

LAW OF THE REPUBLIC OF GEORGIA

ON ENTREPRENEURS

1. GENERAL PROVISIONS

Article 1. Field of activity

1.1. The present Law regulates the establishment of organizational and legal forms for the participants of the entrepreneurship. A profit-oriented legitimate and multiple activity carried out independently and in an organized manner is meant by "entrepreneurship".

1.2. Artistic, scientific, architectural, editorial, agricultural, timber-industry activities, medical, attorney and notary practice of individuals should not be considered as the entrepreneurship. The agricultural and timber-industry enterprises may be established in the organizational and legal forms pointed out in the article 2.1., in case their owners are registered. The registration procedure is necessary if at least 5 persons, who are not the members of the owner's family are permanently engaged at the enterprise.

Article 2. Organizational and legal forms of enterprises. Their foundation

2.1. The organizational and legal forms of the enterprises are: individual enterprise; company of joint responsibility; commandit company; company of limited liability; joint stock company; cooperative.

2.2. Individual entrepreneur, as the owner of an individual enterprise, is a physical person whose entrepreneurship is imperatively based on a regulated book-keeping and accounting systems. Individual entrepreneur participates in legal transactions on his own behalf.

2.3. The enterprises may not only be established by the state or local administrative bodies in the forms envisaged by the article 2.1. of the present Law, but they may also be governed directly by the mentioned bodies (e.g. budget enterprise).

Such enterprises are the individual property of the State or the local administrative bodies meant for production activities.

The enterprises are legal entities participating in transactions under their names as recorded in the Enterprise Register. The said enterprises are liable to the articles 1-10, 13, 14.6 and 14.7, 15 - 19. By the decision of the State or the local administrative bodies the budget enterprises may be re-organized into the societies of limited liability or joint stock companies, if the requirements of the article 5.4.3 of the present Law are observed and the enterprise is registered.

2.4. The enterprises, except cooperatives, with more than 50 partners should be established only in the form of joint stock companies.

2.5. The registration of the enterprises is obligatory. The enterprise, as a subject of the rights and obligations determined by the present Law is in effect only after its registration in the Enterprise Register, except the enterprises quoted in the article

2.3. In case any action is taken on behalf of a company prior to its registration, the founders and the performers of such an action bear personal, solitary responsibility for any obligation resulted by the said action. This responsibility remains in force even after the registration of the company.

2.6. Societies of solitary responsibility, commandit societies, societies of limited liability, joint stock companies, cooperatives and enterprises mentioned in the article 2.3. are the juridical persons.

In business transactions an individual entrepreneur enjoys the rights and obligations of a physical person.

2.7. The Charter of a company is to be certified notarially. The Charter should be signed by participants - partners. The signature of an authorized agent is permitted only on the basis of the warrant authenticated by a notary. The constituent documents of societies of solitary responsibility, commandit responsibility, joint stock companies and cooperatives must include the registration terms and conditions pointed out in the article 5. The Charter of a company may include extra rules in case this is not prohibited by the Law or if it does not contradict the legal and economic relations and does not change the provisions of the present Law relating to the forms of enterprises.

Article 3. Responsibility. Payment.. Alterations in the Ownership capital. Equality.

Rights to receive and control the information.

3.1. Individual entrepreneur bears personal responsibility before creditors for all his entrepreneurship obligations.

3.2. Partners of a company of solitary responsibility and the personally responsible partners of a commandit company bear personal responsibility before creditors for the obligations of a company. It means that each partner bears immediate, full, direct and unlimited liability with his (her) whole property.

Any other agreement between the partners is void for the third persons.

3.3. While founding the company or increasing the ownership capital an amount of payment may be agreed and made in any currency. In the book-keeping records of the company the sum of payment is to be registered in the national currency unit.

The payment may also be presented in a property and non-property forms and, in the societies of limited liability it should be valued by the independent expert (valuation of non-property payment).

The partner responsible for non-property payment is responsible before the company for the value of the non-property payment at the moment of the registration. If the value of the object is less than the agreed sum, it should be filled by the money. If the value of the object exceeds the agreed sum, it is not permissible to ask for return of the sum.

The return of the sum in commandit societies, societies of limited liability and joint stock companies is permitted only if the ownership capital is reduced. For this purpose the appropriate alterations in the Regulations of the company is required. The reduction of the authorized capital should be registered in the Enterprise Register.

3.4. Partners bearing responsibility by the amount of the payment are responsible before creditors according to the article 3.2. until the total sum is paid. But, this does not free them from their duties if the liability limitation forms are abused.

The mixture of the company's property with another property, or incomplete formation of the enterprise capital necessary for its functioning is meant under abuse.

The enterprises envisaged in the article 2.3. bear responsibility before creditors by their separate property. In case the property of the enterprise is not enough to meet the creditors requirements, the State or the local administrative bodies should satisfy these requirements (subsidized responsibility of the enterprise governed by the State or the local administrative bodies).

3.5. The half of the sum for payment is to be done at the moment the Regulations are signed, if it is not otherwise determined by the Regulations.

In case the partner delays the payment the other partners can claim from him (her), in a written form and with the indication of the additional term, to make the payment and, at the same time, to notify him (her) that he (she) may be discharged from the company. The additional term in such cases should not be less than a month.

If even after the expiration of the above term the payment is not done by the partner, he (she) loses the share and the results of his (her) partially performed obligations. He (she) will be provided with the explanations concerning the above in written form.

The rest of partners bear solitary responsibility for the losses resulted by non-payment.

The responsibility of the discharged partner stays in force. In case of non-monetary payment it should be replaced with the equal amount of money. Unpaid sum is to be distributed between the partner proportionally to their payment sum.

3.6. The ownership capital reduced under the Article 3.3., paragraph 2. must be filled up to the minimum level stipulated by the Law. Should the reduction be made in order to return the payment or exemption from the unpaid share, the rest of payment for each partner should not be less than 50 USD equivalent of the national currency unit. The reduction of the authorized capital by returning the payments which determine the level of responsibility of the partners can be fulfilled after

the 12 months from the registration and publication on the reduction of the ownership capital. In case these rules are violated, the norms of the article 57.2. concerning the requirements for compensation of losses come in force.

If the payment sum is returned to any partner and the reduction of the authorized capital is not registered, such action should not be considered as the return of the sum to the creditor and, the partner must return this money to the company. This rule acts also in cases when a partner spends the money from the company's fund, and his (her) share is reduced in comparison with the already paid sum.

3.7. Refusal of a company regarding the payment established by the present Law is void.

3.8. Partners have equal rights and obligations in equal terms and conditions if it is not otherwise determined by the present Law concerning the personal responsibilities and quotas of the capital; or, proceeding from the interests of the company, if any other arrangement is not provided for.

3.9. Each partner has the right to receive the annual report and all publications of the company, as well as to check the accuracy of the annual report and be acquainted with the book-keeping reports for these purposes himself or by the help of an independent expert and to demand the explanation on the annual report after it is presented but before it is approved.

If the annual report is not composed correctly. all expenses for its verification are to be run by the company. These rights of control and verification may be limited only by the present Law, but their expansion is possible by the Regulations of the company or by another Laws.

Article 4 Enterprise Register

4.1. Registration of an enterprise is to be carried out by the Court by making due records in the Enterprise Register.

4.2. The facts under the registration are to be recorded in the Register Card. The Register Card is presented in the Appendix of the present Law.

4.3. The Court publishes the data of the Enterprise Register in the official papers of the Republic of Georgia and notifies the local statistics bodies concerning the latter in written form. The data are to be published completely if it is not otherwise determined by legislation.

4.4. Any person can be acquainted with, and receive the extracts from the Enterprise Register.

Article 5. Terms of Registration

5.1. Any partner has the right to apply for the registration if the application on registration meets the requirements of the article 5. The Court verifies whether these requirements are observed in the application.

5.2. Individual entrepreneurs,, or partners, as well as other potential members of the representative and observation bodies are obliged to sign the application of the company concerning registration of individual entrepreneurs as well as other persons representing the company should present the Court with the samples of their signatures to be used by them in business relations.

Enterprises pointed out in the article 2.3 should also be registered in the Enterprise Register with the indication of name, first name, date and place of birth, occupation and juridical address of each member of representative and observation bodies. These persons should present the Court with the samples of their signatures to be used by them in business relations.

Application for the registration, samples of signatures, appropriate documents enclosed or their copies are to be presented in a notarized form.

The application is to be presented at the Court with the indication of the juridical address of the company or the individual entrepreneur.

5.3. If for the purposes to establish a company incorrect data are presented, or a company suffers losses from foundation expenditures, the partners as well as the directors of a company as solitary responsible persons are obliged to cover the outstanding sum and other losses.

5.4. The application form must include: 5.4.1. For all types of enterprises:

- a) Firm name (firm);
- b) Organizational and legal form;
- c) Location (juridical address);
- d) Subject of the activity;
- e) Data on beginning and finishing a fiscal year;
- f) Name, first name, date and place of birth, occupation and place of residence of individual entrepreneurs or each founder (not less than 2 partners - founders in case of a cooperative);
- g) Representative rights.

5.4.2, Besides the documents stipulated by the article 5.4.1., the commandit companies should be present the amount of payment for each commandit and the document indicating the total sum paid by each commandit.

5.4.3. In addition to the documents stipulated by the article 5.4.1. societies of limited liability, joint stock companies and cooperatives should present:

- a) the amount of the ownership capital and the document confirming that the payments are already done;

- b) the amount of payment for each founder partner, and their respective shares;
- c) name, first name, date and place of birth, occupation and juridical address of each director;
- d) documents regarding the appointment of the directors and the members of the observation committee (if such a body exists).

5.5. The following documents should be attached to the application:

- a) Charter of the company;
- b) document approving the valuation of the payments in case when the company is founded by non-monetary fee;
- c) reference issued by the Information Department of the Ministry of Internal Affairs of the Republic of Georgia to all persons having the representative rights certifying that these persons were not penalized for the property crime for the last 5 years;
- d) Documents regarding the appointment of the directors and the members of the observation committee (if such a body exists), for the societies of limited liabilities and the joint stock companies.

5.6. Alterations of the facts necessary to be registered according to the article 5.4. and paragraph 2, article 5.2. are to be re-registered. These alterations come in force after their registration only.

5.7. In case of bankruptcy, or if the Court discovers essential shortcomings in the Charter of a company, the Court should register the liquidation of the company with the indication of the reason of such an action.

5.8. If an enterprise is registered with the violation of the terms and conditions of the registration or, these terms and conditions are later exterminated, the registration is to be annulled if these shortcomings are not eradicated during the period of three months. The registration can be annulled on the base of claim of any partner of a company or any third person.

Unless the registration is not annulled the incorrectly registered enterprise is considered as a correctly registered one, except the cases when it contradicts the essential interests of individuals and society, and there is the claim from the persons mentioned above in the article.

5.9. The Court is obliged to carry out the registration procedure during the period of a week of the presentation of the necessary documents. If the registration procedure is not followed within the mentioned term or, the applicant is not informed about the refusal of the registration, the enterprise is to be considered as registered.

Article 6. The Firm name (firm)

6.1. The Firm name (firm) is the name with which the enterprise carries out its activity.

6.2. Individual entrepreneur uses its name and first name as the firm name. Additions are permissible in cases if the terms and conditions of the article 6.6 are observed.

6.3. The firm name of the company of solitary liability must include name and first name (or name) of at least one partner with addition "SLC" or, names and first names (or names) of all partners.

6.4. The firm name of the commandit company must include name and first name (or name) of at least one personally responsible partner with addition "CC".

6.5. Besides the opportunity to use the partners' names, societies of limited liability, joint stock companies, cooperatives and enterprises indicated in the article 2.3. may choose the names taking into consideration the subject of their activities or, by fancy. But, in any case, the name must include indications: "Joint stock company" or "JSC", "Company of limited liability" or "LTD", "Registered cooperative" or "RC".

6.6 The firm name must not be supplemented by any word that can cause misunderstanding for the third persons regarding the volumes and forms of activity of the enterprise or, regarding the relationships between the partners.

6.7. Additions to the names are to be made in cases when it is necessary to differ the concrete firm from another firms.

6.8. A new buyer of an enterprise can use the former name with or without the indication of hereditary relationships if the former owner or his (her) heirs agree to do so.

Article 7. Publicity of the Register

7.1. Until the facts to be registered are not recorded and published it is not permissible to use them against the third persons except the cases when these data are known for them.

7.2. If the facts are already registered and published, their use against the third persons is permitted.

7.3. In case the necessary facts are registered and published incorrectly, the third person can, in relations with the person whose case comprise the inaccurate facts, be guided by the registered and published data if he (she) trusts them, except the cases when the third person knew about the inaccuracy.

7.4. Proceeding from these rules in relationships with the registered branch of the enterprise the decisive importance has the registration and publication carried out according to the location of the branch.

Article 8. Responsibilities of the individual enterprises. the societies of solitary responsibility. commandit societies when obtaining another enterprise.

8.1. Any person obtaining and conducting the activity of another enterprise with the former name, with or without the indication of hereditary relationships is responsible for all obligations of the former owner concerning the functioning of the enterprise obtained.

Any other agreement is in force for the third person only in cases, when at the moment of obtaining the enterprise is registered and appropriate data are published, or the third person is informed about this, and no debts are foreseen in the calculation of the purchase price.

