility of taking other necessary measures, including the reduction of the subscribed capital or making additional contributions by the shareholders.

Article 172 – Rights of a shareholder

1. A shareholder shall have the right to:

a) participate in the general meeting;

b) look through the issues on the agenda of the general meeting;

c) have access, as provided for by law and the statute, to the documents of the joint-stock company and receive their printed or electronic copies, if the shareholder has given prior consent to receiving the information through electronic means of communication, as well as receive information from the joint-stock company as provided for by Article 202 of this Law and the statute;

d) receive dividends;

e) be free to dispose of his/her shares;

f) request the joint-stock company to redeem his/her/its shares in the cases provided for by law;

g) receive the assets remaining after the liquidation of the joint-stock company;

h) exercise other rights provided for by this Law, other legislative acts of Georgia, or the statute, as provided for by law.

2. Shareholders shall be free to dispose of their shares without the consent of a joint-stock company or other shareholders, unless otherwise provided for by law or the statute.

Article 173 – Additional rights of a shareholder

1. In addition to the rights determined by Article 172 of this Law, shareholders holding 5 % of voting rights shall have the following rights under this Law and the statute:

a) to request from the relevant management body of a joint-stock company copies of the transactions entered into on behalf of the joint-stock company. The management body of the joint-stock company may refuse to provide such copies/information in the interests of the joint-stock company;

b) to request the supervisory board of the joint-stock company, or in the case of a one-tier management system, the management body of the joint-stock company, to hold an extraordinary meeting;

c) to convene an extraordinary general meeting in the cases provided for by law;

d) to request items to be put on the agenda of the general meeting as provided for by Article 191 of this Law.

2. Other additional rights may be granted to a shareholder, or the shareholders/group of shareholders determined by paragraph 1 of this article, under the statute.

Article 174 – Appointment of a special auditor

1. Based on an application of shareholders holding at least 5 % of the shares and a decision of the general meeting, a joint-stock company shall conduct a special inspection of a business transaction or an annual financial report of the joint-stock company, if they are not subject to statutory audit under law. For that purpose, the joint-stock company shall appoint a special auditor.

2. A shareholder whose interests are concerned by a special inspection of a business transaction of a joint-stock company shall not have a voting right.

3. If the general meeting refuses to appoint a special auditor to carry out a special inspection of a business transaction conducted by a joint-stock company, after which a maximum five years has elapsed, a special auditor shall be appointed by a court on the basis of an application of shareholders holding at least 5 % of the shares, if there is a reasonable belief that law or the statute has been grossly violated when conducting the business transaction.

4. If a special auditor is appointed by the general meeting, on the basis of an application of shareholders holding at least 5 % of the shares, a court may replace the special auditor appointed by the general meeting if he/she/it does not have appropriate qualifications or if his/her/its impartiality and reliability are in doubt. Such application may be submitted to a court within 14 days after the date of the general meeting.

5. If a special auditor is appointed by a court, a joint-stock company shall pay the court expenses, and the remuneration to the special auditor appointed by the court in the amount determined by the court.

6. The management body and the supervisory board of a joint-stock company shall cooperate with a special auditor and, inter alia, allow the special auditor to inspect the documents, funds and inventories of the joint-stock company, and provide the special auditor with all other necessary information.

7. If the appointment of a special auditor by a court was based on inaccurate information provided by the applicants to the court deliberately or by gross negligence, the applicants shall reimburse the expenses to the joint-stock company.

8. A special auditor shall draw up a written report on the results of the special inspection of a business transaction. The report shall also include any circumstances that may seriously prejudice the interests of a joint-stock company, and the knowledge of which is necessary for the evaluation by the general meeting of the audited business transaction.

9. A special auditor shall sign a report and immediately submit it to the management body of a joint-stock company. The report shall be published. The management body of a joint-stock company shall submit the report to the supervisory board of the joint-stock company, and shall put the review of the report on the agenda of the following general meeting.

Article 175 – Obligations of a shareholder

A shareholder shall have the following obligations:

a) to make contributions for his/her/its shares;

b) to provide information to a joint-stock company or a registrar of shares on any change in the data of the shareholder that is registered with the shareholders' register;

c) perform other duties determined by law or the statute, as provided for by law.

Article 176 – Abuse of dominant influence by a shareholder and the obligation to compensate for damage

1. If a dominant shareholder of a joint-stock company abuses a dominant influence to the detriment of the joint-stock company, such shareholder shall compensate for the damage thus inflicted.

2. A dominant shareholder shall be a shareholder or a group of shareholders acting together, who are in a position to have a decisive influence on the results of the voting cast at the general meeting. Such shareholder/group of shareholders shall, in addition to the damage inflicted on a joint-stock company, compensate for the damage inflicted on a shareholder as well, except for damage inflicted on the shareholder as a result of the damage inflicted on the joint-stock company, including by reducing the value of the shares.

3. A person who deliberately exercised powers to the detriment of a joint-stock company, or influenced a member of the management body of the joint-stock company in order for that member to act to the detriment of the joint-stock company, shall compensate for such damage to the joint-stock company. Such person shall, in addition to the damage inflicted on a joint-stock company, compensate for the damage inflicted on a shareholder as well, except for the damage inflicted on the shareholder as a result of the damage inflicted on the joint-stock company, including by reducing the value of shares.

4. Members of the management body of a joint-stock company who failed to fulfil their obligations shall be jointly and severally liable together with a person determined by paragraph 3 of this article. The approval of such action by the supervisory board or the management body shall not exempt the members of the management body of a joint-stock company from the obligation to compensate for damage. Managers are not obliged to compensate for damage if their actions were based on a decision of the general meeting adopted in accordance with law.

5. A person who benefited from a detrimental action and deliberately influenced a person determined by paragraph 3 of this article shall also be jointly and severally liable for the damage inflicted on the joint-stock company.

6. The obligation for compensation of damage to creditors shall not be annulled either by the refusal of claims by a joint-stock company nor the fact that the detrimental action was based on the decision of the general meeting.

Article 177 – Shareholders' agreement

1. Shareholders, or shareholders and a third party, may conclude an agreement on the basis of which the parties to the agreement shall exercise the rights attached to the shares, or other rights, according to the established procedure, and fulfil the respective obligations ('the shareholders' agreement'). A joint-stock company shall be immediately informed of the conclusion of the shareholders' agreement.

2. A shareholders' agreement shall not necessarily have any special form. If a party to the shareholders' agreement alienates the shares regarding which the shareholders' agreement has been concluded, the rights and obligations deriving from the shareholders' agreement shall not be transferred to the acquiring party unless it has been specifically provided for by the shareholders' agreement and the agreement on the alienation of shares.

3. A shareholders' agreement shall be binding only on its parties. Shareholders shall not be denied the exercise of shareholder's rights attached to their shares, even if they violate the shareholders' agreement. The violation of the shareholders' agreement shall not serve as a ground for invalidating the decisions of the bodies of a joint-stock company.

Article 178 – Participation of a joint-stock company in a shareholders' agreement

A joint-stock company may participate in a shareholders' agreement, unless same contravenes the legislation of Georgia or the statute.

Article 179 – Redemption of shares by a joint-stock company

1. Shareholders shall have the right to require from a joint-stock company, as provided for by this article, that they evaluate and redeem their shares if, at the general meeting, the shareholders did not vote for a decision that unjustifiably and substantially impairs their rights, or concerns the reorganisation of the joint-stock company. The statute may provide for detailed regulation of the issues related to the valuation and redemption of shares.

2. If it is intended to adopt a decision referred to in paragraph 1 of this article, a notice on convening the general meeting shall contain a detailed description of the issue to be decided, the right to require the redemption of the attaching shares, and the procedure for exercising such right.

3. Within 45 days after the adoption of a decision as referred to in paragraph 1 of this article, shareholders shall have the right to require, in writing, from a joint-stock company the redemption of their shares. Such right shall not exist, if:

a) the shareholder has not fully paid up the contribution for the shares to be redeemed;

b) the shareholder acquired the shares to be redeemed after the notice referred to in paragraph 2 of this article had been sent.

4. Shares shall be redeemed at least at their market value. The market value of the shares shall be determined without taking into consideration a change in the value caused by the action giving raise to the right to redeem the shares.

5. The management body of a joint-stock company shall decide on the number of shares to be redeemed, and the redemption value to be offered, within 30 days after the term referred to in paragraph 3 of this article expires, and the redemption value shall be paid not later than 30 days after making such decision, unless the parties agree otherwise.

6. A shareholder who disagrees with the refusal of the management body of a joint-stock company to redeem shares, or with the redemption conditions determined by a decision of the management body of the joint-stock company, may apply to court within 30 days after a notice about such decision has been sent.

7. Shares may not be redeemed, if:

a) the amount paid for the redemption of shares exceeds 25 % of a joint stock company's own capital;

b) at the moment of the redemption of shares a joint-stock company is insolvent, or as a result of the redemption of shares, it may become insolvent.

8. If the number of shares offered for redemption exceeds the number of shares determined under paragraph 7 of this article, the shares shall be redeemed from various sellers on a proportional basis.

Article 180 – Drawing up the annual accounts and a business report

1. The management body of a joint-stock company shall draw up the annual accounts and a business report, as well as a proposal for using net profit, and submit them to the supervisory board.

2. If a proposal for using net profit is approved, the supervisory board shall submit it to the general meeting for approval. If the management body and the supervisory board of a joint-stock company fail to agree on how to use net profit, they shall submit both proposals for using net profit to the general meeting and shall ensure that the general meeting chooses between the alternative proposals.