The responsibility should not be excluded if the enterprise was presented almost the sole property of the former owner and, the buyer knew, or had to know about it while being more provident in his (her)) business relations.

8.2. In case a person becomes the partner of an individual enterprise, the company established by this way bears responsibility for all obligations of the former owner's deals. Any agreement contradicting this rule is void for the third person.

8.3. A seller of an enterprise is responsible for all obligations existing at the moment the enterprise is handed over. And, in case of a long-term obligatory relationships he (she) is responsible for the obligations arisen until the deals have been terminated or, until the first possible term of the deals' termination since the enterprise is being handed over. 8.4. In case the successors continue the activity of the enterprise belonging to the hereditary property, they are responsible for the former owner's obligations arising in result of such activity if within the term of three months from the moment the enterprise is handed over, they do not terminate the operations and continue them with the old firm name, with or without addition indicating their hereditary relations.

8.5. The provisions of the articles 8.1. - 8.4. are in force towards the partners of the societies of solitary liability and personally responsible partners of the commandit societies accordingly.

Article 9. Management and representation. Consultative Board.

9.1. The rights to manage the activity of a company have: - all partners - in societies of solitary responsibility; - personally responsible partners - in commandit companies; - directors - in societies of limited liability, joint stock companies and cooperatives.

9.2. The management implies direct or indirect activities aimed at meeting the company's goals.

9.3. The charter of a company may determine the rights of management of a company's activities by: - one partner or one director solely responsible; or - two directors mutually responsible; or - all directors mutually responsible.

Besides, according to the present Law the rights of management may be limited with the necessary consent of the

observation bodies or the meeting of a company's members.

This rule may also be determined by regulations of a company.

9.4. Persons indicated in the article 9.1. represent the company in the legal relations with the third persons. The representative rights in relations with the third persons should not be limited.

It should be determined by the Regulations whether the authorized representatives act solely or mutually. The Regulations may also determine the terms and conditions whether the authorized representatives act solely, mutually or together with the procurators. The forms and the rules of representation are to be fixed in the Enterprise Register.

9.5. In case if at the moment of signing the agreement a counteragent of a deal knows that the rights of management are limited, the company is authorized to declare the deal void within the term of eighteen months.

The same rule is applied in cases when the authorized representative and the counteragent are acting in concert with the intention to cause damage to the company presented by the authorized representative.

9.6. Persons pointed out in the article 9.1. have not the rights to conduct the activity similar to the one the enterprise conducts or, to participate to the activity of another; societies as personally responsible partners or directors without the consent of the other partners of the company. In the societies of solitary responsibility and commanditory societies such consent may be granted by the meeting of the partners; in societies of limited liability, joint stock companies and cooperatives the consent is granted by the Bodies appointing the directors.

The consent is considered granted if at the moment of a manager's appointment the partners knew that he (she) had carried out such kind of activity and they did not demand of him (her) clearly to terminate it (prohibition of the competition).

If the rules of prohibition of the competition are violated a miscreant is obliged to return the benefits gained by such an action, to give up the claim for compensation from profits and to cover the damages. The decision to use these rights should be made by the rest of partners and, in case the observation body exists, the said decision is to be made by this body.

9.7. Persons indicated in the article 9.1. should take all the efforts in conducting the company's activity as the real businessmen do. In case of failure, they bear solitary responsibility for the damages before the partners. Managers of a company must prove that they did not break their obligations.

Company's refusal regarding the demands of regressive compensation or, the compromise of the company is void if such a compensation is necessary in order to meet the creditors' requirements. This rule is not in effect if a person - responsible is insolvent or, in order to avoid bankruptcy and bankruptcy proceedings he (she) makes deal with his (her) creditors. If the

compensation is necessary for the aims to meet the creditors' requirements, obligations of the managers are not terminated because they had acted in order to perform the partners' decisions.

9.8. Directors, attorneys or partially authorized persons should not be granted with the credits of the company's property that is necessary to ensure the ownership capital. The credits nevertheless granted should be returned despite all of the other agreements.

9.9 The Consultative Board can be established for the purposes the managers' consultations in the societies of limited responsibility, commandit societies and joint stock companies. The Consultative Board is not authorized to make decisions.

Directors and partners of the commandit company cannot be elected as the members of the above mentioned Board.

Article 10. General Trade Warrant (Procuration).

The Authority to fulfill the juridical actions.

10.1. Persons indicated in the article 9.1., as well as an individual entrepreneur can grant a written warrant to any person. The warrant can be granted to two or more persons jointly. It should be fixed in such cases, that these persons (two or more) represent jointly the enterprise (joint warrant).

10.2. The representative authority to fulfill the juridical actions should comply with the content of the warrant. In order to terminate the effect of the warrant it is necessary to annul the document or to declare it void. The declaration is to be published in the official newspapers of the Republic of Georgia.

10.3. The warrant registered in the Enterprise Register is considered the General Trade Warrant (the Procuration).

The procuration provides with the authority to realize any activity and juridical action, connected with the functioning of the enterprise, in relationships with the Court and other institutions. The procurator has the authority to grant plots of land at one's disposal or to load them with the obligations only under a special authorization.

The limitation of the volume of the procuration is void for the third persons. This rule is, in particular, connected with the limitation, that the procuration may be used for the certain deals or the certain types of deals, or only for the certain terms and conditions, or for the fixed moments and places.

The limitation of the procuration by one or several branches of the enterprise is into the effect for the third persons only in cases, if these branches have not one and the same firm name. According to this rule, differences between the branches' names are indicated by the addition of the branch's firm name to the word "branch".

10.4. While signing the documents the procurator and the trade representative should supplement the firm name with their name and first name and the addition indicating the procuration.

10.5. The procuration and the trade warrant may, at any time, be annulled without the violation of the right of damage's compensation, as provided by the appropriate agreement.

Article 11. Trade Representative and independent Trader. Commissioner.

11.1. According to the present Law, a person is considered the trade representative if he (she) mediates or makes deals on behalf of the other enterprise and at its expense on the realization of goods, rights and services while he (she) is not engaged in the said enterprise himself(herself). According to the present Law, an independent trader acting on his (her) own behalf and at his (her) own expense but is mainly engaged in the other enterprise's trading organization, and the permanent clients drawn are belonging to the other enterprise and after the execution of an agreement he (she) continues relationships with these clients is also considered as the trade representative.

According to the present Law, a person acting on his (her) own behalf but at the expense of the other person on the realization of goods or rights, is considered a commissioner.

11.2. The trade representatives and the commissioners are eligible to the enterprise for which they act: they are obliged to present, in written, in the agreed term, and in case an agreement does not exist, at the end of each quarter, in particular, within the 10-days term after a quarter is over, reports of their activity executed and the reports of the provisions (payment for the services) and commissions (payment of the commissioners).

The demands for the payment of the provision is arising from the moment the deal has been made by the enterprise; the payment is to be made at the end of the month the deal was made. The same rule is also in effect when the commissioner is obliged to pay the enterprise the profits but commission dues. The right to demand for the provision is exercised in cases as well, when an enterprise does not perform or, does not perform in the proper way the deal, as agreed between the parties. But, this right should be annulled when the deal is not performed by the cause of the other side, not of by the enterprise. If it is recognized that the enterprise's opposite parry of the deal cannot perform its obligations, the right for the demand of the provision should be annulled and the accepted money should be returned. The enterprise is to make monthly payment of provisions.

While making the payment the extracts from the book-keeping for which the provision is foreseen may be demanded. Besides, the records regarding the terms and conditions necessary for the calculation of the demand for the provision, terms of the payment and the provisions can also be demanded.

Deviations from these rules to the detriment of the trade representative or the commissioner is impermissible.

11.3. In cases when the amount of the provision or the commission is not fixed, generally adopted norm in this field of activity is considered as an agreed one.

11.4. The provision is to be calculated from the sum that is paid by the party of a deal.

In case of in-cash payment price discounts should be considered. The same rule applies to the payment for extra expenditures on the circulating capital, freight, packing, custom duties, if the third person does not run these expenditures.

While conceding the right on use or, in cases of the fixed-term agreements on use, the provision is to be calculated according to the sum and the term of the agreement. In case of the unlimited-in-term agreements the provision is always calculated according to the sum of the agreement and it is subject to the payment until the period, when the deal's party rescinds the agreement.

When insurance, the provision is to be calculated according to the insurance sum. If this sum is not fixed, the provision is to be calculated according to the insurance fee.

This rule effects in cases , when keeping of the permanent clients towards the provision is needed as well.

11.5. The commissioner is obliged before the enterprise for the execution of the deal, if until the fulfillment of the commission he (she) does not name the parties of the agreement. In case the commissioner does not act in accordance with the instructions of the enterprise and . he (she) is not authorized to mistreat his (her) rights with the because of the changed situation he (she) is obliged to cover the damages of the enterprise caused by such actions.

The commissioner is responsible for the damages and losses of the property deposited to him (her), if these damages and losses are not caused by the circumstances which are impossible to rectify even by the fair activity of the trading enterprise.

11.6. In cases when the trade representatives or the commissioners assume obligations in prior, in written, to guarantee the realization of the deal's obligations, they can demand for the special benefits - provisions for being guarantors (warrant provision).

Such an obligation can be taken for the concrete deals or with the concrete parties of the deal only. The rights of demands for the warrant provision exists from the moment the deal is signed.

11.7. The trade representative and the commissioner have no right to carry out any activity other than that agreed with the enterprise or, to participate directly or indirectly in the operations of some other enterprise without the consent of the

enterprise where they are engaged (prohibition of competition) except the cases of the financial participation with no more than 5% interest rate. The consent is considered granted if at the moment of the beginning the agreement relations the fact of participation is known to the enterprise.

In cases when the trade representatives or the commissioners violate their obligations, the enterprise may demand for the compensation of damages. Besides, it may demand from the trade representative or the commissioner to hand over to the enterprise the deals concluded with the enterprise-competitor, return the benefits received or give up the claims for these benefits.

If it is agreed that the prohibition of competition effects even after the expire of the agreement relations, the said prohibition is in force when the enterprise pays the compensation calculated according to the sentences 3 and 4 of the article 11.9.

Such agreement is in effect within one-year term at maximum.

11.8. An agreement with the trade representative and the commissioner is to be concluded for a one-year term, if it is not otherwise agreed by the parties. If any party of the agreement does not declare the cancellation of the agreement three months prior to the term of the agreement's expire date, the agreement is automatically prolonged for the further one-year term. The opportunity of the parties of the agreement, to be acquainted with the declaration on the cancellation is decisive.

Immediate cancellation of the agreement relationships is possible if the significant circumstances exist for doing so.

11.9. The trade representative may demand for the appropriate compensation from the enterprise after the agreement relationships are canceled, if: a) after the cancellation of the agreement relationships another enterprise has the significant advantages in business relations with the new clients attracted by the trade representative; and b) the trade representative losses, because of the cancellation of the agreement relationships, the right of demand for the provision that would possess, in case of the continuation of the deals already concluded or will have been concluded.

Expansion of the business relations by the trade representative in such a way, that it gains the important economic benefits, is equalized to the attraction of the new clients.

The rate of compensation should not be more than the average amount of the annual provisions or other annual incomes earned by the trade representative during the last 5-years activity; in case of comparatively short-term agreement relationships the average rate is to be calculated according to the whole duration of the trade representative's activity. The refusal of the demand for the compensation or its preliminary satisfaction until the cancellation of the agreement is impermissible.

The demand does not exist if:

- a) the trade representative cancels the agreement, except the cases when the actions performed by the enterprise causes him (her) to do so or, because of the age or illness of the trade representative it becomes impossible to continue the activity;
or
- b) another enterprise cancels the agreement relationships and the important reasons for this is the criminal activity of the trade representative; or
- c) on the base of the agreement between the enterprise and the trade representative the latter is substituted by the third person in the agreement relationships. This agreement should not be concluded until the agreement relations are canceled.

The right of the demand for the compensation is to be exercised within the one-year term from the moment the agreement is canceled.

Article 12. The Broker.

12.1. The rights and the obligations of a broker has a person who undertakes to conclude agreements on sale and purchase of goods and stocks as well as on transportation, hire of ships or, mediates between the entities in such a way that this activity is not entrusted constantly upon him (her) by the entities.

The rules of the present article should not be applied for the deals that are not indicated above, in particular, for those connected with the mediation for the purchases of the immovable property, even in cases when the mediation is performed by help of the broker.

12.2. Immediately after the deal is made the broker presents the final signed certificate, that should contain the data about the parties. terms and conditions of the deal's subject, in particular if the subject of the deal is purchasing of goods and stocks, price and term of the deal's final execution. If it is not prohibited by the parties of the deal, or while taking into consideration the local terms and conditions of the consumption of certain types of goods, the broker is not liberated from the duties to realize the above actions.

In the deals which are not performed immediately the final certificate is to be signed by the parties and each party must have the authentic and signed copy of the certificate.

If a party refuses to receive or sign the final certificate. the broker must notify about this the other party of the deal immediately.

12.3. If one of the parties receives the final certificate in which the broker does not name the other party, the named party

becomes connected with the party, named in addition, if any substantiated claims against the said party is not submitted.

The other party of the deal should be named within the term generally adopted or, in cases when such a term does not exist - within the term convenient for the circumstances.