3. By a decision of the general meeting, net profit may be fully or partially retained by a joint-stock company and taken into consideration in a new report.

Article 181 – Procedure for distributing dividends in a joint-stock company

1. Having regard to the interim or annual financial results, a joint-stock company may, as provided for by law, adopt a decision on the distribution of profits to the subscribed shares in the form of dividends, unless:

a) before or as a result of the distribution of dividends, the net assets as set out in the last financial statement of the joint-stock company are lower than the amount of the subscribed capital, plus the reserves determined by law or the statute, which may not be distributed to shareholders;

b) the amount of dividends to be distributed exceeds the amount of the net profit of the joint-stock company specified in the last financial statement, or in the case of interim dividends, earned after drawing up the last financial statement, plus any profits brought forward and sums drawn from free reserves, less any losses brought forward and sums placed in reserve in accordance with law or the statute;

c) by the date dividends are distributed or as a result of the distribution of dividends, a joint-stock company will become insolvent or face the risk of insolvency.

2. Where the uncalled part of the subscribed capital is not included in the assets shown in the balance sheet, that amount shall be deducted from the amount of subscribed capital referred to in paragraph 1(a) of this article.

3. Dividends shall be paid in a monetary form, unless a decision of the general meeting on the payment of dividends provides for the payment of dividends in the form of other assets.

4. A decision on the payment of dividends (including the amount of dividends and the form of payment of dividends for each class of shares) shall be made by the general meeting. The amount of dividends shall not exceed the amount recommended by a decision adopted by the supervisory board of a joint-stock company, or in the case of a one-tier management system, the management body of the joint-stock company, by a majority of two thirds of votes.

5. The timeframe and procedure for the payment of dividends shall be determined by the statute or a decision of the general meeting. The timeframe for the payment of dividends shall not exceed six months from the date of the adoption of a decision of the general meeting on the payment of dividends, unless a shorter period for the payment of dividends is determined by the statute or a decision of the general meeting.

6. A dividend paid to a shareholder, which is not accepted by the shareholder, shall be annulled after five years from the date of the adoption of a decision on the payment of dividends, and may not be reclaimed from the joint-stock company.

7. The statute may provide for the distribution of dividends in proportion to the paid up portion of the contributions for shares.

Article 182 – System of bodies of a joint-stock company

1. The bodies of a joint-stock company are: the general meeting and the management body (in the case of a one-tier management system), or the general meeting, the supervisory board and the management body (in the case of a two-tier management system).

2. A joint-stock company may have either a one-tier or a two-tier management system. In a two-tier management system, in addition to the general meeting and the management body, a joint-stock company also has a supervisory board. In a one-tier management system, a joint-stock company does not have a supervisory board. A decision on selecting the management system shall be made at the moment of the incorporation of a joint-stock company and shall be included in its statute. A decision on selecting the management system may be changed, if such change is supported by the general meeting by at least three quarters of the votes of participants in the voting.

3. If a joint-stock company is an accountable undertaking determined by the Law of Georgia on Securities Market, whose securities are admitted for trading on the stock exchange, or if a joint-stock company is licensed by the National Bank of Georgia, it is mandatory to establish a supervisory board comprising at least 3 and not more than 21 members.

Article 183 – Annual and extraordinary general meetings of a joint-stock company

1. The general meeting shall be convened in the cases provided for by law and the statute.

2. An annual general meeting of a joint-stock company shall be held within the timeframe determined by the statute, but not later

than three months after the end of the business year.

Article 184 – Scope of authority of the general meeting

1. The general meeting shall make decisions on the issues falling within the scope of authority of the general meeting under this Law and the statute, including on the following:

a) amending the statute, adopting a new version of the statute;

b) issues provided for by Article 5(6) of this Law;

c) changing the management system (one-tier or two-tier) of a joint-stock company;

d) the reorganisation of a joint-stock company;

e) the winding-up of a joint-stock company, the appointment of a liquidator, and the approval of interim and final liquidation balance sheets;

f) the authorisation of the redemption of shares by a joint-stock company;

g) the alteration of the subscribed capital;

h) determining the composition of the supervisory board (in the case of a two-tier management system) or the management body (in the case of a one-tier management system), the number, election and recall, and the amount of remuneration of their members, and their structure;

i) the approval of the audit report of a joint-stock company and the selection of a person to conduct an audit;

j) the approval of a financial report and distribution of dividends;

k) determining the procedure for holding a general meeting, and electing a vote counting commission;

l) participation in court proceedings against the members of the management body/managers and members of the supervisory board of a joint-stock company, including the appointment of a representative in such proceedings;

m) unless otherwise provided for by the statute, the acquisition, alienation, exchange (interrelated transactions) or encumbrance otherwise of the assets of a joint-stock company, the value of which is more than half the book value of the assets of the joint-stock company, except for transactions that fall within the ordinary business activities;

n) determining the number, nominal value and classes of shares, and the attaching rights;

o) changing the nominal value of shares, or subscribing additional shares;

p) giving consent to a transaction determined by this Law or the statute;

q) the incorporation of or shareholding in other legal persons;

r) determining the form and amount of remuneration of managers.

2. Under the statute or a decision of the general meeting, the power to adopt decisions on the issues determined by paragraph 1(n)-(r) of this article may be transferred to the supervisory board or the management body of a joint-stock company.

3. The general meeting shall not have the right to adopt decisions on the issues which fall within the scope of authority of other bodies, unless such bodies apply to the general meeting with a request to decide on the issues falling within their authority.

Article 185 – Approval of the work performed

1. When approving a decision on the annual accounts, annual balance sheet and profit distribution, the general meeting shall make a decision on the approval of the work performed by the supervisory board and the management body of a joint-stock company during the year. By a decision of the general meeting or upon the request of shareholders holding 10 % of voting rights, a decision on the approval of the work performed by individual members of the supervisory board and individual managers shall be subject to a separate vote.

2. The approval of the work performed by the supervisory board and the management body of a joint-stock company shall not exempt them from the obligation to compensate for damage to the joint-stock company.

Article 186 – Procedure for convening the general meeting

1. A general meeting shall be convened by the management body of a joint-stock company. Under law or the statute, the general meeting may be convened by other persons as well.

2. If the management body of a joint-stock company fails to fulfil its obligation to convene the general meeting, the supervisory board of the joint-stock company is obliged to convene the general meeting.

3. A decision to convene the general meeting shall be made by a majority of votes of the participants in the voting, regarding which the minutes of the meeting shall be drawn up. The minutes of the meeting shall specify whether the general meeting has been convened on the shareholders' initiative or not.

4. The expenses for convening, organising and holding the general meeting shall be borne by a joint-stock company.

Article 187 – Convening a general meeting at the request of the shareholder/shareholders

1. If necessary, upon the written request of a shareholder/shareholders (group of shareholders) holding at least 5 % of the capital, the management body of a joint-stock company shall publish a decision on convening a general meeting within 10 days after receiving such request.

2. A written request of a shareholder/shareholders on convening a general meeting shall specify the necessity, purpose and reasons for convening the meeting, as well as the agenda of the meeting, which shall include all items requested by the shareholder/shareholders. The management body of a joint-stock company may add items to the agenda of the meeting.

3. If a request from a shareholder/shareholders to convene a general meeting is not granted, on the basis of an application a court may grant the applicant shareholder/shareholders the power to convene a meeting, and to appoint the chairperson of the meeting.

4. The expenses for convening, organising and holding an extraordinary general meeting shall be borne by a joint-stock company.

Article 188 – Organising the general meeting

1. When organising the general meeting, the management body of a joint-stock company shall decide on the following issues:

a) the date and place of the general meeting;

b) the forms of holding the general meeting, and the forms of voting;

c) the agenda of the general meeting;

d) the form of notification of shareholders of the general meeting;

e) a list of materials to be provided to the shareholders, and the procedure for handing over such materials;

f) the record date of the general meeting.

2. The management body of a joint-stock company shall decide on all organisational issues necessary for holding the general meeting.

Article 189 – Notification of convening the general meeting

1. A decision on convening the general meeting shall be published on the electronic platform of the registration authority not later than on the 21st day before the day of the general meeting.

2. A decision on convening the general meeting shall also be published on the website (if any) of the joint-stock company.

3. Each subsequent general meeting may be convened earlier than the minimum period referred to in paragraph 1 of this article, if the general meeting is convened for lack of a quorum required for convening the first general meeting, provided that the first general meeting has been convened according to the procedure established by the legislation of Georgia and no new item is added to the agenda. In such case, at least 10 days shall elapse between the last general meeting and the following general meeting.

4. The management body of a joint-stock company shall be responsible for the accuracy and availability of the published information on convening the general meeting.

5. The published information on convening the general meeting shall include at least the following data:

a) the brand name and legal address of the joint-stock company;

b) the place, date and time of holding the general meeting;

c) an indication as to whether it is a regular or an extraordinary general meeting;

d) the record date of the general meeting and an indication that only the persons who are shareholders on that date shall have the right to participate and vote in the general meeting;

e) the agenda of the general meeting.

6. For a continuous period beginning not later than on the 21st day before the day of the general meeting, or in the case determined by paragraph 3 of this article, within a respectively shorter period of time, and including the day of the general meeting, in addition to other data referred to in this article, at least the following information shall be additionally available to shareholders on the website of a joint-stock company which is an accountable undertaking under the Law of Georgia on Securities Market, and whose securities are admitted for trading on the stock exchange:

a) the notification of convening the general meeting referred to in this article;

b) the total number of shares and voting rights at the date of the general meeting (including separate totals for each class of shares where the capital of the joint-stock company is divided into two or more classes of shares);

c) the documents to be submitted to the general meeting;

d) a draft decision to be adopted, or in its absence, a comment from the management body of the joint-stock company for each item on the proposed agenda of the general meeting, as well as the draft decisions submitted by the shareholders under Article 191(1) of this Law, which shall be uploaded by the joint-stock company on its website within a reasonable period after receiving them;

e) where applicable, the forms to be used to vote by proxy and to vote by correspondence, unless those forms are sent directly to each shareholder;

f) a clear and precise description of the procedures that shareholders must comply with in order to be able to participate and to cast their vote in the general meeting, including the following:

f.a) the rights determined by Article 191 of this Law, to the extent that those rights can be exercised after issuing the notification of convening the general meeting, taking into consideration the requirements of Article 202 of this Law and the deadlines by which those rights may be exercised;

f.b) the procedure for voting by proxy, notably the forms to be used to vote by proxy and the possibility of accepting by the joint-stock company notifications of the appointment of proxy holders in an electronic form;

f.c) in the case determined by Article 194(2) of this Law, the procedure for casting votes by shareholders by correspondence or by electronic means;

g) the place of and the conditions for looking through the complete materials of the general meeting.

7. Where the forms of voting referred to in paragraph 6(e) of this article cannot be made available on the website of a joint-stock company for technical reasons, the joint-stock company shall indicate how the forms can be obtained on paper. The joint-stock company shall be required to send the forms by postal services and free of charge to every shareholder who so requests.

Article 190 – Looking through the materials of the general meeting

1. The materials of the agenda of the general meeting shall contain all necessary information for the purposes of adopting a decision.

2. If the agenda of the general meeting provides for amending the statute or adopting a new version thereof, the text of the amendment or new version shall be published together with the information about convening the general meeting, unless such documents have been sent personally to all shareholders.

3. The management body and the supervisory board of a joint-stock company shall publish draft decisions on the issues covered by the agenda of the general meeting, and indicate the grounds for such decisions.

Article 191 – Right to put items on the agenda of the general meeting and to submit draft decisions

1. A shareholder/group of shareholders holding at least 5 % of the capital shall have the right to apply in writing to the management body of a joint-stock company 14 days before the date of a general meeting and:

a) request the addition of items to the agenda of the general meeting, provided that each such item is accompanied by a justification or a draft decision to be adopted;

b) submit draft decisions for items included or to be included on the agenda of the general meeting, and justification for such draft decisions.

2. Where the case referred to in paragraph 1(a) of this article entails a modification of the agenda of the general meeting already communicated to shareholders, a joint-stock company shall make available to the shareholders a revised agenda in advance of the applicable record date as provided for by Article 189(1) and (2) of this Law. If the obligation to make available to the shareholders a revised agenda of the general meeting arises after the record date, it shall be made available sufficiently in advance of the date of the general meeting so as to enable the shareholders to appoint proxy holders or to vote by correspondence.

3. A shareholder/group of shareholders holding at least 5 % of voting shares shall have the right to nominate candidates for a member of the supervisory board of a joint-stock company, or in the case of a one-tier management system, for a member of the management body of the joint-stock company, if the shareholder/group of shareholders submits/submit an appropriate application/proposal to the management body not later than on the 14^{th} day before the date of the extraordinary general meeting. The proposal shall contain the identification data of the candidates as provided for by law.

4. The management body of a joint-stock company shall, within five days after receiving a respective application, put a proposed item on the agenda of the general meeting, unless the timeframe for the submission of applications has been missed or the item does not fall within the scope of authority of the general meeting. Where relevant, the publication procedure determined by Article 189 of this Law shall apply to modifications to the agenda of the general meeting or the draft decisions submitted by the shareholders.

5. The rejection by the management body of a joint-stock company of the shareholders' application to add an item to the agenda o the general meeting may be appealed in court. A court may grant the applicant shareholders the right to add items to the agenda by publishing the respective information. If the lawsuit is granted, the court expenses shall be borne by the joint-stock company.

6. The agenda of a general meeting may be modified at the general meeting only if all shareholders attend the general meeting. Any decision made regarding the items added to the agenda of the general meeting in violation of the above requirements shall be invalid.

Article 192 – Shareholders participating in a general meeting

1. Only shareholders with title to shares at the record date shall have the right to participate in a general meeting and to vote.

2. The record date shall not be more than 30 days before the date of the general meeting to which it applies. In the case provided for by Article 189(3) of this Law, at least six days shall elapse between the date of the general meeting and the record date/day.

3. A list of persons authorised to participate in a general meeting shall include data necessary for the identification of authorised persons, the classes of shares and partners, the number of votes, and the addresses to which notifications of adding to the list of participants of the general meeting shall be sent.

4. Shareholders shall have the right to make a request to a joint-stock company to issue a confirmation of their addition to the list of participants in a general meeting, and the number of their shares and votes. Failure to fulfil the shareholders' request shall be considered as a serious violation of the procedure for convening the general meeting.

5. Proof of qualification as a shareholder may be made subject only to such requirements as are necessary to ensure the identification of shareholders and only to the extent that they are proportionate to achieving that objective.

6. The shareholders' right to sell or otherwise alienate their shares during the period between the record date/day, as defined in paragraph 2 of this article, and the general meeting to which it applies, shall not be subject to any restriction to which they are not subject at other times.

7. A body convening a general meeting shall be responsible for the accuracy of the list of participants in the general meeting.

Article 193 – Participation in a general meeting

1. Shareholders' may exercise their right to participate in and vote at a general meeting both personally and through a proxy holder.

2. A proxy holder may be appointed and a notification of such appointment shall be made either in writing or in an electronic form. In addition, an accountable undertaking under the Law of Georgia on Securities Market, whose securities are admitted for trading on the stock exchange, shall personally or through a third party offer the shareholders at least one effective method of notification by electronic means.

3. A manager and a member of the supervisory board of a joint-stock company shall not have the right to participate in a general meeting as proxy holders.

4. A proxy holder shall enjoy the same rights to speak and ask questions at a general meeting as those to which the shareholder thus represented would be entitled.

5. The exercise of a shareholder's rights through a proxy holder may not be restricted, unless there is a potential conflict of interes between the proxy holder and the shareholder, in whose interest the proxy holder is bound to act.

6. A proxy holder shall disclose certain specified facts which may be relevant for the shareholders in assessing any risk that the proxy holder might pursue any interest other than the interest of the shareholder.

7. A conflict of interest between a proxy holder and a shareholder may arise, where the proxy holder is:

a) a controlling shareholder of the joint-stock company or another company controlled by such shareholder;

b) a member of the management body or the supervisory board of the joint-stock company or a company referred to in sub-paragraph (a) of this paragraph;

c) an employee or an auditor of the joint-stock company or a company referred to in sub-paragraph (a) of this paragraph;

d) a family member of a natural person referred to in sub-paragraphs (a)-(c) of this paragraph.

8. A proxy holder shall cast votes in accordance with the instructions issued by the shareholder thus represented.

9. Where a proxy holder holds proxies from several shareholders, the proxy holder shall have the right to cast votes for a certain shareholder differently from votes cast for another shareholder.

10. Paragraph 2 of this article shall apply to the revocation of the appointment of a proxy holder.

11. The management body and the supervisory board shall participate in the work of the general meeting.

12. At least one member of the management body and the supervisory board of a joint-stock company shall have the opportunity to speak at a general meeting.

Article 194 – Forms of holding a general meeting and forms of voting

1. Pursuant to the statute, or in the cases provided for by the statute, a decision of the management body of a joint-stock company, the participants of a general meeting may not only attend the general meeting personally, but together with or instead of such form of participation, electronic means of communication may also be used.

2. Pursuant to the statute, or in the cases provided for by the statute, a decision of the management body of a joint-stock company, a shareholder may be permitted to vote at a general meeting without attending the general meeting, including by electronic means. Pursuant to to the statute, or in the cases provided for by the statute, a decision of the management body of a joint-stock company, a shareholder may vote by correspondence/by electronic means in advance of or during a general meeting.

3. In the case of voting by electronic means, the possibility to identify a person and the safety of the electronic communication system shall be ensured, for which the management body of a joint-stock company shall be responsible.

4. Pursuant to a decision of the management body of a joint-stock company, if so provided by the statute, a real-time video and audio transmission of a general meeting, as well as a real-time two-way communication, may be ensured, enabling the shareholders to address the general meeting from a remote location.

Article 195 – Principle of majority of votes and amendments to the statute/instrument of incorporation

1. A general meeting shall adopt a decision by a majority of votes of the participants in the voting, unless a greater number of vote is required by this Law or the statute for the adoption of decisions.

2. Decisions may be subject to a separate vote for each class of shares.

3. Amendments to the statute/instrument of incorporation shall be adopted by a majority of three quarters of the votes of participants in the voting, unless a greater number of votes is determined by the statute.

Article 196 – Voting right of a shareholder

1. Unless otherwise provided for by the statute, the voting right of a shareholder shall be determined according to the number of shares.

2. The voting right of a shareholder shall arise from the moment the contributions for shares are fully paid up, unless the statute provides that the voting right may arise when the contributions for shares are partially paid up. In that case, the management body of a joint-stock company shall provide information to the person keeping the shareholders' register on the contributions made for the subscribed shares.

Article 197 – Exercising a voting right independently

1. Any provision of an agreement or the statute which obliges a shareholder to exercise voting rights according to the instructions of the management body or the supervisory board of a joint-stock company shall be invalid.