If a party is not named or, the substantiated claims must be submitted against the named party, the party under agreement has the right to demand an explanation regarding the realization of the deal.

The claim cannot be accepted if the party does not make immediate declaration regarding the request of the broker, whether the deal must be performed or not.

12.4. If samples are taken when goods are sold, the broker is obliged to keep the sample of the goods sold by his (her) mediation until the goods are purchased without the quality claims or, the deal is not performed in another way. This rule is in effect in cases when the parties of the deal or the local rules of the goods' consumption do not make the broker free from this obligation.

The broker must mark the sample by the special sign.

12.5. The broker has not the right to receive the profits and benefits from the agreements concluded between the counteragents with his (her) help.

12.6. The broker is responsible before the both parties of the deal for the damages caused by him (her).

12.7. If the parties have not agreed on the share of each of them in the compensation for the broker's services, the amount will be devied into two if not otherwise determined by local regulations.

12.8. The broker must keep a diary and must record all deals performed. The records must be entered chronologically. They must contain the data indicated in the first sentence of the article 12.2. The broker must sign the daily records.

12.9. The broker is obliged to present, at any time, the signed records containing the data about the deals performed by his (her)mediation.

Article 13. Book-keeping and Accounting.

13.1. The rules of book-keeping and accounting in the small enterprises differ from those in the other enterprises. Simplified rules of book-keeping and accounting are used for small enterprises, where not more than 20 full-time employees are engaged. In this context the full-time means the 8 hour a day work-schedule.

The rules of book-keeping and accounting are equally used towards the all types of the enterprises except in cases when other rules for the enterprises are in effect.

13.1.1. The managers are responsible for carrying out the book-keeping and accounting rules according to the legislation on book-keeping and accounting acting in the Republic of Georgia.

The book-keeping must be perfect, clear, correct, based upon the double book-keeping system uninterruptedly connected with the nomenclature accounts and the corresponding data of the previous year. The valuation should conform with the principles of prudent entrepreneur, as well as the principles of the minimum valuation and imparity of the profits and losses.

13.1.2. The book-keeping in the small enterprises must be correct, perfect, clear, uninterruptedly connected with the nomenclature of accounts. Such type of enterprise must have the inventory list in order to determine the state of the owned property and to compose the balance-sheet in the form of the annual reports.

13.2. At the beginning of the operations as well as at the end of an economic year, the managers are obliged to put into the inventory list the data about the plots of land, demands and debts, amount of a cash and all all the other material values. At the same time the cost of the separate material values according to the principles of the minimum valuation should be pointed and the total sum of equation between the property and debts (balance; the state of property - for the small enterprises) should be made up.

The duration of the economic year shouldn't exceed twelve months.

While composing the-inventory list the state of the material values may be determined according to their type, quantity and cost based upon the principles of the selective control of the generally adopted mathematical and statistical methods. This process should accord with the due book-keeping norms as adopted internationally. An informational value of the inventory list composed by this way should be equivalent to the informational value of the one composed on the base of inventory of the material stock.

While composing the inventory list at the end of the economic year, it is not necessary to make an inventory if the book-keeping ensures that the material values are fixed according to their types, quantity and cost.

Material values do not require to be recorded in the inventory list at the end of the economic year, if:

- a) these subjects, according to their types, quantity and cost are recorded in the special inventory lists by means of inventarization or by any other effective way, and are composed three months prior to the end of economic year or after 2 months from the beginning of a new economic year taking into consideration the state of one of the days; and
- b) The appropriate book-keeping procedures carried out in accordance with the special inventory list ensures the valuation of the really existing material valuables at the end of the economic year.

13.3. The managers must keep, for ten years, the following documents:

- a) book-keeping records, inventory Lists, balance-sheets and all of the instructions and other organizational necessary comprehensive documents;
- b) business correspondence received and sent;
- c) records concerning the current book-keeping entries (book-keeping documentation).

13.4. The managers of the societies must compose the annual balance of the previous economic year, reports on profits and losses (annual report), the reports on their activity and the final report. The managers of the small enterprises must put their reports (the reports on the state of the property and on the profits and losses) into the documentation of the enterprise. The annual report is to be composed in the national currency unit and signed and dated by the managers.

13.5. In cases of disputes the Court can, by its own initiative or on the base of the parties' request, demand for the book-keeping documents of one of the parties of the dispute. When the book-keeping records are presented at the court, it becomes possible for any party involved to be acquainted with their content if this content is connected with the disputable subject. If necessary, the extracts from the reports should be made. The other data of the records may be presented at the Court in cases only, if it is necessary to verify the correctness of the book-keeping. In cases of disputes concerning the property, in hereditary cases in particular, when the subject matter is connected with the distribution of the company's property, the Court can demand for all the records to be presented in order the Court be acquainted with the content.

Any person able to present the necessary documents by video-, audio- or some other technical means is obliged to present the technical sources needed to read the documents at his (her) own expense; if necessary, these documents are published or, their readable copies are presented without the said technical means.

13.6. The rules concerning the annual balance, the structure of the reports on profits and losses and the content of the terminology are the integral part of the present Law as provided in its appendix.

Article 14. Duration. liquidation. transformation. integration and division in kind.

14.1. A company may be established for a limited as well as unlimited term. If there are no indications in the Charter of the company concerning the duration of the activity the company is considered founded for an unlimited term.

14.1.1. The partners of the companies of the solitary liability and the commandit companies can leave the company on the base of their wish if the application is made twelve months prior to the end of the economic year and longer term is not fixed by the Charter. The application, as a rule, dismisses the applicant if the liquidation of the company is not considered for such

cases by the Charter. The company is subject to the liquidation if the partners - having more than 50% of the votes wish to leave the company.

14.1.2. In the companies of limited liability and joint stock companies it is not permissible to liquidate the company only by one partner. The liquidation takes place if the partners - having more than 50% of the ownership capital decide to liquidate the company.

14.1.3. If the company of limited liability or the joint stock company becomes insolvent the directors should, without the criminal delay, but not later than three weeks from the day of becoming insolvent, declare about taking the bankruptcy proceedings; this rule acts even in cases, when the property of the company cannot cover the debts. If the directors take the bankruptcy proceedings in dutiful and sincere way, as it becomes true businessmen, their action would not be considered as the criminal delay.

The directors are obliged to compensate the expenses of the company, those are paid after becoming insolvent or, after the moment of defining the company's debts. This rule does not work against the debts being paid after becoming insolvent, if the director of the company acts dutifully and sincerely, as it becomes the true businessman. In such cases the rules regarding the compensation of damages mentioned above in the article 9.6 are applied.

14.2. The liquidation is to be carried out by joint signatures of the persons indicated above in the article 9.1. with the mediation of one of the participants. If the significant reasons exist, the persons carrying out the liquidation (liquidators) can be appointed by the regional department of the Court on the territory of the company's location; in such cases the Court can appoint the persons who are not the directors of the company, as the liquidators.

The liquidators must compose the balance sheet at the very moment of their appointment. They must make special notification concerning the liquidation to the creditors being known for them from the book-keeping records and the other sources.

The unknown creditors and those whose addresses are not fixed to the said sources should be notified publicly and invited in order to make their claims.

The liquidators are obliged to execute the routine matters, administer the assets and fulfill the obligations of the company, if the debts do not rise from the balance. While the debts are being fixed the liquidators should notify about it the Court which is to raise a case on the bankruptcy proceedings. The liquidators represent the company in the deals on the liquidation of the company. They may perform the relevant processes, execute the arbitration cases and/or solve disputes by agreements. And, if necessary, they may participate in the new deals. Moreover, the liquidators may sell freely the assets. In the

long-term liquidation they should compose the annual intermediate balances. The company is responsible for the damages caused by the unauthorized actions of the liquidator while carrying out his (her) business duties. Responsibilities of the liquidators are determined by the article 9.7. of the present Law.

14.3. Property of the liquidated company is to be distributed, after the debts are covered, between the partners in proportion of the sums paid and the rights according to their shares if it is not otherwise stated by the Charter of the company. The distribution is to be made after one year from the date the debtors have already been invited publicly, three times. The distribution may be carried out even earlier, by the Court, if it poses no risk to the creditors.

If the known creditors do not declare their claims, the value of the claims are to be deposited by the Court. Disputable obligations and their corresponding values of the company, until the term of their execution comes, are also deposited by the Court in cases if the equal guarantees are not provided for the creditors or, the process of the distribution of the property is ceased until these obligations are executed.

the rules concerning the spending of the company's money should not be used in the period of liquidation.

If the disputes arise between the partners while distributing the property, the liquidators must cease the process of distribution until the disputes are solved in the right way.

14.4 The partners may transform a company from one legal form to another, maintaining the participation shares and the subject matter of the company's activity. The transformation is permitted within the term of six months from the end of the economic year with the consideration the initial date of the new economic year. The assets are to be put into the balance of the transformation with their old balance or market value.

The market value is to be verified by an independent expert. For the transformation of the societies of limited liability, joint stock companies and cooperatives the simple majority of votes is necessary. In any other cases the decision is to be made unanimously.

14.5. The societies and individual enterprises may be integrated. For the integration in the joint stock companies, the societies of limited liability and the cooperatives simple majority of the votes is required. In any other cases the decision is to be made unanimously. The decision on the integration should stress whether one company is joining to another one or both companies are integrating and founding a new company. In case of deviations from the balance value in the process of integration, the value of the integration balance is to be specified by an independent expert. The rights and the obligations of the partners should be determined by the decision on integration if these partners do not conduct their activity in accordance with the principles of their participation shares to the ownership capital. The company which have joined the other company, as well

as the new company are the successors of the rights of the previous company (companies).

14.6. The enterprise containing the several units may be divided into these units and these units may continue the activity as the independent enterprises with their own organizational and legal forms (division in kind). Such enterprises present the separate organizational units with their own sphere of the activity. Division in kind is permitted with the balance value. If higher value is defined, it should be verified by an independent expert. The decision on the division in kind may take into consideration, that the former partners are participating to the enterprise divided in kind with the different base of shares.

14.7. The integration and the division is permitted at the date only, when the annual report is composed and, with the six-months reflexive power.

Article 15. The Prescription. Term of cassation.

15.1. According to the present law the term for declaring the claims is defined as 5 years from the moment of their presentation or the liquidation of a company or a partner's resignation if it is not otherwise stated by the legislation.

15.2. Cassation of the decisions made by the meeting of partners, the general meeting and the observation board after two months from the date the minutes of the meeting are composed is impermissible.

Article 16. The branches.

16.1. The enterprise can establish its branches which are not the legal entities. The note about the establishment of the branch is to be sent to the regional court according to the location of the enterprise. The said court is to send the documents for the registration to the regional court on the territory of which the branch is intended to be established.

The samples of signatures to be kept should be made in the court which registers the branch, as stated by the legislation.

Article 17. The concerns and the liaison enterprises

17.1. The concerns are created in cases when an enterprise participates in the activities of another enterprise with more than 25% of share. The concern is not the legal entity.

It has the rights and obligations determined by the present article only.

17.2. In case the enterprise owns at least 5% of the shares in the other enterprise located in the Republic of Georgia, the enterprise owner of the 5% share must notify, in written, the latter about it. In case the enterprise owns more than half of the shares in another enterprise, this enterprise (basic enterprise) should notify the another enterprise (non-basic enterprise) immediately, in written, about it. The obligation to make the notification arises also in cases, when the share is less than that,

envisaged by notification responsibilities. The enterprise which receives the notification may demand for, at any time, the document certifying the amount of the share.

17.3. If the enterprise owns not less than 50% of the shares of other enterprises located in the Republic of Georgia, the following obligations are placed on the basic enterprise:

- a) Compensation of annual damages of the non-basic enterprise;
- b) Compensation of the property losses of the non-basic enterprise arisen because of the deals or some other actions performed by the basic enterprise; compensation of the related payments for the third partners;
- c) composition of the balance-sheet of the concern integrated with the balance-sheet of the non-basic enterprise;
- d) declaration of the participation to the non-basic enterprise. The declaration is needed for the registration in the Enterprise Register.

17.4. If the enterprise owns no less than 75% of the shares in the other enterprise, the basic enterprise bears the responsibility before the non-basic enterprise and the third persons for the damages caused by the deals or some other actions.

The responsibility does not exist if the conscientious manager of an independent enterprise acts in the same way, in accordance with the requirements of the article 9.7.

The enterprise and its representatives owning 75% of the shares of the other enterprise bear the same responsibility for the obligations of the non-basic enterprise. The basic enterprise is solitary responsible for the said obligations together with the enterprise where it owns 75% of the shares.

17.5. according to the present article, in order to win the majority, indirect shares of the basic enterprise should be integrated.

According to the articles 17.2. - 17.4., integration of several enterprises on an agreement base and thus, gaining by them more than half of votes in a non-basic enterprise is equal to the majority of the participants.

17.6. An agreement according to which the bodies of one enterprise are subjected to the will of another enterprise is void.

17.7. Bilateral participation with more than 5% in the ownership capital of any company is impermissible. If such kind of participation exists for more than three months term, the exceeded sum should be exempted according to the rules of the article 3.8.

Article 18. Publication and confidentiality

18.1. An enterprise is to publish information and facts stated by the present Law. In particular, the data of the Enterprise

Register, the information regarding the share participation and the partners' meetings according to the article 17.2. In order to publish the other information, preliminary consent of the observation board (if such a body exists), or the decision of the partners' meeting is necessary in separate cases as well as in general.