2. Any agreement which generally obliges a shareholder to exercise voting rights according to the instructions of the bodies of a joint-stock company shall be invalid.

3. A shareholder or a proxy holder shall not exercise a voting right if a general meeting is discussing the issue of bringing a claim against or concluding an agreement with the shareholder by the joint-stock company, or the shareholder has a conflict of interest with the issue being discussed, or that issue is otherwise directly related to the shareholder.

Article 198 – Holding a general meeting

1. A general meeting shall be held according to the procedure established by this Law or the statute.

2. A general meeting shall be chaired by the chairperson of the supervisory board of a joint-stock company, or in the case of a one-tier management system, the chairperson of the management body of the joint-stock company. In the case of absence of the above persons, the chairperson of a general meeting shall be elected by the general meeting by a majority of votes. The statute may provide for a different procedure for electing the chairperson of a general meeting.

3. Before opening a general meeting, the shareholders (their proxy holders) attending the general meeting shall be registered. A shareholder who fails to register shall not be taken into consideration when determining the quorum and shall not have the right to participate in voting.

4. The form of voting may be determined in the statute. If the form of voting is not determined in the statute, it shall be determined by a general meeting by a majority of votes of the participants in the voting. A form of voting different from the one determined in the statute may be determined at a general meeting by at least three quarters of the votes of participants in the voting.

5. The chairperson of a general meeting shall allow all shareholders participating in the general meeting to speak during the discussion of the items on the agenda.

6. Voting results shall be announced at a general meeting.

Article 199 – Election of a member of the supervisory board and a manager of a joint-stock company by cumulative voting

In the cases provided for by the statute or by a decision of the general meeting, a member of the supervisory board and a manager of a joint-stock company shall be elected by cumulative voting, which entails the following:

a) a shareholder distributes all of his/her/its votes to any number of candidates so that the sum of votes cast by that shareholder during the voting does not exceed the total number of votes that he/she/it has;

b) a shareholder may use his/her/its votes only to vote for a candidate;

c) if the number of candidates is less than or equal to the number of members/persons to be elected, all candidates who receive at least one vote shall be considered elected. If the number of candidates is more than the number of members/persons to be elected, the candidates who receive a majority of the votes of participants in the voting shall be considered elected.

Article 200 – Minutes of a general meeting

1. Within 15 days after the completion of a general meeting, the minutes of the general meeting shall be drawn up, which shall be signed by the chairperson of the general meeting. If a notary public attends the general meeting, the minutes of the general

meeting shall be drawn up and signed by the notary public as well. In the case of an accountable undertaking under the Law of Georgia on Securities Market, whose securities are admitted for trading on the stock exchange, the minutes of the general meeting shall be drawn up by a notary public and signed by the notary public and the chairperson of the general meeting.

2. The minutes of a general meeting shall include the following:

a) the brand name of the joint-stock company;

b) the place and date of holding the general meeting;

c) the total number of voting shares;

d) the number of voting shares participating in or represented at the general meeting;

e) the form of the general meeting, the form of voting, and decisions adopted according to the order of items on the agenda of the general meeting;

f) for each decision: the number of shares based on which the votes were rightfully cast, the portion in the subscribed capital represented by such votes, the total number of votes, the number of votes cast both for and against the decision, and the number of shareholders who abstained from casting a vote.

3. The minutes of a general meeting shall be accompanied by all documents certifying that the general meeting has been convened according to the established procedure.

Article 201 – Obligation to publish information on voting results

Within not later than 15 days after the date of a general meeting, information on the voting results shall be published on the website of a joint-stock company which is an accountable undertaking under the Law of Georgia on Securities Market whose securities are admitted for trading on the stock exchange.

Article 202 – A shareholder's right to information

1. During a general meeting, every attending shareholder shall have the right to ask questions to the management body/manager of a joint-stock company in relation to the items on the agenda of the general meeting, and to request any information necessary for a proper examination and evaluation of such items.

2. The management body of a joint-stock company shall answer the questions put to it by shareholders and provide them with the requested information in full.

3. The management body of a joint-stock company may refuse to provide the requested information to shareholders if:

a) the provision of such information may cause substantial damage to the joint-stock company;

b) by providing the requested information, confidential information will be disclosed;

c) an answer to the question asked is available on the website of the joint-stock company in the section of questions and answers, before the beginning and during the general meeting.

4. If, before the beginning of a general meeting, a joint-stock company had provided information to any shareholder on its own initiative, based on the qualifications of the shareholder, the same information shall be provided to all shareholders participating in the general meeting, even if such information is not necessary to discuss the items on the agenda of the general meeting.

5. A refusal of the management body of a joint-stock company to provide information may be appealed to a court within 15 days after the minutes of a general meeting have been drawn up.

6. If a court grants a shareholder's request, the requested information shall be provided to the shareholder without a general

meeting. A joint-stock company shall make the same information available to all other interested shareholders.

Article 203 – Management body of a joint-stock company

1. The management body of a joint-stock company manages the joint-stock company under its responsibility.

2. When performing its functions, the management body of a joint-stock company is not obliged to follow the instructions of the supervisory board, the general meeting, or individual shareholders of the joint-stock company. In the cases provided for by law or the statute, the management body of a joint-stock company shall coordinate decisions with the supervisory board of the joint-stock company.

3. The management body of a joint-stock company shall comply with the decisions adopted by the general meeting and the supervisory board of the joint-stock company within their authority.

4. The management body of a joint-stock company shall prepare issues, upon the request of the general meeting, which fall within the scope of authority of the general meeting.

5. All issues that do not fall within the scope of authority of the general meeting or the supervisory board of a joint-stock company under law or the statute shall fall within the scope of authority of the management body of the joint-stock company.

6. Members of the management body of a joint-stock company shall jointly manage the joint-stock company. The same rule applies to a one-tier management system, unless the management powers have been granted to one manager.

7. The management body of a joint-stock company shall make decisions by a majority of votes of participants in the voting, unless a greater number of votes is determined by the statute.

8. Within the scope determined by the statute, or law and the statute, the regulations of the management body of a joint-stock company may provide for the distribution of functions among managers and the procedure for making decisions by them, so that each of the managers shall maintain minimum necessary functions.

9. In the case of a one-tier management system, the management body of a joint-stock company shall represent the joint-stock company in disputes against the managers of the joint-stock company, excluding the members against whom a dispute is being carried out.

Article 204 – Appointment of a manager of a joint-stock company

1. A manager of a joint-stock company shall be appointed, for a term of not more than three years, and may be dismissed, by the supervisory board, or in the case of a one-tier management system, a manager of the joint-stock company shall be appointed by the general meeting of the joint-stock company, with the right to reappointment, unless otherwise provided for by the statute.

2. Once a person is appointed as a manager of a joint-stock company, the joint-stock company shall conclude a service agreement with the manager under Article 45 of this Law. The term of the service agreement shall correspond to the term of office of that person. A service agreement shall be concluded by the chairperson of the supervisory board on behalf of the joint-stock company, or in the case of a one-tier management system, by the chairperson of the general meeting.

3. If the appointment of a manager of a joint-stock company is delayed, without whom the joint-stock company cannot carry out its activities, a manager may be appointed by a court based on a shareholder's or a creditor's application. A manager of a joint-stock company appointed by a court shall have the right to request from the joint-stock company remuneration for his/her work and the reimbursement of reasonable monetary expenses. If a manager appointed by a court and the joint-stock company fail to agree thereon, the court shall determine the amount of remuneration to be paid and expenses to be reimbursed.

4. The authority of a manager of a joint-stock company appointed by a court shall be terminated from the moment a new manager is appointed by the supervisory board, or in the case of a one-tier management system, by the general meeting.

Article 205 – Chairperson of the management body of a joint-stock company

1. If a joint-stock company has several managers, the supervisory board of the joint-stock company, or in the case of a one-tier management system, the management body of the joint-stock company, may appoint one of the members of the management body of the joint-stock company as the chairperson of the management body.

2. The chairperson of the management body of a joint-stock company, as a representative of a collegiate body, shall coordinate the activities of the management body of the joint-stock company, chair the meetings of the management body, and control the proper fulfilment of their duties by the bodies accountable to the management body. Additional functions of the chairperson of the management body may be provided for by the statute.

3. The chairperson of the management body of a joint-stock company shall be elected and dismissed by a majority of the votes of participants in the voting, unless a greater number of votes is determined by the statute.

4. The term of office of the chairperson of the management body of a joint-stock company shall not exceed his/her term of office as a member of the management body.

5. The chairperson of the management body of a joint-stock company shall provide information to the supervisory board, or in the case of a one-tier management system, to the general meeting, on the operation of the management body and the bodies subordinated to it.

Article 206 – Executive manager of a joint-stock company

A statute may provide for the delegation of management powers to an executive manager of a joint-stock company. A joint-stock company may have more than one executive manager.

Article 207 – Meeting of the management body of a joint-stock company

1. The procedure for convening and holding a meeting of the supervisory board of a joint-stock company shall apply to the convening and holding of a meeting of the management body of the joint-stock company, unless different procedures for convening and holding such meetings are provided for by the statute.

2. A meeting of the management body of a joint-stock company or a part of it may be closed to a manager about whom an issue needs to be discussed at the meeting.

Article 208 – Conflict of interest

1. A manager of a joint-stock company shall, as soon as he/she becomes aware of the fact, inform the general meeting or the supervisory board of the joint-stock company, or in the case of a one-tier management system, the general meeting or the management body of the joint-stock company, of any transaction conducted or to be conducted, in relation to which the manager is an interested person, and state the nature of such interest.