18.2. In any other cases the content and the results of the meetings are confidential if these results are not submitted to publication or it is not otherwise determined by the Charter of a company. Confidentiality is not used towards the meetings of the joint stock companies and the general meetings of the registered cooperatives. Besides, in separate or general cases the bodies of societies may take the decisions regarding the abolition of the confidentiality.

Article 19. Other rules: notary form. data of business letter's form.

appointment of experts.

19.1. All the agreements according to which the enterprises are established or liquidated, as well as the alterations to them require to be notarized. The deal which does not meet this requirement is void.

19.2. Business letters sent to the legal entities and partners should contain the address and the legal form of the company, the registration body, the registration number and the amount of the company's ownership capital.

In the business letters of the societies of limited liability, joint stock companies and cooperatives names and first names of all directors should be indicated. If necessary, names and first names of the chairman of the observation board and the chairman of the directorate should also be indicated.

19.3. "An independent expert" as determined by the present Law, is an auditor or an authorized partner of a company entitled by the State to verify the book-keeping and accounting of enterprises, in general, according to the principles internationally adopted. At the same time, this person or company should be personally and financially independent from the enterprise subject to verification. If the parties cannot agree to appoint such person or company, the decision is to be made by the regional court acting on the territory where the enterprise subject to verification is located.

II. MAIN PART

CHAPTER ONE

Company of Solitary Responsibility

Article 20. Object

20.1. Company of the solitary responsibility is the company where several physical persons - partners carry out multiple and independent entrepreneurship jointly have the firm name, and are responsible before the creditors of the company as the solitary debtors - directly, immediately, without any Limitations and with their whole property.

20.2. The partners of the company of solitary responsibility can be only physical persons.

Article 21. Reciprocal requirement of a partner

21.1. In case the claim is presented to the partner regarding the obligations of the company, he (she) may present reciprocal requirement against the claim only within the frames of his (her) or the company's rights.

21.2. The partner can refuse to satisfy the creditor's requirements until the company has the right to dispute the deal upon which the obligations of the company is based.

21.3. The same right has the partner until the creditor's requirements would be satisfied by the execution of the reciprocal requirement of the company (exchange of the reciprocal requirements regarding the money).

21.4. In order to make it possible to force the partner to pay, the creditor is authorized to get the executive documents against the company as well as against the partners.

Article 22. Meeting of partners

22.1. Decisions significance of which are beyond of the limits of the company's routine operations are to be made by the meeting of all the partners of the company.

22.2. Any partner has the authority to call, within the term of one week, the meeting of the partners by; sending insured letters. The letter should contain the draft of the agenda. During the three days term from the moment the letter is received, the partners can make amendments to the agenda. The meeting is authorized to take decisions if the majority of the partners presents. If the meeting is unauthorized to make decisions, the partner who called the meeting can call it once again, by the same way and with the same agenda. The second meeting is authorized to take decisions even if the majority of the partners does not present.

22.3. The partners of the meeting elect the Chairman by simple majority of votes. Each partner has one vote. If the decision is related to the dispute between the company and one of the partners, this partner has not the voting right. As soon as the decision is made, the chairman composes and signs the minutes.

22.4. The Charter of the company may envisage the decision-making by the simple majority, if the present Law do not state that the decisions are to be made unanimously and, if the decision places one of the partners in inadequate position and violates his (her) essential interests.

Article 23. Management of company

If it is not otherwise determined by the Charter of the company, any partner is authorized to guide the company's routine matters, separately if needed, if the are partners do not object. In this case the above form of the management is not used.

Article 24. Partner's right of verification

Any partner, even if he (she) is not participating to the management of the company, may be acquainted with the company's affairs. Such a partner has the authority to check up the records and documents of the company, demand for the other partners to execute their obligations before the company and lodge a claim against them because of their obligations on his (her) behalf.

Article 25. Profits and losses

25.1. Annual profits and losses are to be composed and each partner's share is to be calculated at the end of the economic year, on the base of the balance.

25.2. The share of a partner's profit is to be added to his (her) share to the ownership capital; the losses of a partner and the money spent by him (her) from his (her) share of the ownership capital are to be discounted from his (her) profits.

Article 26. Distribution of profits and losses

26.1. Each partner owns, first of all, the share of the annual profits in the amount of up to 4% from his (her) share to the ownership capital. If the annual profits are not enough for this, his (her) share is to be calculated by the lower interest rate accordingly.

26.2. According to the article 26.1., while calculating the share of a partner's profits, the activity performed by a partner during the economic year - the fee should be taken into consideration. If a partner spends the money from his (her) share of the ownership capital, then the spent money, in proportion of the period passed before this operation is to be taken into consideration.

26.3. The part of the annual share of profits that exceeds the sum of the share of profits calculated according to the articles 26.1 and 26.2. and the losses occurred during the economic year are to be distributed between the partners and added to their shares to the ownership capital. The Charter of the company may foresee the other rules for this matter.

Article 27. Spending of money by a partner

27.1. A partner has the right to get the money from the company's cash-office in amount up to 4% of his (her) share to the ownership capital fixed at the previous economic year, for his (her) own needs and, if it does not arise the obvious damages for the company, the partner may demand for his (her) share from the profits of the previous year, which may exceed the above mentioned sum of money. The Charter of the company can consider the other rules as well, in particular, the decision of the partners' meeting regarding the spending of money.

27.2. In any other cases a partner has not the right to reduce his (her) share of the ownership capital without the consent of the other partners of the company.

Article 28. Reasons for liquidation The company of solitary responsibility shall be liquidated in the following cases: a) the term of its activity is expired; b) by the decision of the partners; c) by the bankruptcy proceedings of the company; d) by the verdict of the Court.

Article 29. Liquidation by the verdict of the Court

29.1. The societies established for the limited as well as unlimited terms may be liquidated on the base of the declaration of a partner and by the verdict of the Court if an important reason for such a decision exists.

29.2. An important reason is, if a partner violates, purposely or by unconsidered actions, his (her) obligations placed on by the Charter of the company, or it becomes impossible to execute the obligations.

29.3. Any agreement according to which a partner is deprived or limited, against the said norms, with the rights to demand for the liquidation is void.

Article 30. Transfer of the share of the ownership capital A partner may transfer his (her) share of the ownership capital if the other partners of the company priorly agree or the transfer is permitted by the Charter of the company.

The notarized agreement on the transfer of the share, containing the consent of the other partners of the company is needed. Without the said consent the agreement is void.

Article 31. Withdrawal or bankruptcy of a partner.

31.1. If a partner expresses his (her) wish to withdraw from the company or, the bankruptcy proceedings on his (her) property are started, the partner is considered withdrawn from the moment the above fact comes into the force.

31.2. If a partner violates, by intentional or inconsiderate actions, the obligations placed on him (her) before the company, or it becomes impossible to execute the obligations, or there are some other important reasons, the Court can, by the request of the other partners, take the decision on his (her) discharge from the company.

Article 32. Relationships after withdrawal of a partner

32.1. In case of a partners withdrawal or discharge from the company, his (her) share in the company's property is to be added to the shares of the other partners of the company.

32.2. All the other partners of the company are obliged to free the partner withdrawn or discharged from the company from the debts of the company and to pay the sum that he (she) would receive in case of the company's liquidation. The partner

who withdraws or, is discharged from the company loses the right of demand for the guarantees.

32.3. The property of the company is to be valued on the date when withdrawal and bankruptcy proceedings come into force, or the claim on discharge is submitted for.

The requirement should be executed at the moment of the introduction of the balance of withdrawal.

Article 33. Death of a partner

33.1. In case of the death of the partner who had not the successors, his (her) share is to be added to the shares of the other partners of the company.

33.2. If the partner, according to the article 33.1. had the successors. each of these successors can remain at the company depending whether he (she) will be granted with the status of the commandit or not, and whether the share of the dead partners membership fee will be counted as his (her) commanditory fee. If the Charter of the company do not determine otherwise, the share of the commandit's profit is calculated out of the commandit's share from the former partner's membership fee.

33.3. If all the other partners of the company do not receive appropriate application, the successor becomes authorized to declare about his (her) withdrawal earlier than the fixed date comes.

33.4. The successor should make the declaration within the term of three months from the moment when he (she) accepts inheritance. If the successor does not become the member of the company as the solitary liability partner, he (she) bears responsibility for the debts of the company according to the rules determining the successor's responsibilities under the will, until his (her) status is defined.

33.5. It may be envisaged by the Charter of the company, that one or several successors may become the partners of the company. In such cases the successor (successors) accepts the status of the partner by the power of the special authority and he/she (they) is (are) obliged to pay the corresponding compensation to the other successors. The obligation of the payment of compensation may not be envisaged by the Charter of the company.

CHAPTER TWO

Commendatory company

Article 34. Object

34.1. Company where several persons carry out multiple and independent entrepreneurship jointly under the common firm name, is the commandit company, if the responsibility of one or several partners before the creditors of the company is framed by the payment of the fixed guarantee sum (commandits), and the responsibility of the other partners is not limited

(personally responsible partners - complementaries).

34.2. Together with the rules mentioned in the general provisions of the present Law, the rules for the company of solitary liability are used towards the commanditory company, if it is not otherwise stated by the present Chapter.

34.3. Personally responsible partners (complementaries) of the commendatory company can be only physical persons.

Article 35. Prohibition of competition

The prohibition of competition should not be applied to commandits, if it is not otherwise stated by the Charter of the company.

Article 36. Commandit's right on verification

36.1. The commandit has the right to demand for the copy of the annual report and check up its accuracy according to the books and documents of the company.

36.2. The Court may, on the base of the declaration of a commandit, demand for the introduction of the data of balance-sheets, annual report, other information and the book and documents of the company at any time, if the important reason exists.

Article 37. Management of the company.

37.1. The commandits are not participating to the management of the company; they cannot claim against the actions made by the personally responsible partners within the framework of the common routine operations. If the said actions are beyond of the frames of routine operations, the decision of the partners' meeting is needed to solve the matter.

37.2. If a commandit is granted the authority, under the agreement, to execute juridical actions, beyond the frames of the common warrant, he (she) becomes responsible like a director of the company of limited liability.

Article 38. Profits and losses

38.1. The rules of the article 25 regarding the calculation of the profits and losses are to be applied against the commandits as well.

38.2. The commandit is responsible for the losses with the amount of his (her) share in the capital and the unpaid fee only.

38.3. The share of the commandit's profit is to be added to his (her) share of capital unless it reaches the agreed rate of the payments.

Article 39. Distribution of profits and losses

39.1. The share of the partners is determined according the articles 26.1. and 26.2.

of the present Law, if the profit does not exceed 4% of the share of the capital.

39.2. The profits and the losses of the economic year, exceeding the said amount, are to be distributed proportionally between the partners, if it is not otherwise stated by the Charter of the company. While defining the proportion of the distribution, the commandits' shares to the capital as well as their legal state should be taken into consideration.

Article 40. Use of profits by commandit.

40.1. The article 27. of the present Law should not be applied against the commandits.

40.2. The commandit has the right to demand for only his (her) own profits. But, he (she) has not the right to demand for the mentioned profit until his (her) share in the capital is less than the agreed amount, because of the losses or settlement of accounts.

40.3. The commandit is not obliged to return already received profits because of the future losses.

Article 41. Responsibilities of the commandit.

41.1. The guarantee sum of the commandit towards the creditors of the company is determined according to the sum fixed in the Enterprise Register, if this sum is already paid. In any other cases the articles 3.3. - 3.5. are to be applied.

41.2. The creditors may take into consideration the unregistered increase of the sum fixed in the Enterprise Register only in cases, if such increase becomes known by rules adopted in the business relationships or, the company notifies them by help of some other sources.

41.3. The commandit is not obliged to return the money received as the profit calculated fairly on the base of properly composed balance-sheet. In any other cases the article 3.6. is to be applied.

Article 42. Responsibility when becoming commandit

The article 41. regarding the responsibility is to be applied towards the person intending to become a commandit in the already established company.

Article 43. Transfer or succeed of commandit's share

43.1. The share of the commandit may be transferred or succeeded without the consent of the other partners, if it is not otherwise stated by the Charter of the company.

43.2. The notarized agreement is required for the transfer of the share.

CHAPTER THREE

Company of limited liability

Article 44. Object

A company, liable to creditors with its whole property and, s partners are limited with their shares in the ownership capital, is the company of Limited liability. The company of limited liability may be established by one person too.

Article 45. Ownership capital. Payments.

45. 1. The ownership capital of the company is to be established in no less than 1000 USD equivalent of the national currency unit.

45.2. The sum of payment for each partner may be determined differently, but it must be divided on 10 exactly, with no remainder.

Article 46. Rights and obligations of Partner.

46.1. The partner may assign and discent his (her) share.

46.2. If the partner acquires another share in order to add it to his (her) initial share, both of these shares keep their independence.

46.3. The transfer of the share by the partner requires the agreement notarized. Notary certificate is needed for the deals concerning the partner's obligations when transferring the share.

46.4. The Charter of the company may determine the other terms and conditions for the transfer of the share. namely, permission of the company or the decision of the partners' meeting may become necessary.