2. A manager as referred to in paragraph 1 of this article shall be considered as an interested person if he/she or an associated person:

a) is the other party to the transaction;

b) directly or indirectly holds 50 % or more of the shares in the joint-stock company which is the other party to the transaction;

c) directly or indirectly holds 50 % or more of the shares in the joint-stock company at least 50 % of the shares in which are held by the other party to the transaction;

d) is a manager or a member of the supervisory board of a joint-stock company which is the other party to the transaction;

e) receives benefits as a result of the transaction that are not related to the shareholding in a joint-stock company or the membership of the management body;

f) is considered as an interested person under the statute.

3. For the purposes of this Law, an interested person shall be defined in accordance with the Law of Georgia on Securities Market.

4. A transaction in which an interested person is involved shall be approved in advance by the supervisory board of a joint-stock company, or in its absence, by the general meeting. An interested person may not participate in the voting on respective issues related to such transaction in any body of the joint-stock company.

5. If the majority of the members of the supervisory board of a joint-stock company are interested persons, a transaction shall be approved by the general meeting.

6. A decision on the approval of a transaction in which an interested person is involved shall specify the nature of the interest of that person, the extent of such interest, and other significant conditions of the transaction.

7. This article shall not apply to a joint-stock company which has only one partner who is, at the same time, a manager of the joint-stock company, as well as to a transaction which is conducted between the joint-stock company and its 100 % owned subsidiary, or between the joint-stock company and its 100 % owned partner.

8. If, at the time of entering into an agreement, the contracting party was aware of a conflict of interest and the absence of authorisation from a joint-stock company, the joint-stock company shall have the right to challenge such agreement.

9. If the obligation to follow the rules of conflict of interest is violated, a joint-stock company may require from a violator compensation for any damage incurred by the joint-stock company as a result of such violation and the payment of an agreed penalty, unless a transaction would have been conducted under basically the same conditions in the absence of such conflict of interest. Instead of compensation for the damage, the joint-stock company may require from a violator that he/she/it transfer to the joint-stock company the profit earned from a transaction conducted on behalf of the violator or the third party, or to cede the right to earn such profit.

Article 209 – Authority of the supervisory board of a joint-stock company

1. The supervisory board of a joint-stock company controls the activities of the management body of the joint-stock company and cooperates with it, within the established limits, in the process of preparing and deciding on the issues that are important for the joint-stock company.

2. In the case of a one-tier management system, the functions of a supervisory board shall be performed by a non-executive manager/managers. If the management body comprises only executive managers, the functions of the supervisory board of a joint-stock company shall be performed by the general meeting. Where relevant, the rules established by this Law regarding the authority of the supervisory board shall apply.

3. The supervisory board of a joint-stock company shall have the right:

a) to request, at any time, from the management body of the joint-stock company a report on the activities of the joint-stock company;

b) to request, review, inspect and examine the business documents of the joint-stock company, including the accounting documents, the property, and the cash office of the joint-stock company; to assign the above tasks to each member of the supervisory board or to engage experts to carry out such tasks;

c) to examine the annual accounts, proposals on profit distribution, and report on the activities of the joint-stock company, and to report to the general meeting in this regard;

d) to represent the joint-stock company in relations with a manager, including in a court;

e) to appeal the decisions of the general meeting in the cases provided for by this Law or the statute.

4. A member of the supervisory board shall have the right to look through the reports and information submitted by the management body/manager.

5. The supervisory board of a joint-stock company shall convene the general meeting if the interests of the joint-stock company so require.

6. Within the scope determined by the statute, or law and the statute, the regulations of the supervisory board of a joint-stock company may provide for the distribution of functions among the members of the supervisory board and the procedure for making decisions by them, so that each of the members of the supervisory board shall maintain minimum necessary functions.

Article 210 – Liability of a member of the supervisory board of a joint-stock company

Where relevant, Articles 50, 51, 53 and 55 of this Law regarding the liability of the managers of a joint-stock company shall apply to the members of the supervisory board of the joint-stock company.

Article 211 – Consent of the supervisory board of a joint-stock company

1. The functions of the management body of a joint-stock company in the area of management of the joint-stock company may not be transferred to the supervisory board of the joint-stock company.

2. The statute or the decision of the supervisory board of a joint-stock company may determine issues in respect of which decisions by the management body of the joint-stock company require the consent of the supervisory board.

3. If the supervisory board of a joint-stock company refuses to grant consent, the management body of the joint-stock company shall have the right to request consent from the general meeting. Consent may be granted by the general meeting by a majority of not less than three quarters of the votes of participants in the voting.

Article 212 – Election of the members of the supervisory board of a joint-stock company

1. The supervisory board of a joint-stock company shall comprise at least three members. The statute may provide for a maximum number of members.

2. A member of the supervisory board of a joint-stock company may be both a natural person and a legal person.

3. A member of the supervisory board of a joint-stock company shall be elected by the general meeting by a majority of the votes of participants in the voting, or by a delegation of a member to the supervisory board, unless otherwise provided for by law or the statute.

4. Under the statute, the right to delegate a member to the supervisory board of a joint-stock company shall be granted only to individual shareholders or the holders of certain shares. The number of delegated members of the supervisory board of a joint-stock company shall not exceed one third of the members of the supervisory board.

5. Each member of the supervisory board of a joint-stock company shall be elected for a term of not more than three years. The term of office of a member of the supervisory board shall be automatically extended, after its expiry, until a general meeting is held and new members are elected at that meeting. A member of the supervisory board may be re-elected.

Article 213 – Recall and withdrawal from membership of the supervisory board of a joint-stock company

1. An elected member of the supervisory board of a joint-stock company may be recalled from membership of the supervisory board at any time, upon a decision of the general meeting. Such decision shall be made by a majority of votes of the participants in the voting, unless a greater number of votes is determined by the statute.

2. An authorised person may, at any time, recall a delegated member of the supervisory board of a joint-stock company. If the grounds for delegation determined by the statute no longer exist, a decision on the recall of a delegated member of the supervisory board shall be made by the general meeting.

3. A member of the supervisory board may withdraw from membership of the supervisory board at any time, provided that no harm is caused to the joint-stock company, unless such member has an excusable reason.

4. If a new member is not elected within six months after a member of the supervisory board of a joint-stock company withdraws from the membership of the supervisory board, a court may appoint a new member of the supervisory board based on an application of the management body of the joint-stock company. The same rule applies also when the number of the members of the supervisory board is less than the number determined by the statute.

5. The authority of a member of the supervisory board of a joint-stock company appointed by a court shall be terminated immediately upon the election of a new member of the supervisory board according to the procedure established by law.

Article 214 – Prohibition of combination of positions

1. A member of the supervisory board of a joint-stock company may not be at the same time a member of the management body o the joint-stock company.

2. The statute may additionally provide for a list of positions, the combination of which shall be prohibited for members of the supervisory board.

Article 215 – Publication of information on changes in the composition of the supervisory board of a joint-stock company

The management body of a joint-stock company shall publish all information on any change in the composition of the supervisory board of a joint-stock company, the election of the chairperson of the supervisory board, and all related changes, as well as make such information available on the website (if any) of the joint-stock company.

Article 216 – Chairperson and deputy chairperson of the supervisory board of a joint-stock company

1. The chairperson and the deputy chairperson of the supervisory board shall be elected by the supervisory board of a joint-stock company from among its members, by a majority of votes of the participants in the voting. If candidates receive an equal number of votes, the eldest candidate shall be appointed as the chairperson of the supervisory board, unless otherwise provided for by the statute.

2. The chairperson of the supervisory board of a joint-stock company shall coordinate the activities of the supervisory board, chair the meetings of the supervisory board, and represent the supervisory board in relations with other bodies, officials and employees of the joint-stock company.

3. The chairperson of the supervisory board of a joint-stock company shall have systematic communication with the management body of the joint-stock company, and shall discuss with it the development strategies of the the joint-stock company and the expected risks.

4. The management body of a joint-stock company shall provide the chairperson of the supervisory board of the joint-stock company with information on significant events which may affect the activities of the joint-stock company, as well as the evaluation of expected outcomes. The chairperson of the supervisory board shall provide the received information to the members of the supervisory board, and if necessary, convene a meeting of the supervisory board.

5. A deputy chairperson of the supervisory board of a joint-stock company shall perform the duties of the chairperson of the supervisory board when he/she is absent or unable to perform his/her functions.

6. The statute may provide for additional powers of the chairperson of the supervisory board of a joint-stock company, unless they contravene law.

Article 217 – Meeting of the supervisory board of a joint-stock company

1. A meeting of the supervisory board of a joint-stock company shall be held at least once a year. The chairperson of the supervisory board of a joint-stock company shall hold the meetings of the supervisory board.

2. A member of the supervisory board or the management body shall have the right to request the chairperson of the supervisory board to convene a meeting of the supervisory board immediately. The reasons and purposes for holding the extraordinary meeting shall be included in such request. The chairperson of the supervisory board shall hold the meeting of the supervisory board within 10 days after such request.

3. If a request to convene a meeting of the supervisory board is not granted, a member of the supervisory board or the management body of a joint-stock company may convene the meeting of the supervisory board.

4. A meeting of the supervisory board of a joint-stock company shall be headed by the chairperson of the supervisory board, or in his/her absence, by the deputy chairperson of the supervisory board, or in his/her absence, by one of the members of the supervisory board. The minutes of the meeting of the supervisory board shall be drawn up regarding the progress of the meeting and the decisions adopted. The chairperson of the meeting of the supervisory board shall be responsible for the accuracy and comprehensiveness of the minutes of the meeting.