46.5. Transfer of the part of the share is possible only with the permission of the company. The said permission should indicate the person receiving the share and the sum corresponding to each share received from the division of the integral fee.

sum. The rules of the article 45.2. regarding the amount of the fee is to be applied towards the division of the share accordingly.

46.6. Acquisition of one's own share is impermissible.

46.7. Besides the fees made by the partners, the Charter of the company may determine the procedure of making extra payments. Extra payment should be in proportional to the shares.

The increase of the payments for which a partner is eligible by the Charter of the company is permitted only with the consent of the all other partners.

46.8. The partners, with integrated share of the 1/20 part of the ownership capital, are authorized to call the meeting of the partners with the indication of the purposes and reasons of the call. If their request is neglected or, the persons towards

which the above request is foreseen do not actually exist, the partners may, proceeding from the circumstances, call the meeting themselves. The meeting will solve the issues regarding the related expenditures.

46.9. The partners are to check up the managerial bodies of the company.

46.10. The directors of the company should provide the partners, on the base of their request, with the immediate information regarding the company's activity and permit them to acquaint with the books and the records of the company.

The directors can refuse the above request if the partners may use this information against the company and cause losses to it and the liaison enterprise. The refusal requires the partners' decision.

The decision on issuing the information by the directors is to be made by the Court under the presented application. The right to apply has the partner who has been refused the information and acquaintance with the books and records of the company.

Article 47. Meeting of partners.

47.1. The meeting of the partners is held at least once a year and it takes decision about the annual results, if the partners do not use their right stipulated by the article 47.7. The directors must call the meeting if the interests of the company requires to do so or, the partners request to call the meeting as pointed out in the article 46.8.

47.2. Amendments to the Charter of the company may be performed by the decision of the partners. The said decision requires the simple majority of votes and the notarial verification.

47.3. If the Charter of the company do not include the other rules to act, the meeting of the partners is authorized to take decisions for all issues, in particular:

- a) determination of the general principles of the economic policy;
- b) acquirement and transfer of the shares as well as acquirement, transfer and liquidation of the enterprises;
- c) starting and cancellation of various forms of entrepreneurship and economic activity;
- d) establishing and liquidation of the branch-enterprises;
- e) acquirement, transfer and loading(charging) of the immovable property;
- f) investments, separate or joint value of which in an economic year exceeds 10% of the balance sum of the previous year.
- g) taking of the loans and credits which separately or jointly exceed the norm fixed by the meeting of the partners;
- h) insurance of loans and credits that do not belong to the routine entrepreneurship;
- i) determination of the principles of participation of the managers in the profits and general incomes as well as of issuing

pensions to them;

j) issuing and cancellation of the procurations;

k) exercise extra rights inherent to the society from its foundation or company regulations, against the director or a partner, representation of the company in proceeding initiated against the directors.

l) verification and use of the annual results;

m) demands for the payment of the fees;

n) return of the extra fees;

o) appointment and discharge of the directors, conclusion and cancellation of labour contracts with them, verification of their reports.

47.4. All decisions importance of which go beyond the routine operations of the company are required to be solved by the meeting with the attendance of all partners if it is not otherwise stated by the Charter of the company. The Charter may envisage that the meeting of the partners gives separate to the authorities of the company within their competence.

47.5. The directors may call, within the term of one week, the meeting of the partners by sending insured letters. The letter should contain the draft of the agenda., The partners can make amendments to the agenda within the three days from the moment the letter is received. The meeting is authorized to make decisions if the majority of the partners present. If the meeting is unauthorized to take decisions, the director who called the meeting can call it once again with the same agenda.

The second meeting is authorized to take decisions even if the majority of the partners does not present

47.6. The meeting must be called immediately if the annual balance-sheet or the balance composed during the year shows that the company losses the half of its capital.

47.7. It is not necessary to call the meeting if all the partners send their written consent regarding the issue under consideration.

47.8. It may be foreseen by the Charter of the company that the decision is to be taken by the majority of the votes, if the present Law does not require taking a unanimous decision and if the content of the decision does not put a partner in an inadequate state and restrict his (her) essential interests.

47.9. The minutes of the meeting is to be composed after the decision is taken by the partners. The chairman of the meeting must sign the minutes.

Article 48. Observation board

Establishing of the observation board may be foreseen in the Charter of the company. In such cases the rules of the present Law regarding the observation board of the joint stock companies are to be applied.

Article 49. Directors

49. 1. The directors are made responsible for the management and representation of the company according to the article 9. of the present Law.

49.2. The directors should realize their tasks fairly and sincerely, as becomes true businessmen , as stated in the article 9.7.

Article 50. Annual results

The partners have the right to receive the annual undistributed profits including residuals, excluding losses, if the present Law or the Charter of the company or the decision of the partners permits to distribute this sum between the partners.

When taking the decision on the use of the results, the partners may deposit the money at the discounts or introduce it as the profit, if it is not otherwise determined by the Charter of the company.

Net annual profit is to be distributed in proportion with the shares. The article j7.2. is to be applied accordingly.

CHAPTER FOUR

Joint stock company

Article 51. Object. Book of company.

51.1. Joint stock company is the company with the ownership capital distributed in shares. The minimum nominal value of the ownership capital makes up to 1000 USD in equivalent of the national currency unit and the nominal value of a share is 1 USD in equivalent of the national currency unit or its frequent.

51.2. The joint stock company must perform the registration of all the documents belonging to it (book of company). The registration covers the Charter of the company, any kind of information necessary for the registration and all the shares. If the shares are issued in the form of the share card, there the date, of issue, nominal value and the number of the card in the registration book shall be registered. If the cards are not issued, the registration made in the book of company replaces it. In such cases the shares are to be issues as the inscribed shares.

Any record in the book of company is to be signed by all the directors and the chairman of the observation board.

Article 52. Types of shares. Other forms of stock's capital

52.1. The ordinary shares may be issued as for the bearer's and the inscribed shares.

The inscribed shares can be passed by help of endorsement on the card or, if the cards do not exist, by notarized agreement and the registration in the book of company.

Minimum nominal value of the issued ordinary share ensures one vote at the general meeting, if needed.

52.2. Until the general nominal value of the ordinary shares are reached, the preferential shares, for which quicker and higher dividends in comparison with the ordinary shares are defined, can be issued; but they do not provide for the voting rights at the general meeting; despite this, according to the second sentence of the article .

52.1., The share of nominal value ensures one vote even if in previous economic years a shareholder did not use his preferential rights. The preferential shares should be issued as the bearers' shares only.

52.3. The transfer of the inscribed shares to other person may be dependant to the consent of the company. The necessity of the consent should be indicated in the Charter of the company, the card and the book of company. The consent is to be granted if it makes no danger for the essential interests of the company. The Charter of the company may regulate in details the questions related to the consent. The consent is to be granted by the directors with the permission of the observation board.

52.4. The joint stock company may, with he consent of the National Bank, issue obligations as the bearers' and inscribed stocks, stocks for the conversion of the loan with the right to convert them into the shares further, and optional loans with the rights of the bearers' and inscribed shares in order to form the ownership capital. If the rights on these stocks are not pointed in the share cards but they are registered in the book of the company only, these rights can be fixed on the owners' names.

52.5. The shares of the company and the other stocks are issued for the nominal value at least. In cases when they are issued with higher value than the nominal is, after discounting the expenses, the difference remains and is added to the reserve funds. The same rule effects in case of non-monetary payments as well, when the payment sum exceeds the nominal value.

Article 53. Rights and responsibilities of shareholders

53.1. The most important obligation of the shareholder is the payment of the fee to get a defined type of the share.

Proceeding from the interests of the company the Charter can envisage some other obligations as well, requiring the consent of the shareholders.

53.2. The share of shareholders in the profits is to be determined according to the nominal value of a share, with the consideration of preferential rights.

Obligations arisen from the other stocks of the capital should be executed first.

Uncompleted payments participate to the distribution of the profits in proportion with their amount. The fees paid during the economic year participate to the distribution from the date the payment is performed, in proportion of 1/365 of the profits, if it is not otherwise determined by the Charter.

53.3. The shareholders execute their rights.(voting right, right to receive information, right of verification, right to claim the decisions of the general meeting (article 15.2.)) at the general meetings, as usual.

53.3.1. The shareholder has the right to ask the directors and the observation board for the explanation of any point of the agenda and express his (her) opinion. If the request is made in the written form ten days prior to the meeting, it should be performed or discussed as one of the issues of the agenda. Refusal on granting the information can only be based on the essential interests of the company only.

53.3.2. Shareholders - owners of 5% of the ownership capital have the right to demand for the special verification of the economic activity and the annual balance if they consider that there are certain violations. In case their demands are not satisfied by the general meeting, the decision on the special verification can take the regional court acting on the territory where the company is located.

53.3.3. Shareholders - owners of 5% of the ownership capital have the right to demand for the call of the special meeting if the interests of the company need to do so. The demand is to be motivated in written form. If the directors do not hold the meeting within the term of 20 days from the date the call is done, the shareholders can appeal to the regional court acting on the territory where the concrete company is located.

53.4. Shareholders may use their voting right for the personal interests except the cases if the planned decision refers to the deals with them or to their dismissal.

Article 54. General meeting

54.1. Regular general meetings are held annually, within the term of two months after the annual balance is composed.

Annual results and other possible subjects of the agenda are considered at the general meeting. In other cases the special general meeting is to be held by the directors or the observation board or by request of the shareholders, according to the article 53.3.3.

54.2. The general meeting is to be called within the term of 20 days after the directors have sent notification to the shareholders or published the notification in mass-media sources at the latest juridical address recorded in the book of company or, at any other place on the territory of the Republic of Georgia. The said notification should include the agenda

and the recommendations of the directors and the observation board in order to take decisions. Possible amendments to the Charter of the company should also be declared in advance.

54.3. In order to introduce the share or, if the share is not provided for, the shareholder must prove, by some other certificate, his (her) rights to participate to the activity of the meeting and to vote. Representation on the basis of the warrant is permitted. The Charter may, as amendment, foresee keeping the share at the notary office or at the bank, which should grant the shareholder with the proper document that is to be got at the company.

54.4. The general meeting is headed by the chairman of the observation board. In case of his (her) absence the meeting is headed by the deputy-chairman; In case of absence of the deputy-chairman the meeting is headed by one of the directors. The minutes of the meeting is to be composed by the notary.

54.5. The general meeting is authorized to take decisions if at least half of the owners of the ownership capital, or their representatives are present. If the meeting is unauthorized to take decisions, the new meeting is to be called with the same agenda within the term defined by the chairman, but not more than eight days. The said meeting is authorized to take decisions despite the attended or represented capital / quota rate.

54.6. The general meeting is authorized:

- a) to make amendments to the Charter of the company, regarding the authorized capital, firm name, subject of activity, in particular, and to solve the question of its liquidation;
- b) to take decisions regarding the issuance of the shares and stocks at the stock market;
- c) to take decisions on the integration with the other societies;
- d) to cancel completely or partially, the right of the preferential purchases of the shares at the moment of increase of the ownership capital (article 59) and taking the measures stipulated by the article 52.4.;
- e) to adopt or reject proposals of the observation board or directors regarding the use of the profits or, take decision regarding the use of the net profits, if the said bodies cannot present unanimously agreed proposal;
- f) to elect representatives of the shareholders at the observation board;
- g) to approve the report prepared by the directors and the observation board;
- h) to solve the salary issues of the members of the observation board;
- i) to elect the audit and the special observer;
- j) to take decisions on participation to the court proceedings against the directors and the observation board members; to appoint its representative for the above action;

k) to take decisions on other cases envisaged by the present Law.

On any other issue not included in the present article the decisions are to be made by the directors or the observation board.

54.7. In order to take decisions on the issues counted in the article 54.6., more than 50% of owners of the corresponding shares of attended capital with the voting right is required.

.Article 55. Observation board

55.1. The observation board consists of no less than three and not more than twenty one members. At the same time, the number of members is to be divisible by three.

2/3 of the members are elected by the general meeting, and 1/3 may be elected from the personnel (the rule of electing the observation board members from the personnel is to be determined by the special voting instructions, by the general meeting).

55.2. Each member of the observation board is elected with four-years term, but their authority is prolonged until the next regular meeting is called. Discharge until the expire the term is possible only if there are essential reasons to do so. Any member of the observation board may leave it at any time. If even after six months from the date a member left the board, a new member is not elected, the regional court acting on the territory where the company is located may, by declaration of a shareholder or a director or a member of the observation board appoint a new member.

55.3 A member of the observation board should not act as a director at the same lime.

he (she), as a representative of shareholders, must be an experienced person in the economic activity.

55.4. The observation board elects the chairmen and deputy-chairman from its members. If it becomes difficult to take the agreed decision, the regional court acting on the territory where the company is located, takes such a decision 55.5. The chairman (the deputy-chairman, when the chairman is absent) calls for the meetings and determines the agenda, The minutes are to be prepared by the chairman or the secretary of the meeting.

55.6. The meetings of the observation board are to be held not less than once a quarter. The notification is to be sent in written, with the prospective agenda, at least eight days prior. The members of the observation board may be represented by other members of the board. One other member represents one member only 55.7. The observation board is authorized to take decisions if more than half of the members are present. If the observation board is unauthorized to take decisions, the chairman (deputy-chairman in case of the chairman's absence) may, within the term of three days, call the new meeting. The new meeting is authorized to take decisions despite the number of the members presented.

The observation board takes decisions by the simple majority of votes of the presented or attended members. Each member has one vote. The article 53.5. goes into effect, accordingly.

55.8. The tasks and competence of the observation board are the following:

- a) the observation board verifies the activity of the directors;
- b) the observation board can demand for the reports of the directors regarding the company's activity including the relationships with the liaison enterprises, at any time; c) the observation board can demand for and check up the book-keeping notes of the company as well as its objects of property, namely: cash-office, and the state of the stocks and goods or order the third persons and experts appointed to execute this activity;
- d) the observation board calls the general meeting if it is necessary for the company; e) the observation board verifies the annual reports, proposals for the distribution of the profits and informs the general meeting about the situation in this field.
The report of the board should state how and in what volumes it has verified the activity of the managers of the company during the previous year, what parts of the annual report it has checked and whether the verification affected substantially the final results.
- f) The observation board can appoint and discharge the directors, conclude and cancel labour contracts with them;
- g) The observation board is authorized to represent the company in deals with directors and oppose the disputable legal issues adopted by the general meeting. The board can, in a matter connected with the responsibility of its member, make a claim against the directors without, or in contrary to the decision of general meeting;
- h) The functions of the directors should not be delegated to the members of the observation board.

55.9. The following activities should be performed exclusively with the consent of the observation board:

- a) acquisition and transfer of the capital investments; transfer, and cancellation of the enterprises' activity;
- b) obtaining, transfer and loading (charging) of the immovable property and property rights;
- c) formation and liquidation of the branches;
- d) planning of annual budget as a project for profits and losses, investments; valuation of obligations proceeding from the long-term obligatory and legal relationships;
- e) investments, separate or integral purchase value of which exceeds 10% of the sum of annual balance for the previous year;
- f) taking credits and loans in a higher amount than it is fixed by the observation board; g) insurance of credits and loans that

are not belonging to the routine entrepreneurship. The same insurance towards the directors and the members of the observation board is impermissible;

h) beginning and cessation of economic activity and entrepreneurship;

i) determination of the general principles of the economic policy;

j) determination of the principles of participation of the managers in the profits and general incomes as well as of issuing pensions to them;

k) appointment and discharge of the trade representatives (procurators).

55.10. Article 56.4. is to be applied to the responsibilities of the observation board.

Article 56. Directors

56.1. Management and presentation duties of the company are placed on the directors.

56.2. Authority of the directors is to be determined by the instructions of the observation board. If such instructions do not exist, the general principles of management are to be applied.

56.3. The directors represent the joint stock companies at the Court as well as in any other relations.

If more than one directors are appointed and it is not otherwise determined by the Charter of the company, the directors only make deals and sign the documents jointly. A director may be granted with the special authority to make separate deals and administer the defined type of activity. In order to express one's respect towards the company, it is enough to express such a respect towards one director.

In case if more than one directors administer jointly the company's activity, it may be provided by the Charter that one of them is granted with the authority to represent the company independently or together with the trade representative. But; at the same time, it should be possible for the directors to represent the company independently, without the trade representative.

56.4. The directors must perform their activity fairly and dutifully. If a director does not execute his (her) obligations, he (she) is obliged to compensate the damages and, the directors bear solitary responsibility. In case the fact of damage is defined, the directors must prove that they administered the company's activity fairly and dutifully. The company cannot refuse the demand for compensation. This demand can be used by the creditors of the company if they do not receive the compensation from the company.

Article 57. Annual report and use of profits. Obligation for property care

57.1. The directors should compose the annual report and the report on the state of the economic activity, proposal on the

distribution of profits - for the presentation at the observation board. If the project of the distribution of profits is not adopted and, the directors and the observation board cannot agree on the distribution, the proposal concerning the distribution of the net profit may be put forward at the general meeting.

The net profit can be remained at the enterprise and taken into consideration in a new report.

57.2. The shareholders should not be granted with the other benefits but the dividends.

In case of violation of this rule, a shareholder who received a benefit is obliged to return it or compensate in cash the entailed property damages. The directors and the observation board are solitary responsible before the company for the violation of this principle. General meeting cannot reject the use of this right, this one can be used by the creditors of the company if they do not receive the compensation from the company.

Article 58. Auditing

58.1. The regular general meeting elects an audit on an annual basis, at the proposal of the observation board. The audit must be independent economically and juridically from the company, the directors and the shareholders.

58.2. The auditing covers the verification the practice of accounting, annual report and proceedings. The shareholders must be provided with the information about any emergency case, especially, in the business relationships with the other enterprises. The usual annual report is to be verified by the auditing deed. The deed should certify that the necessary auditing is executed according to the book of company and other documents as well as explanations and arguments of the directors, annual report and report on the activity, if the latter contains the annual report in accordance with the rules stated by the present Law. The audit should indicate the day and the place of verification.

58.3. Responsibility of the audit is determined according the article 56.4. of the present Law.

Article 59. Measures for gaining the capital.

Increase of capital by from company resources

59.1. The decision concerning the increase of the ownership capital should determine the nominal sum, the anticipated high sum of expenses, the distribution of stocks, the types of shares and the term of increase. In case of the non-monetary payment, the conclusion on the valuation made by an independent expert should be presented to the Enterprise Register for public verification.

59.2. General meeting may increase the capital in permitted forms, i.e. the directors are authorized to increase the ownership capital of the company completely or partially, up to the sum pointed out in the decision by means of issuing the new shares, during the five years, with the consent of the observation board. The decision should envisage whether the increase is related

to the preferential, ordinary, or bearers' and inscribed shares and to what extent.

59.3. According to the article 52.4, the decision on the measures on acquirement of the capital may also be adopted in the form of the permitted capital if the prerequisites of the article 59.2. exist.

59.4. According to the article 52.4., general meeting can take the decision on issuing the conventional capital for the purpose to provide the personnel with shares, to take measures for the acquisition of the capital, to integrate enterprises. The decision should determine the term and the prerequisites of the use of the conventions in such a way, that they should not be depended upon the directors and the observation board. Moreover, the said decision should determine the form of the shares to be issued.

59.5. The permitted capital may be issued with amount up to 50% of the ordinary or the preferential shares; the conventional capital should be issued with the amount equal to the sum of the stocks determined by the article 52.4., or not more than the total sum of the ownership capital.

59.6. The question concerning the increase of the capital may be solved by means of transferring the reserve funds into the ownership capital. In this case the prohibition of the shareholders' preferential right of purchase of the shares is impermissible.

59.7. In any case of acquirement of the capital by the increase of the stocks or by help of measures stated in the article 55.1., the shareholders have the preferential right of acquirement of the capital towards themselves with the nominal rate that is determined according to the value of the increased capital. In case the ordinary or the preferential shares are issued or the shareholders are granted with the rights determined by the article 55.1., preferential rights have ordinary and authorized shareholders only. the decisions concerning the exceptions of this rule are to be made by general meeting according to the articles 54.6. and 54.7.

CHAPTER FIVE

Cooperatives

Article 60. Object

60.1. Cooperative is a company based on the activity of its members aimed to develop economic terms and conditions and to increase the profits of the members.

The cooperative is not primarily directed to the gaining of profits.

The following entities belong to the cooperatives: a) cooperatives outputting raw materials, aimed to meet their members' needs; b) cooperatives which realize, jointly, the agricultural and the trade production; c) cooperatives which produce

agricultural as well as other goods and realize them at integrated expenditures (agricultural and industrial cooperatives); d) cooperatives which buy consumer goods by retail and realize them by wholesale trade (consumer cooperatives); e) cooperatives which buy, use and realize jointly, material and technical resources necessary to produce the agricultural and the trade goods.

60.2. Members of a cooperative have the right to participate to the activity of an other cooperative if the latter is aimed at the development of the activities and to support the members of the said cooperative in gaining their profits.

60.3. The cooperative is responsible for its obligations before the creditors only with its own property.

Article 61. Share. Membership.

61 .1. The minimum amount of the share of cooperative's member is to be determined by the founders. Each share should be divisible by 50 exactly. One member of the cooperative may have several shares.

61.2. After the registration of a cooperative in the Enterprise Register, one can become its member if he (she) presents the signed and notarized application on membership in the cooperative. The council of the cooperative should pass the said application to the Enterprise Register in order the new member of the cooperative be recorded at the list of the members of the cooperative. The membership comes into force from the moment of the application is registered in the Enterprise Register.

61.3. The application should reflect unambiguously, the obligation of the member, that he (she) must make the fixed payments in accordance with the Law and the Charter. If the Charter determine that the members of the cooperative must do extra. limited or unlimited payments up to the amount of the guarantee sum, the application should reflect, that the members shall do extra payments unlimited or up to the guarantee amount as agreed by the Charter.

Article 62. Withdrawal from cooperative

62.1. Each member of the cooperative has the right to withdraw from the cooperative if he (she) makes corresponding application. The withdrawal is permitted only at the end of the economic year. The application should be done in written, not later than three months of the proposed withdrawal. The Charter can determine longer term but it should not exceed 5 years.

62.2. If an amendment introduced to the Charter changes substantially the subject matter of the cooperative's activity, withdrawal is permitted for:

a) any member of the cooperative who participates to the general meeting and he (she) fixes his (her) dissent concerning the amendment in the minutes of the meeting or, he (she) is denied to fix his (her) opinion concerning the above issue in the

minutes;

b) any member absent from the meeting because he (she) is not allowed, or the meeting is not called properly, or the decision concerning the amendment is not announced properly.

62.3. The withdrawal from the cooperative in cases pointed out in the article 62.2 should be formed in written. The application is to be made within one month term from the date the information concerning the decision is received; the withdrawal is to be formed at the end of the economic year.

62.4. A member of a cooperative may be discharged from it because of his (her) membership to another cooperative which operates at the same territory and carries out the same activity as the first one. The discharge is to be formed by the decision of the council at the end of the economic year. The Charter of the cooperative may establish the other reasons for discharge, as well.

62.5. The council is obliged to present the information on withdrawal of its member to the Enterprise Register not later than six weeks before the end of the economic year.

Document approving that the withdrawal has taken place in time, should also be provided.

62.6. The substantiated reason causing the withdrawal of a member should be recorded into the list of the members immediately. A member is considered withdrawn from the moment of the registration in the enterprise Register.

62.7. The final payment with the person who intends to withdraw is to be performed on the base of balance at the day of withdrawal. If the withdrawal takes place during the economic year, the final balance should be taken into account. The profits of the withdrawn member is to be compensated during the six months. According to the paragraph 3 of the present article, the mentioned member has not the right to demand for the reserve sources and the other property of the cooperative.

If the whole property including the profits and the reserve sources of the withdrawn person is not enough for covering the debts, the said person must compensate the difference arisen by his (her) own monetary sources the amount of which is to be calculated with the consideration of the number of the cooperative members if it is not otherwise determined by the Charter.

The Charter may foresee that the members who have already paid their shares completely would provided with the right to return their shares back from the reserve fund created for these purposes on the base of annual differences. This right may depend on the length of service of a member. The Charter may consider some other terms and limitations as well.

62.8. Any member may, at any time, grant his (her) share to any other person, by the written agreement, and thus withdraw from a cooperative without the final payment, if the said person becomes or is the member of cooperative. The Charter may prohibit or permit such transfer of shares with the additional terms and conditions.

The council of the cooperative must present the agreement at the Enterprise Register immediately. The transfer performed should be recorded in the list of the cooperative members immediately; the day of registration is considered as the date of withdrawal.

62.9. In case of death of a member his (her) membership rights pass into the hands of successors. The membership finishes at the end of the economic year when the successor receives the rights of the former member. Several successors may execute their voting rights by help of one authorized representative.

It may be considered by the Charter that in case of death of a cooperative member, his (her) successors become the member of the cooperative. But, it may depend on the personal features of the successors. In case of several successors it may also be considered that the membership is terminated if the hereditary rights are not passed to one of successors within the terms fixed by the Charter. The council of the cooperative must notify the Enterprise Register about the death of its member in order the fact be registered in the list of the cooperative members.

Article 63. General meeting

63.1. The members of the cooperative execute the rights of their activity at the general meetings if it is not otherwise determined by the Law: 63.2. General meeting takes decisions by the simple majority of votes if the more number of members or some other requirements are not determined by the Law or the Charter for the cases of elections.

The Charter may permit exceptions from the rules of elections.

63.3. One member has one vote. The Charter may consider the opportunity of having several votes by one member as well. The members who make great contributions to the activity of cooperative may be granted with this right. The terms and conditions of establishing the right of several votes for one person should be determined by the Charter. But, more than three votes for one person is not permitted.

63.4. The member must exercise his right to vote personally. The right to vote for disabled and partially disabled members is exercised by their legal representatives. Right to vote for solitary liability and commandit companies are exercised by persons entrusted to be representatives.

The member or his(her) representative can warrant the voting right to the other person. The warrant must be issued in

writing.. The warrantee is entitled to change up to two members. The Charter can subject the warantees to certain personal demands, namely, persons who are offered to enjoy the right to participate in voting can be denied the warrant. The Charter can also deny the right of representation under a warrant.

63.5. No person has the right to execute his (her) or the other person's voting right if the issues concerning his (her) or his (her) representative's report, or his (her) release from the obligations, or cooperative's claims against him (her) or his (her) representative are included in the agenda, or the meeting takes decision to consider the above issues.