Article 218 – Decisions of the supervisory board of a joint-stock company

1. The supervisory board of a joint-stock company shall be authorised to adopt decisions if a meeting of the supervisory board is attended by at least half of the members of the supervisory board. The authority of the supervisory board to adopt decisions may be regulated otherwise by the statute.

2. If the supervisory board of a joint-stock company is not authorised to adopt decisions, the chairperson of the meeting of the supervisory board shall convene a new meeting within not later than 10 days, which shall be authorised to adopt decisions irrespective of the number of attending members of the supervisory board, unless otherwise provided for by the statute.

3. The supervisory board of a joint-stock company shall make decisions by a majority of votes of the participants in the voting. Each member of the supervisory board shall have one voting right, unless otherwise provided for by law or the statute. If votes are divided equally, the vote of the chairperson of the supervisory board, or in his/her absence, the vote of the chairperson of the meeting, shall be decisive.

4. A decision of the supervisory board of a joint-stock company shall be documented by a respective record in the minutes of the meeting of the supervisory board.

Article 219 – Remuneration of the members of the supervisory board of a joint-stock company

1. The members of the supervisory board of a joint-stock company may be paid remuneration for performing their functions, which shall reflect the financial standing of the joint-stock company.

2. The amount, structure and periodicity of the payment of remuneration to the members of the supervisory board of a joint-stock company shall be determined by the statute or a decision of the general meeting. Bonuses and other incentives may be additionally granted to the members of the supervisory board for their successful work, in accordance with a pre-determined procedure.

3. A decision on the remuneration of the members of the supervisory board of a joint-stock company shall state any benefits and privileges which the members of the supervisory board will enjoy during their membership.

Article 220 – Committees of the supervisory board of a joint-stock company

1. The supervisory board of a joint-stock company may set up committees from its members, whose purpose shall be, in addition to exercising other powers, to convene the meetings of the supervisory board or to prepare issues to be discussed at such meetings, and to supervise the fulfilment of adopted decisions.

2. The heads of the committees shall keep the supervisory board regularly informed.

3. The names and number of the committees may be determined by the statute.

4. The functions of the supervisory board of a joint-stock company may not be entirely transferred to the committees.

Article 221 – Initiation of liability

1. The general meeting, the supervisory board of a joint-stock company, and the management body of the joint-stock company, shall have the right, within their scope of authority, to claim compensation for damage inflicted on the joint-stock company by the members of those bodies.

2. By a decision of the general meeting, the supervisory board or the management body may be assigned the task of requiring from an official of a joint-stock company that he/she/it compensate for damage incurred by the joint-stock company as a result of said official's failure to fulfil their obligations.

3. A decision of the general meeting on claiming compensation for damage shall be complied with within six months after its adoption. The general meeting shall have the right to appoint a special representative to ensure the satisfaction of such claim.

Article 222 – A shareholder's lawsuit based on a claim of a joint-stock company

1. One or more shareholders shall have the right to file a lawsuit on their behalf but for the benefit of a joint-stock company for the satisfaction of a claim of the joint-stock company, including against the officials of the joint-stock company, requiring compensation from them for damage inflicted on the joint-stock company as a result of their failure to fulfil their obligations, or instead of compensation for the damage, requiring the transfer of any earned profit to the joint-stock company or the cession of the right to earn such profit.

2. A shareholder shall be considered to be an eligible claimant if the following conditions are met:

a) 90 days have passed since the shareholder requested in writing a joint-stock company to file a lawsuit, unless the joint-stock company refused to file the lawsuit before the expiry of that timeframe, or the observance of that timeframe may cause irreparable damage to the joint-stock company;

b) a court rules that the fulfilment of the shareholder's request would not contradict the prevailing interests of the joint-stock company.

3. A joint-stock company may, at any time, replace a shareholder that has filed a lawsuit, in agreement with that shareholder.

4. If a shareholder is considered by a court to be an eligible claimant, a joint-stock company shall reimburse the shareholder for expenses related to the lawsuit, within reasonable limits. A joint-stock company shall be exempted from the obligation to reimburse such expenses if it proves that the granting of the lawsuit was detrimental to the joint-stock company. If a shareholder is considered to be an ineligible claimant, the shareholder shall reimburse the expenses borne by the joint-stock company in relation to the shareholder's claim, within reasonable limits.

Article 223 – Material transaction

1. Unless otherwise provided for by the statute, a material transaction shall be a transaction or several interrelated transactions serving the same purpose, which is/are directly or indirectly related to the acquisition, alienation or encumbrance of 25 % or more of the assets of a joint-stock company (of the book value of the assets of the joint-stock company).

2. The book value of the assets of a joint-stock company shall be established on the basis of the data of the last financial report. Transactions that are related to the ordinary course of business of a joint-stock company, subscription for the ordinary shares of a joint-stock company (realisation), and subscription by a joint-stock company for securities that are convertible into ordinary shares, shall not fall within the category of a material transaction.

Article 224 – Procedure for entering into a material transaction

1. Unless otherwise provided for by the statute, before entering into a material transaction, the management body shall obtain consent from the supervisory board or the general meeting, or in the case of a one-tier management system, from a non-executive manager or the general meeting, depending on how the authority for granting consent to enter into such transactions is distributed among the bodies by law or the statute.

2. Unless otherwise provided for by the statute, a decision on granting consent to enter into a material transaction with a value of up to 25-50 % of the book value of the assets of a joint-stock company shall be made by the supervisory board or the general meeting of the joint-stock company, or in the case of a one-tier management system, by a non-executive manager or the general meeting.

3. A decision on granting consent to enter into a material transaction with a value of more than 50 % of the book value of the assets of a joint-stock company shall be made by the general meeting by a majority of votes of the participants in the voting, unless otherwise provided for by the statute.

4. A decision on granting consent to enter into a material transaction shall include the data of any person who is a party to the transaction, as well as information on the value, subject and other material conditions of such transaction.

5. If a material transaction contains elements of a transaction which might entail a conflict of interest, the rules established by this Law for transactions entailing conflicts of interest shall apply.

6. Where the procedures established by this Law for determining the value of assets or granting consent are violated, a material transaction shall be voidable if the other party to the transaction was aware that the transaction was entered into in violation of the rules for entering into a material transaction.

7. If, within two years after registration, a joint-stock company acquires any asset from a shareholder of the joint-stock company, the value of which is at least 10 % of its own subscribed capital, an independent auditor's report shall be drawn up on that transaction. The report shall be published as provided for by Article 152(10) and (11) of this Law. The report shall be approved by the general meeting, unless a transaction has been entered into within the ordinary course of business of a joint-stock company or in relation to stock exchange acquisitions.

Article 225 – Squeeze-out of shares of a minority shareholder

1. If, after the acquisition of shares, a shareholder holds at least 95 % of the voting shares of a joint-stock company, the shareholder (for the purposes of this article 'the buyer') may redeem the shares of the other shareholders at a fair price.

2. A decision on the squeeze-out of shares shall be made by a court according to the procedure established by the Civil Procedure Code of Georgia. A fair price and the record date of the squeeze-out of shares shall be determined by a court by a decision on the squeeze-out of shares, according to the procedure established by the Civil Procedure Code of Georgia.

3. The buyer shall, not later than one month before applying to a court, announce the squeeze-out of shares. The announcement shall include information on the reasons/conditions and the procedure for the squeeze-out of shares.

4. A person keeping the shareholders' register (for the purposes of this article 'the registrar') shall, not later than five days prior to the record date of the squeeze-out of shares determined by a court, notify all nominee holders of that date. All operations involving the shares to be squeezed-out, except for the acts under this article, shall be terminated from the record date of the squeeze-out of shares until the completion of the procedure for the squeeze-out of shares. The registrar shall compile a list of all registered holders as of the record date of the squeeze-out of shares (the identities and addresses of such holders, and the number of shares held by them shall be specified in the list) ('the register of squeeze-out of shares') and, once the buyer presents the documents certifying the acts performed by the buyer in accordance with paragraphs 1 and 2 of this article (including a document certifying a complete deposition of the amount to be redeemed), re-register all shares in the name of the buyer. The expenses of the registrar shall be covered by the buyer. The buyer shall deposit the sum for redeeming all remaining shares to a nominee account opened for the rest of the shareholders with a commercial bank, a central depository or a brokerage company, to whom the buyer transfers the register of the squeeze-out of shares.

Chapter XV – Cooperative

Article 226 – Concept of a cooperative

1. A cooperative is a company based on the labour activity of its members or incorporated to support the economic or social activities of its members, the objective of which is to satisfy the needs of its members, and the primary goal of which is not to make profit.

2. The following shall be cooperatives:

a) cooperatives obtaining raw materials for members by way of extracting raw materials;

b) cooperatives jointly selling agricultural products or hunting and fishery produce;

c) cooperatives producing agricultural products and manufacturing different articles, and selling them at joint expense (agricultural and production cooperatives);

d) cooperatives buying consumer goods by wholesale and selling them by retail;

e) cooperatives buying and producing, as well as jointly using material and technical resources necessary for agricultural production or for hunting and fishing;

f) agricultural-credit cooperatives;

g) consumer (diversified) cooperatives whose legal, economic and social bases are governed by the Law of Georgia on Consumer Cooperation;

h) non-bank deposit institutions – credit unions;

i) agricultural cooperatives whose legal, economic and social bases are governed by this Law and the Law of Georgia on Agricultural Cooperatives.