63.6. General meeting is to be called by the council if other officials are not authorized by the Charter to do it.

General meeting is to be called not less than once a year except the special cases foreseen by the Charter and the present Law when the interests of a cooperative requires to do so.

63.7. General meeting should be called immediately if 1/10 of the cooperative members or less number stated by the Charter require it in their signed application. The application should indicate the exact reason for the call.

If the requirement is not met, the regional court acting on the territory where the cooperative is located can authorize the persons who demand for the meeting to call it or announce the agenda. The said authority should be published.

63.8. General meeting is to be called not less than three weeks before the date fixed and published at one of the official newspapers of the Republic of Georgia or at the newspaper determined by the Charter.

The agenda of the general meeting is to be announced at the moment of the call. The decisions concerning the issues not being announced within three days before the meeting are not to be considered, except the cases when the issues are related to the procedures and the call of the special meeting.

63.9. The decisions of the general meeting are to be formed by the minutes of the meeting. The minutes should include the day and the date of the meeting, name and first name of the chairman, the types and results of voting, the chairman's instructions concerning the decisions and the other items of the minutes.

The minutes are to be signed by the chairman and the presented members of the council. The minutes are enclosed to the other materials of the meeting.

Any member shall be allowed to acquaint with the minutes. The minutes are to be kept at the cooperative and, the Enterprise Register should be informed about it.

63.10. General meeting approves the annual balance. It takes decisions on usage of the annual profits, covering the annual losses, approving the reports of council and the observation board.

General meeting is to be held during the first half of the economic year.

The annual balance-sheet, the report concerning the routine activity and the report of the observation board should be displayed at the office of cooperative or at some other place determined by the council not later than a week before the fixed date of the meeting. Each member is authorized to demand for the copies of the annual balance-sheet, the other documents and the report of the observation board by his (her) own expenses.

63.11. General meeting has the exclusive authority to take decisions concerning the amendments to the Charter and prolongation of the term of activity of the cooperative. The said decisions should be notarized.

Below, there is a list of items for which the simple majority of votes is required in order to make amendments to them (if it is not otherwise determined by the Charter): a) change of the subject matter of activity;

b) increase of shares;

c) adoption or expansion of the rule of participation with several obligatory shares;

d) adoption or expansion of the obligation of extra payment;

e) prolongation of the withdrawal term by more than 2 years;

f) adoption or expansion of participation of the "reserve" members;

g) determination or expansion of the right of several votes for one person;

h) distribution of shares.

For the amendments of the Charter related to the establishment or expansion of a member's obligations on usage of the cooperatives equipment or, on execution of some other activity or, on foundation of a new service units 9/10 of the votes is required. The Charter may consider some other requirements as well. The decision is ineffective until the Enterprise Register is notified.

Article 64. Meeting of representatives

64.1. If more than 500 members are engaged at the cooperative, the meeting of representatives is called instead of the general meeting. In case the number of the members exceeds 200, it may be determined by the Charter, that the meeting of representatives may be held instead of the general meeting.

64.2. Any individual capable, member of the cooperative may be elected as the representative. But, the said person should not be the member of the council or the observation board.

64.3. The meeting of representatives consists of not less than 50 representatives elected by the members of the cooperative. The representative have not the authority to pass their rights to other persons. They are unauthorized to have several votes

as well.

64.4. The representatives are to be elected on the base of the universal, direct, equal elections by the secret ballot. While electing, the article 63.4. is to be used towards the representatives. A person can be elected as the representative for maximum four years term.

The Charter should determine the following issues: a) the number of the members presented by one representative; b) duration of representation.

The other, more detailed instructions concerning the rules of election including the determination of the results may be fixed in the instructions on elections jointly adopted by the council and the observation board. The consent of the general meeting is required for the above mentioned issue. The council takes decision unanimously.

64.5. Reserve person for each representative is to be elected for the cases when the representative is withdrawn until the term of the representation is expired. The reserve person may be elected together with the representative only, in accordance with the election laws established for the representative, with the equal authority and with the same term.

64.6. The list of the representatives and the reserve persons should be placed at the office of the cooperative during the two weeks term in order the members be acquainted to it. The information concerning the elections is to be published at one of the official newspapers of the Republic of Georgia or at the newspaper determined by the Charter for this purpose. The term of placing starts from the day of the publication. Each member is authorized to receive immediately, if required, the copy of the list.

Article 65. Observation board

65. 1. The observation board of the cooperative consists of not less than 3 and not more than 15 members elected by the simple majority of votes presented at the general meeting. The number of the members is determined by the Charter.

The members of the observation board are authorized to have the salary for their job, if the corresponding decision of the general meeting exists.

The general meeting may annul the membership until the election term is expired. 3/4 of the voters presented is required in order to take this decision.

65.2. The members of the observation board cannot be the members or the deputies of the council at the same time or, perform the activity of the cooperative by some other way. The members withdrawn from the council cannot be elected as the members of the observation board until their reports are confirmed.

65.3. The observation board is to control all the aspects of activity performed by the council and receive any information concerning. The observation board may demand for the council's reports at any time and check up itself or by help of the authorized persons the book-keeping notes and other documents, as well as the state of the shares and goods. The observation board should check up the annual balance, reports and the proposals on the distribution of the annual profits and present the results at the general meeting, until the annual balance is confirmed.

The observation board calls the general meeting if it is necessary for the cooperative' s interests.

The other functions of the observation board may be determined by the Charter.

The members of the observation board cannot transfer the execution of their functions to some other persons.

65.4. The observation board is authorized to represent the cooperative together with the council when concluding agreements with the third persons and institute proceedings against the members of cooperative, if the general meeting establishes to do so.

Any credit issued to the member of the council requires the confirmation of the observation board. The same rule effects in cases of issuing credits when the member of the council act as the warrantor.

Article 66. Council. Directors.

66.1. The council of the cooperative consists of not less than two directors (the members of the council). The directors may not be the members of the cooperative.

The Charter may consider some other terms and conditions concerning the above mentioned case.

66.2. The directors are to be elected for the term of four economic years if not otherwise determined by the Charter.

66.3. Article 9 is applied to any other cases.

Article 67. Annual report.

Article 58 is applied to the verification of the annual reports.

Article 68. Distribution of profits and losses.

When confirming the annual report, the profits and the losses foreseen for the members of the cooperative are to be distributed among them. For the first economic year the distribution is to be performed in proportion of the members' entrance payments. For the following years the distribution is to be performed by adding the profits and writing off the losses in proportion of the shares' amount existing for the end of the previous economic year. The adding of the profits lasts until the sum of the shares is reached.

The Charter may consider some other rules of the distribution of the profits and the losses. The profits should not be distributed until the amount of shares (reduced because of the losses) is reached.

The Charter or the general meeting may consider the possibility of adding of the profits, completely or partially, to the reserve fund.

Appendix I

1. Structure of annual balance

1.1. The following clauses should be presented in the structure of annual balance, if the field of activity does not determine it otherwise:

On the side of the profits:

a) unpaid fees to the company's capital, including the fees subjected to the payment by the term;

b) the basic resources:

I. Material sources:

1. Lots of the land for enterprising purposes, the rights similar to the one on the plots of land, buildings and equipment;

2. Lots of the land for non-enterprising purposes, the rights similar to the one on the plots of land, buildings and equipment;

3. Lots of the land for non-enterprising purposes, the rights similar to the one on the plots of land, without buildings and equipment; 4 Buildings and equipment located on the lots owned by other entities, not included in the points 1 and 2;

5. Machinery and equipment;

6. Office facilities;

7. uncompleted capital investments.

II. Non-material sources:

1. Concessions, intellectual property and licenses;

2. The firm value.

III. Financial investments:

1. Participation to other societies;

2. Obligations and other stocks;

3. Loans granted for more than one year term, including those secured by the lease of the plots.

c) Circulating sources:

I. Reserves for enterprising:

1. Raw materials, basic and non-basic materials;
2. Uncompleted enterprises;
3. Ready-made production; goods;

II. Other circulating sources:

1. Advances paid to deliverers and contractors;
2. Demands arisen from the delivery and the services;
3. Bills;
4. Cheques;
5. Cash in cash-offices and on the accounts of the National Bank; 6. Monetary sources on the accounts of the other banks;
7. Stocks;
8. Requirements to liaison enterprises (branches);
9. Requirements arisen from the credits issued to the managers and the members of the observation board;
10. Requirements arisen from the credits issued to the partners of the enterprises;
11. Other requirements;
12. Other material and non-material sources.

d) Anticipated expenditures.

e) Balance losses.

On the side of the losses:

a) Private capital

I. Capital

II. Reserve fund

1. Reserve fund established by the Law;
2. Voluntary reserve fund.

III. Purpose-like financing.

IV. Undistributed profits and uncovered damages of the previous year V. Profits and losses of the current economic year.

b) Social security funds:

1. Pensions' fund;

2. Other funds.

c) Foreign capital:

I. Loans:

1. Long-term loans;

2. Short-term loans.

II. Obligations before the banks:

1. Long-term obligations;

2. Short-term obligations:

Hypothetically secured, among them.

III. Obligations arisen from the delivery and the services.

IV. Obligations arisen from the bills.

V. Obligations before the partners.

VI. Received advances.

VII. Obligations before the liaison (branches and the others) enterprises.

VIII. The other obligations.

d) Anticipated profits.

I.2. If an entrepreneur does not possess data stated in any article, the present article is not to be filled.

1.3. If a datum belongs to several articles, the article where it is presented, should give reference to the other articles as well, if it is necessary for the purposes to compose the annual report clearly and understandably.

The requirements and obligations towards the liaison enterprises, as a rule, should be introduced in this way; if these requirements and obligations are pointed out in the other articles this fact should also be indicated.

1.4. Discounts, regulation of the prices, reserve funds and transfers, the special articles concerning the monetary and reserve shares should be introduced in the annual balance. The same rule effects in cases of spending the money from the reserve fund, when this operation is performed according to the Law or the agreement, or by the directors and the observation board:
The cases when the articles of the profits exceed the articles of the losses (balance profits) or vice versa (balance losses), should be considered separately, without the distribution, at the end of the annual balance-sheet.

1.5. The following issues should be introduced in full amount, separately, in the annual balance-sheet, if they are not presented on the side of losses:

- a) Obligations arisen from the issuance or transfer of the bills;
- b) Obligations arisen from the guarantees and the guarantees of bills and cheques;
- c) Obligations arisen from the guarantee agreements;
- d) Responsibilities arisen from the guarantees of the other partners' obligations;
- e) Obligations arisen from the long-term obligatory relationships should be evaluated according to the expenditures in the following survey period.

The said obligations should be introduced in cases as well, when the reciprocal requirements are facing to them. If the obligation or the responsibility towards the liaison enterprises exist, it should be indicated as the special notification, by pointing out the amount of money.

2. Norms concerning the separate articles of the annual balance 2.1. In case of the basic resources, only the subjects, defined at the day of the concluding the agreement should be indicated. Incomes and expenditures, discounts, records of the societies activity for the long-term-use purposes, as well as the transfers to the other accounts should be indicated separately from the articles of the basic resources.

2.2. Participation to the company means the share, the nominal value of which makes up to the 1/4 part of the ownership capital.

2.3. Nominal value of the participation or of the types of all shares should be indicated separately in the ownership capital of the company.

2.4. The following issues should be indicated separately in cases of the reserve funds: 1. The sum fixed by the meeting of the company from the balance profits of the previous year.

2. The sum discounted from the annual differences of the economic year.

3. The sum that is to be spent in the financial year.

2.5. The reserve funds may be established for unforeseen obligations as well as for the intended losses from the uncompleted deals. Besides, the following funds may be a) for uncovered expenditures, those should be used in the current year, for repair- works, cleaning, restoration, arrangement; b) For the guarantees arisen from the legal obligations. These funds should be introduced separately by the detailed indication of their purposes. Establishment of the funds for the other purposes is not permitted. The funds named as "pensions' funds" should be presented for the pensions and for the rights to

demand for pensions.

2.6. The requirements should not be discounted by the obligations unpaid services - advances; the rights on the plots of land should not be discounted by their loading.

Savings, Charter of prices and the funds should not be introduced as the obligations.

2.7. The articles which separate the expenditures and the incomes should be presented a) on the side of the profits, at the latest day the balance is closed, because these are the expenditures for the concrete period of the future;

b) on the side of the losses, at the latest day the balance is closed, because these are the profits for the concrete period of the future.

3. Value of the subjects of the basic resources 3.1. The subjects of the basic resources should be recorded with taking into consideration the expenditures for their production or purchasing, with discounting the writing off and the regulation of prices.

3.2. While calculating the production expenditures, the amortization, other reduction of the value as well as the part of the Production and management expenditures those coincide the period of production is to be taken into consideration. Expenses of the realization should not be considered as the production and management expenditures.

3.3. The article of profits for non-property fees should be recorded in case only, if they are acquired by the pay.

3.4. Expenditures for establishing the company and founding the ownership capital cannot be recorded as the articles of the profits.

Expenditures for the starting of enterprising may be taken into consideration together with the expenditures for the basic Sources. The sum should be indicated separately and, the 1/5 part as minimum, should be paid in each following year by means of write off. 3.5. It is impermissible to use the profits; articles for the activity of the company and for the firm value. In cases if the expenditures for the establishment of the firm exceed the value of the company's object of property at the moment of establishing, the difference should be introduced as the "firm value" in the articles of the basic sources. The 1/5 part of the sum, as minimum, should be paid in each following year by means of write off.

4. Write off. Regulation of prices.

4.1. For the objects of the basic sources, which use is limited in time, expenditures for their acquiring and producing should be reduced by the planned write off and regulation of prices. These expenditures should be distributed by the economic years in accordance with the proper book-keeping methods of write off, where the said object may hypothetically be used.

4.2. Despite the fact, whether the use of the objects of the basic sources is limited in time or not, non-planned write off and regulation of prices may be performed in order to record them:

a) with lower value at the day when the balance-sheet is closed; or

b) with lower value permitted for the purposes of taxation of profits. The operation should be performed in cases if long-term regulation of prices is foreseen. The lower value may be presented in cases also, when the reasons for write off and regulation of prices do not exist.

5. Valuation of objects of circulating sources 5.1. Expenditures of the objects of property of circulating sources should be recorded together with the expenditures of acquiring and producing, if the record of lower value is not permitted. If the proper book-keeping principles do not contradict, while recording the value of the analogous objects of the reserve property, it may be indicated that the objects acquired or produced firstly or lately, have been already used or transferred firstly or by any other rules fixed.

5.2. If the expenditures for acquiring or producing, exceed the value fixed by the market- or stock price, the lowest price existing at this moment should be recorded. If the market- or stock price is not fixed. and the above mentioned expenditures exceed the value of objects at the day when the balance-sheet is closed, this value is to be recorded.

The objects of the circulating sources may be recorded with lower value, if:

a) the lower value according to the proper commercial valuation is necessary in order to avoid the regulation of prices caused by fluctuation of prices of these objects intended in the nearest future;

b) the lower value is permitted because of the taxes on incomes and profits.

The lower value may be remained in cases also, when the reason for it does not exist.

6. Record of the articles of losses 6.1. The ownership capital of the company should be recorded with its nominal value.

6.2. The obligations should be recorded with the sum that is to be returned back. The lease obligations should be recorded with their real value.

6.3. If the sum that is to be returned back exceeds the sum that is to be issued, the difference between them may be recorded in the articles of profits separating the incomes and the expenditures. The sum should be introduced separately and, may be covered by help of the planned annual write off distributed by the whole period.

6.4. Insurance funds should be recorded as the sum that is necessary according to the proper commercial valuation.

7. Structure of reports on profits and losses 7.1. The following articles should be separately introduced in the report on profits

and losses, if the other structure is not determined by the branch of activity: 1. Profits gained by delivery of products, works and services performed.

2. Increase or reduction of the amount of ready-made products and semi-manufactured articles in storehouses.

3. Activity performed by own forces.

4. The whole works performed.

5. Expenditures for acquiring raw materials, spare parts and goods.

6. Gross profits/gross losses.

7. Incomes gained by the profits or the part of profits on the base of agreements concluded.

8. Profits gained by participation to the other enterprises.

9. Profits gained by other financial investments.

10. Interests, and profits similar to them.

11. Profits gained by the realization of the objects of the basic sources and the re-valuation of the said sources.

12. Profits gained by reducing the rate of regulation of prices on demands.

13. Profits gained by the abolition of the social insurance funds.

14. Other profits, unforeseen profits among them.

15. Profits gained by undertaking the third persons' losses.

16. Wages and salaries.

17. Payments for social needs.

18. Payments for insurance and assistance of the old.

19. Write off and regulation of prices on material and non-material sources.

20. Write off and regulation of prices on financial investments except the sums determined by general regulation of prices.

21. Damages arisen from the losses while purchasing property except the reserves (side of profits, c(2) / transfers to the general regulation of prices.

22. Damages arisen from the losses of the objects of basic sources.

23. Interests, and expenditures similar to them.

24. Losses arisen from undertaking the other persons' damages.

25. Other expenditures.

26. Incomes subject to taxation.

27. Transfer of profits to the concern.

28. Payments.

29. Net annual profits / annual losses.

30. Profits and losses of the previous year.

31. Expenditures from the reserve funds: a) reserves funds permitted by the Law; b) voluntary reserve funds.

32. Transfers from the net annual profits to the monetary reserves: a) reserves permitted by the Law; b) voluntary monetary reserves.

33. Balance profits / balance losses.

7.2. In cases if an entrepreneur has not the profits or the losses envisaged by any specific article, indication of such an article is not necessary.

7.3. In cases if the profits and the losses are indicated in other articles and, they are not presented in the calculations of the similar profits and losses for the previous year, they should be recorded in the calculations with indication of their value.

8. Norms for separate articles of profits and losses 8.1. The profit mentioned in the article 7.1.1. of the present balance-sheet is the profit gained by purchase of typical products and goods by typical enterprise or, by bate the interests or, by typical services with discounting the correction of payments and incomes.

8.2. Property change, as indicated in the article 7.1.2. of the present balance-sheet is qualitative as well as quantitative changes. At the same time, the write off is considered as the change if it does not exceed the usual norm of write off adopted at the enterprise.

Non-planned write off as well as the one necessary to avoid the regulation of prices caused by the fluctuation of prices intended in the nearest future, according to the proper commercial valuation, should be indicated separately in the annual report or in the appendix.

Profits and losses arisen from the agreements between the entrepreneurs should be indicated with the corresponding name.

Profits and losses not arisen from the routine activity of the enterprise should be indicated in the articles named as "unforeseen profits" and "unforeseen losses". The articles concerning their sums and types should be done in the appendix if they have certain importance for valuation of the profits. This rule effects towards the profits and the losses belonging to the

other economic year, as well.

8.3. The transfer as well as the partial transfer of profits based upon the agreements should be separated from the compensation for the third partners; if the sum of transfer exceeds the profits, the difference should be indicated in the article concerning the undertaking the losses caused by expenditures. Separation of the other sums is not permitted.

8.4. Sums subject to the taxation of an entrepreneur should be indicated as "payments".

9. Indication of payments for pensions Payments for pensions paid during the economic year, to the juridical independent organizations of the social insurance system among them, as well as hypothetical payments for the following 5-year period, in percentage, should be indicated in the annual balance.

10. Content of report on activity.

10.1. The report on activity should contain the information concerning state and the routine operations of enterprises. The events of the greatest importance taking place after the end of the economic year should also be indicated in the report.

10.2. The annual balance should be explained in the report on activity. The methods of valuation and write off should be done as perfectly as it is required in order to make clear the real state of an entrepreneur's property and profits. The report may include the data of these methods concerning any three previous economic years. Here, the differences between the current and the previous economic years those make barriers for its comparison with he latest annual balance, should also be indicated in the report.

Particularly, because of the changes of the methods of valuation and write off including non-planned write off and regulation of prices, net annual profits or annual losses are received, the amount of which exceeds or can't reach to 10% of the sum that would be fixed without the said changes. If so, the mentioned sum, when exceeding 0,5% of an entrepreneur's capital, should be done in the report.

10.3. The following items should be done in any report on activity:

- a) Amount of payments and increases undertaken by a partner for accounts owned by majority of enterprise or company. In this case a partner acts as a founder or a person authorized to increase the capital, or to change it, or to receive shares. If a share is used during the economic year, it should be mentioned together with the indication of profits and their methods of use.
- b) Shares those should be received in the economic year when increasing the capital.
- c) Permitted capital.

d) Rights on use, rights arisen from improvements, and the other similar rights with the indication of data concerning the economic year.

e) Terms and conditions for responsibilities those are not clear from the annual balance, guarantees provided for the personal obligations among them.

f) The whole incomes (wages, shares of profits, compensation of expenditures, insurance, provisions and any kind of corresponding expenditures) of the members of directorate, observation board and council, or the incomes of bodies similar to them, separately, with the indication Of the name of organizations and enterprises. This article includes the incomes those are not issued but transferred into the other types of requirements as well, or are used in order to increase these requirements but the incomes received in the current economic year. The other incomes arisen in the economic year but they are not indicated in any report, should be pointed out.

If the members of directorate receive incomes from the liaison enterprises, beneficial for their basic enterprise, they should be indicated separately.

g) The whole incomes (salaries, pensions, incomes of successors and other incomes similar to them) Of the former members of directorate and the successors of the members of directorate. If the former members of the said bodies or their successors receive incomes from liaison enterprises, it should be indicated separately

h) Legal and business relationships with the liaison enterprises located in the concrete country and, relationships with the enterprises those may have the special importance for the basic enterprise.

i) The known participation to the activity of other societies. Here, it should be indicated, who owns the share and whether the share exceeds the 1/4 part of all shares of the company and whether it is a share of the majority.

10.4. The report should correspond to the principles of honest and reliable The report may not be composed in" case only, if it is necessary because of the interests of the Republic of Georgia. The detailed information may not be pointed in the report, if, by the reasonable commercial valuation, the information causes damages for the basic or liaison enterprises. If any datum is not indicated because of the commercial secrecy of the information, the number of the said information should be indicated and explained, that the principle of security acts towards the datum.

10.5. The report should include the names and first names of the members of the directorate and the observation board of the company as well as the names of the Withdrawn members. The chairman, the deputy-chairman and the person who might become the chairman of the directorate should be indicated with their status.

11. Volume and subject of auditing

11.1. The annual report should be checked up together with the book-keeping report by one or more independent authorized audits (auditing of annual report). Adoption of the annual report without its auditing is impermissible.

11.2. Auditing should determine whether the requirements of the present Law and agreements concerning the annual report are observed and whether the data of the report cause erroneous image of state of the enterprise.

11.3. If the directorate changes the annual report or the report on activity after it is acquainted with the certificate on auditing, the audit (audits) must revise the said reports once again in cases only if the amendments performed require to do so.

11.4. Audits are elected among the partners by the simple majority of votes.

12. Shortened accounting for the small enterprises

12.1. Small enterprises may draw the status of property on the base of the inventory list, which unlike the article 1.1. includes the following items:

a) the basic resources:

I. Material sources:

1. Lots of the land of those of enterprising purposes, the rights similar to the one on the plots of land, buildings and equipment;
2. Lots of the land those of non-enterprising purposes, the rights similar to the one on the plots of land, buildings and equipment;
3. Lots of the land those of non-enterprising purposes. the rights similar to the one on the plots of land, without buildings and equipment;
4. Buildings and equipment located on the lots owned by other entities, not included in the points 1 and 2;
5. Machinery and equipment;
6. Office facilities;
7. uncompleted capital investments.

II. Non-material sources:

1. Concessions, intellectual property and licenses;
2. The firm value.

III. Financial investments:

1. Participation to other societies;

2. Obligations and other stocks;
3. Loans granted by more than one year term, including those secured by the lease of the plots.

b) Circulating sources:

I. Reserves for enterprising:

1. Raw materials, basic and non-basic materials;
2. Uncompleted enterprises;
3. Ready-made production; goods;

II. Other circulating sources:

1. Advances paid to deliverers and contractors;
2. Demands arisen from the delivery and the services.
3. Bills;
4. Cheques;
5. The cash in cash-offices and on the accounts of the National Bank; 6. Monetary sources on the accounts of the other banks;
7. Stocks;
8. Other material and non-material sources.

c) minimum one-year guarantees

1. loans; guaranteed by the rights on the lease of the plots of the land, among them;
2. obligations before the entities creditors, guaranteed by the rights on the lease of the plots of the land;
3. other obligations, guaranteed by the rights on the lease of the plots of the land, among them.

d) other obligations:

1. Obligations by the entities - creditors not belonging to the point c); 2. other obligations.

12.2. The small enterprises may compose the report on incomes and expenditures instead of the report on profits and losses indicated in the article 7.1. The report on incomes and expenditures includes the following items: 1. Profits gained by delivery of products, works and services performed.

2. Increase or reduction of the amount of ready-made products and semi-manufactured articles in storehouses.
3. Expenditures for acquiring raw materials, spare parts and goods.
4. Gross incomes/gross expenditures.

5. incomes gained by participation to the other enterprises.
 6. incomes gained by other financial investments.
 7. Interests, and profits similar to them.
 8. incomes gained by the realization of the objects of the basic sources and the re- evaluation of the said sources.
 9. Other incomes, unforeseen profits among them.
 10. Wages and salaries.
 11. Payments for social needs.
 12. Payments for insurance and assistance of the old.
 13. Write off and regulation of prices on material and non-material sources.
 14. Write off and regulation of prices on financial investments except the sums determined by general regulation of prices.
 15. Damages arisen from the losses of the objects of basic sources.
 16. Interests, and expenditures similar to them _ 17. Other expenditures.
 18. Payments.
 19. Net annual profits / annual losses.
- 12.3. The rules regarding the indication of payments for pensions, reports on economic activity and auditing are not used towards the small enterprises

Chairman of the Parliament

of the Republic of Georgia,

Head of the State Edward Shevardnadze

Speaker of the Parliament

of the Republic of Georgia Vakhtang Gogvadze

Tbilisi, the 28th of October, 1994.

No.577-Is

Appendix II

Registration card (sample)

for individual entrepreneur

<TABLE OMITTED>

Appendix II

Registration card (sample)
for societies of solitary liability

<TABLE OMITTED>

Appendix II

Registration card (sample)
for commanditory companies

<TABLE OMITTED>

Appendix II

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for joint stock companies

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