3. The liability of a cooperative to creditors shall be limited to its own assets.

Article 227 – Founders of a cooperative

1. The founders of a cooperative may be both natural and legal persons.

2. A cooperative shall be established by at least five founders.

Article 228 – Subscribed capital of a cooperative

1. The subscribed capital of a cooperative may be determined by its statute.

2. A member of a cooperative may hold several shares.

3. The subscribed capital of a cooperative may be increased by accepting additional members to the cooperative and by them making contributions, as well as by fully paying up the remaining contributions or by the members of the cooperative making additional contributions.

Article 229 – Register of cooperative members

1. The management body of a cooperative shall keep a register of cooperative members, which shall contain the identification data

of each member of the cooperative, and the number and class of shares held by them.

2. The register of cooperative members shall be accessible to all members of the cooperative. The register of cooperative members shall be available on the website (if any) of a cooperative. The management body of a cooperative shall be responsible for fulfilling that obligation.

3. Acceptance of new members to a cooperative, or the withdrawal of members, as well as a change in shares or the acquisition of new shares, shall take effect only from the moment of their registration with the register of cooperative members.

4. An event, the registration of which is mandatory, shall be registered with the register of cooperative members within one month after its occurrence.

Article 230 – Shares

1. According to the statute of a cooperative, the alienation of shares may depend on the consent of the management body.

2. The statute of a cooperative may provide for different classes of shares.

3. The holders of shares of the same class shall have the same rights and obligations.

Article 231 – Acquisition of membership

1. After the registration of a cooperative with the register of cooperative members, a candidate who wants to become a member of the cooperative shall submit a written application for cooperative membership.

2. A decision on the acquisition of membership shall be made by the management body of the cooperative by a majority of votes. Candidates refused membership of the cooperative may appeal to the general meeting.

3. If a decision on the acquisition of membership is positive, the management body shall register a candidate for membership of the cooperative with the register of cooperative members. Membership of the cooperative shall take effect from the moment of the registration of candidates with the register of cooperative members on the basis of their application.

4. The candidate's application for membership of a cooperative shall include the obligation of the cooperative member to make established contributions in accordance with law and the statute.

5. If the statute provides that additional contributions made by a member of a cooperative shall be in full or be limited only to the guarantee amount, the application of a candidate for membership of the cooperative shall state whether the member of the cooperative will fully pay up additional contributions for the satisfaction of creditors or pay the guarantee amount as determined by the statute in the established amount.

Article 232 – Investor members of a cooperative

1. The statute may provide for the acceptance of investor members into a cooperative.

2. Under the statute, the investor members of a cooperative may be granted a veto regarding decisions which are related to the investments made by such investor members.

3. An investor member of a cooperative may not have more than 25 % of the total voting rights.

Article 233 – Termination of cooperative membership

1. Membership of a cooperative may be terminated on the following grounds:

a) the withdrawal of a member from the cooperative;

b) the expulsion of a member from the cooperative;

c) the alienation of all shares by a member of the cooperative;

d) the revocation of registration of a member of the cooperative, which is a legal person;

e) the death of a member of the cooperative.

2. The statute may provide for other grounds for the termination of cooperative membership.

Article 234 – Withdrawal of a member from a cooperative

1. A member of a cooperative shall have the right to withdraw from the cooperative. A member of a cooperative may withdraw from the cooperative only at the end of a business year. An application for the withdrawal from a cooperative shall be submitted in writing, at least three months prior to the withdrawal. The statute may provide for a longer period for the withdrawal from a cooperative, which shall not exceed one year.

2. If, according to amendments to the statute, the subject of the activities of a cooperative has been substantially changed, the following persons shall have the right to withdraw from the cooperative:

a) members of the cooperative who participated in a general meeting, if they have a negative position in relation to a decision and such position had been entered into the minutes of the general meeting, or if their request to have that information entered in the minutes of the general meeting had been refused;

b) members of the cooperative who did not attend a general meeting, if they were refused attendance at the general meeting in violation of law or the statute, or if the procedure for convening the general meeting was violated, and/or if they were not duly informed of the subject of the decision.

3. In the case provided for by paragraph 2 of this article, an application for the withdrawal from a cooperative may be submitted within one month after the decision is notified to the respective member of the cooperative. The withdrawal of a member from the cooperative shall become effective at the end of a business year, but any amendment made to the statute during that period shall not apply to such member.

4. The management body of a cooperative shall make amendments to the register of cooperative members in relation to the withdrawal of a member from the cooperative.

5. A substantiated reason for the withdrawal of a member from a cooperative shall be immediately entered in the register of cooperative members. A member shall be considered withdrawn from a cooperative from the moment of registration with the register of cooperative members of such withdrawal from the cooperative.

Article 235 – Final settlement with a withdrawing member

1. The final settlement with a withdrawing member shall be carried out on the basis of a balance sheet of the cooperative prepared as of the day of the withdrawal from the cooperative, in the form of compensation for the shares held by such member. The amount of compensation shall be calculated according to the contributions made by the withdrawing member and his/her/its portion in the retained earnings.

2. A withdrawing member may not claim any other asset of the cooperative, unless otherwise provided for by the statute.

3. A cooperative shall carry out the final settlement with a withdrawing member within six months after his/her/its withdrawal from the cooperative.

Article 236 – Expulsion of a member from a cooperative

1. Where there are significant grounds, a member of a cooperative may be expelled from the cooperative.

2. There are significant grounds if a member of a cooperative has culpably violated undertaken obligations, inflicting damage on the cooperative.

3. A decision on the expulsion of a member from a cooperative shall be made by the general meeting upon the recommendation of the management body of the cooperative.

4. The final settlement with an expelled member shall be carried out according to the procedure established by Article 235 of this Law.

Article 237 – Alienation of shares by a member of a cooperative

1. Unless otherwise provided for by the statute, members of a cooperative may alienate their shares at any time, including during the course of the business year, and in this way withdraw from the cooperative without final settlement.

2. The statute may provide for the right of pre-emption of shares by other members of a cooperative.

3. In the case of the alienation of shares, the date of withdrawal of a member from a cooperative shall be the date of the registration of such withdrawal.

Article 238 – Death of a member of a cooperative

1. If a member of a cooperative dies, membership shall devolve to the successors of such member. Several successors of a member of a cooperative may exercise their voting rights at the general meeting through one common proxy holder.

2. The statute may provide that when a member of a cooperative dies, the continuation of membership may depend on the personal capabilities of the successor. If several successors accept succession, the statute may also provide for the condition that the membership of a cooperative shall terminate unless transferred to one of the successors of the member of the cooperative within the timeframe determined by the statute. In that case, the membership of a cooperative shall be terminated at the end of the business year in which the membership became available for succession. Where relevant, the rules established by Article 235 of this Law shall apply.

3. The management body of a cooperative shall make a record in the register of cooperative members in relation to the death of a member of the cooperative.

Article 239 – Adopting decisions by the general meeting of a cooperative

1. The general meeting shall adopt decisions by a majority of the votes of participants in the voting, unless a greater number of votes or other additional conditions are provided for by law or the statute.

2. Amendments to the statute shall be adopted by a majority of three quarters of the votes of participants in the voting, unless a greater number of votes is determined by the statute.

3. The statute may provide for a different voting procedure for the election of the members of the bodies of a cooperative.

4. Each member of a cooperative shall have one vote, unless one share is held by more than one holder, in the case of which more than one holder of one share shall have one vote. Under the statute, or in the cases provided for by the statute, a different distribution of votes may be established by a separate agreement between the partners.

Article 240 – Participation in the work of the general meeting

1. The members of a cooperative shall exercise their rights in relation to the activities of the cooperative in the general meeting, unless otherwise provided for by law.

2. The members of a cooperative may participate in the work of the general meeting and exercise their voting rights either personally or through a proxy holder.

3. A person in respect of whom an issue is being discussed in a general meeting may not exercise a voting right.

Article 241 – Convening the general meeting

1. The general meeting shall be convened at least once a year, unless otherwise specifically provided for by this Law and the statute.

2. The annual meeting of partners shall be convened within six months after drawing up an annual balance sheet.

3. The general meeting shall be convened by the management body of a cooperative, unless the authority to convene the general meeting is granted to another person by law or the statute. It is the obligation of the management body to convene the general meeting.

4. The general meeting shall be immediately convened if 10 % of the members of a cooperative, or another number of the members of the cooperative as determined by the statute, request in writing that the general meeting be convened, indicating a specific purpose.

5. If the request of the members of a cooperative on convening the general meeting is not granted, a court may authorise the requesting members to convene the general meeting.

Article 242 – Term of convening the general meeting and agenda of the general meeting

1. The general meeting shall be convened at least one month prior to the date of the general meeting, according to the procedure determined by the statute, or by publication of the relevant information on the electronic platform of the registration authority.

2. The agenda of the general meeting shall be made available upon convening the general meeting, on the electronic platform of the registration authority. Information on the agenda of the general meeting shall be included in information disseminated in any other form, by which the general meeting is convened.

3. Issues that are not on the announced agenda of a general meeting shall not be decided at the general meeting. Exceptions shall apply to decisions on conducting a general meeting, as well as on convening an extraordinary meeting of partners.

4. The general meeting may decide on the date/time, place and a tentative agenda of the next general meeting.

Article 243 – Statement on convening the general meeting

1. A statement on convening the general meeting shall include the following information:

a) the brand name of the cooperative;

b) the place, date and time of holding the general meeting;

c) an indication on whether it is an annual or an extraordinary meeting of partners;

d) the agenda of the general meeting.

2. In addition to the information provided for by paragraph 1 of this article, a statement on convening the general meeting shall also state the possibility of submitting proposals about and addenda to the items on the agenda of the general meeting.

Article 244 – Minutes of a general meeting

1. The minutes of a general meeting shall be signed by the chairperson of the general meeting and the members of the management body of a cooperative attending the general meeting. The materials for convening the general meeting shall be attached to the minutes of the general meeting.

2. A member of a cooperative shall have the right to look through the minutes of a general meeting and to obtain a copy of or an extract from the minutes of a general meeting. The minutes of a general meeting shall be kept by the cooperative.

Article 245 – Authority of the annual meeting of partners

1. The annual meeting of partners shall be the highest body of the cooperative.

2. The annual meeting of partners shall make decisions on the following issues:

a) approval of the annual accounts;

b) approval of the work performed by the management body and the supervisory board of the cooperative during the year;

c) using annual profit or covering annual loss.

3. The annual accounts, together with the annual balance sheet, and the report of the management body and the supervisory board, shall be published on the website (if any) of a cooperative at least one week prior to the annual meeting of partners, and displayed at the office of the cooperative, and/or at another place determined by a manager of the cooperative, in order to make it available for the members of the cooperative.

4. The members of a cooperative may obtain, at their own expense, requested copies of the annual accounts and the report of the management body and the supervisory board.

Article 246 – Exclusive authority of the general meeting in relation to other issues

1. The exclusive authority of the general meeting entails adopting decisions on the following issues:

a) amending the statute of the cooperative;

b) changing the legal address of the cooperative;

c) changing the brand name of the cooperative;

d) increasing the number of shares;

e) imposing or expanding the obligation to make additional contributions with the consent of the holders of the respective shares;

f) accepting investor members into a cooperative or determining their voting rights;

g) introducing or expanding multiple voting rights;

h) dividing the shares.

2. The decisions determined by this article shall be made by a majority of votes of the participants in the voting, unless otherwise provided for by the statute.

3. Decisions made by the general meeting on the issues determined by this article which amend the statute, as well as on the issues determined by paragraph 1(a)-(c) of this article, shall be notarised.

4. Decisions made by the general meeting on the issues determined by paragraph 1(a)-(c) of this article shall take effect from the moment of their registration with the register.

Article 247 – Meeting of representatives

1. If the number of members of a cooperative exceeds 500, a meeting of representatives shall be convened instead of the general meeting, or if the number of members of the cooperative exceeds 200, the statute may provide that a meeting of representatives shall be held instead of a general meeting.

2. Any legally competent natural person, who is a member of a cooperative but not a manager or a member of the supervisory board of the cooperative, may be elected as a representative.

3. A meeting of representatives shall comprise at least 50 representatives, who shall be elected by the members of the cooperative. Representatives may not delegate their rights to other persons.

4. Representatives shall be elected on the basis of universal, direct, equal elections by secret ballot.

5. A person may not be elected as a representative for more than four years.

6. The statute shall determine:

a) the number of members of the cooperative represented by one representative;

b) the term of representation.

7. Detailed provisions regarding the representatives' election procedure (including the establishment of the election results) may be laid down in the election regulations adopted by the management body of the cooperative, or in the case of a two-tier management system, adopted jointly by the management body and the supervisory board of the cooperative, which shall require the consent of the general meeting.

8. It is the obligation of the management body to hold the election of representatives.

9. If a representative refuses to represent or is unable to perform his/her duties for some other reason, a new representative shall be elected for the remaining term.

10. A list of elected representatives shall be published for a period of at least two weeks or displayed for the same period at the office of the cooperative and on the website (if any) of the cooperative, for the members to read it. The authority of the elected representatives shall commence on the day such list is published or displayed. The members of the cooperative shall be immediately provided with a copy of such list upon their request.

Article 248 – Possibility to choose the cooperative management system/model

1. A cooperative may have a one-tier management system or a two-tier management system.

2. In the case of a two-tier management system of a cooperative, the management and controlling functions are distributed between the management body and the supervisory board.

3. The statute shall state which management system the cooperative has chosen. If there is no indication in the statute on the chosen management system of the cooperative, it shall be considered that a two-tier management system applies.

Article 249 – Supervisory board of a cooperative

1. The supervisory board of a cooperative comprises at least 3 and not more than 15 members elected by the general meeting by a majority of votes of the participants in the voting. The number of members of the supervisory board shall be determined by the statute.

2. By a decision of the general meeting, members of the supervisory board may receive remuneration depending on the results of their work.

3. By a decision of the general meeting, which is made by a majority of votes of the participants in the voting, any member of the supervisory board may be recalled from membership at any time.

4. A member of the supervisory board may not be at the same time a manager or a deputy manager of the cooperative, or otherwise manage the cooperative.

5. Withdrawn members of the management body of a cooperative may not be elected as the members of the supervisory board until the approval of their reports.

Article 250 – Authority of the supervisory board of a cooperative

1. The supervisory board of a cooperative shall control the activities of the management body of the cooperative in compliance with the procedures and conditions established by this Law and the statute.

2. The supervisory board shall obtain any information on the progress of the activities of the cooperative. The supervisory board may, at any time, request the management body/manager for a report and examine, directly or through an authorised person, the documents of the cooperative. The supervisory board shall examine the annual balance sheet, the report on the financial status of the cooperative, and the proposals on the distribution of annual profit, and shall submit the results of such examination to the meeting of partners before the approval of the annual balance sheet.

3. The supervisory board shall convene the general meeting/meeting of representatives in accordance with the established procedure.

4. Other functions of the supervisory board may be determined by the statute. Members of the supervisory board may not transfer their functions to other persons.

5. The supervisory board may represent a cooperative in a legal dispute carried out on behalf of the cooperative against its manager.

6. Consent from the supervisory board shall be required for any credit which a cooperative gives to its manager, or for the suretyship of a manager.

Article 251 – Management body of a cooperative and its authority

1. In the case of a one-tier management system of a cooperative, the management body of the cooperative shall be granted the authority to manage and to represent the cooperative in relations with third parties.

2. The management body of a cooperative shall comprise at least two members, unless otherwise provided for by the statute.

3. A manager of a cooperative shall be elected by the general meeting for a term of not more than three years.

4. A manager may be recalled from membership of the management body at any time, if such decision is supported by two thirds of the participants of the general meeting.

5. The chairperson of the management body shall be elected from among the members of the supervisory board by a majority of votes. If the supervisory board comprises two members, they shall perform the functions of the chairperson of the management body in turn, on an yearly basis. In other cases, the provisions of the General Part of this Law regarding the management body shall apply.

Article 252 – Functions and election of a manager of a cooperative

1. A manager of a cooperative shall, under his/her responsibility, manage the cooperative and represent the cooperative in relations with third parties.

2. In the case of a two-tier management system of a cooperative, a manager shall be elected for a maximum term of three years and may be dismissed by the supervisory board.

3. A manager may not be at the same time a member of the supervisory board.

Article 253 – Distribution of profit and loss of a cooperative

1. When approving annual accounts, the general meeting shall decide on the distribution of the profit or loss of the cooperative for the business year among its members.

2. Profit or loss for the first business year shall be distributed in proportion to the contributions made by the members, and the profit or loss for each succeeding business year shall be distributed by adding up profits and writing off losses in proportion to the total amount of shares at the end of the previous business year.

3. The statute may provide for other rules for distributing the profit and loss of a cooperative.

4. Under the statute or a decision of the general meeting, the profit of a cooperative may be fully or partially added to its reserve.

Chapter XVI – Transitional and Final Provisions

Article 254 – Transitional provisions

1. An undertaking registered before the entry into force of this Law shall, within two years after the entry into force of this Law, ensure the compliance of its registration data with the requirements of this Law. Otherwise, the registration authority shall determine an additional timeframe of three months for an entrepreneur in order to ensure the compliance of its registration data with the requirements of this Law, which shall commence from the moment of serving the respective decision on the addressee as provided for by Article 18 of this Law. If a defect is not remedied within the established timeframe, the registration of that company or its branch shall be considered revoked. A company shall be liquidated only if, after the revocation of its registration, it turns out that assets of the company are remaining. In that case, a court shall appoint liquidators based on a partner's or a creditor's application. Where relevant, the rules for the liquidation of a company established by this Law shall apply.

2. Article 16(5) of this Law shall apply to individual entrepreneurs and companies registered before the entry into force of this Law only if they request a change in their brand names.

3. Before 1 November 2021:

a) the Minister of Justice of Georgia shall approve standard statutes provided for by this Law;

b) the Legal Entity under Public Law called the National Agency of Public Registry shall create an electronic platform as referred to in this Law;

c) the Minister of Economy and Sustainable Development of Georgia shall approve the procedure for winding-up undertakings in which the State holds more than 50 % of the shares;

d) an appropriate line minister of the Autonomous Republic of Abkhazia or Ajara competent in the field of economics shall approve the procedure for winding-up the undertakings in which the Autonomous Republic of Abkhazia or Ajara holds more than 50 % of the shares.

Article 255 – Final Provisions

1. The Law of Georgia on Entrepreneurs of 28 October 1994 (the Official Gazette of the Parliament of Georgia, 1994, No 21-22, Article 455) shall be declared invalid from 1 January 2022.

2. This Law, except for Articles 1-253 and Article 254(1) and (2) of this Law, shall enter into force upon its promulgation.

3. Articles 1-253 and Article 254(1) and (2) of this Law shall enter into force on 1 January 2022.

President of Georgia **Salome Zourabichvili**

Tbilisi

2 August 2021

No 875-Vრს-Xმპ