

Commerce Act

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*Note: An update of the English text of this Act is being prepared

following the amendments in SG No. 34/29.04.2011

Text in Bulgarian: Търговски закон

PART ONE GENERAL PART

CHAPTER ONE

GENERAL

Merchant

Article 1

(1) (Amended, SG No. 83/1996) For the purposes of this Act a merchant shall mean any natural or legal person engaged by occupation in any of the following transactions:

1. purchasing goods or other chattels for the purpose of reselling them in their original, processed or finished form;

2. (amended, SG No. 83/1996) sale of one's own manufactured goods;

3. (amended, SG No. 83/1996) purchasing securities for the purpose of reselling them;

4. (amended, SG No. 83/1996) commercial agency and brokerage;

5. (amended, SG No. 83/1996) commission, forwarding and transportation transactions;

6. (amended, SG No. 83/1996) insurance transactions;

7. (amended, SG No. 83/1996) banking and foreign-exchange transactions;

8. (amended, SG No. 83/1996) bills of exchange, promissory notes and cheques;

9. (amended, SG No. 83/1996) warehousing transactions;

10. (amended, SG No. 83/1996) licence transactions;

11. (amended, SG No. 83/1996) supervision of goods;

12. (amended, SG No. 83/1996) transactions in intellectual property;

13. (amended, SG No. 83/1996) hotel operation, tourist, advertising, information, entertainment, impresario and other services;

14. (amended, SG No. 83/1996) purchase, construction or furnishing of real property for the purpose of sale;

15. (amended, SG No. 83/1996) leasing.

(2) Merchants are:

1. companies;
2. the cooperatives, except housing cooperatives.

(3) Any person which has established a business, which in accordance with its purposes and volume requires that its activities be conducted on a commercial basis even if not listed under para 1, shall also be deemed a merchant.

Persons Who Are Not Merchants

Article 2

The following shall not be deemed merchants:

1. natural persons engaged in farming;
2. artisans, persons providing services through their own labor or members of the professions, except where their activity may be defined as a business within the meaning of Article 1, para 3;
3. persons providing hotel services by letting rooms in their own home.

CHAPTER TWO **(Repealed, SG No. 38/2006, effective 1.07.2007 - (*) amended,** **in** **relation to becoming effective, SG No. 80/2006)** **COMMERCIAL REGISTER**

Keeping a Commercial Register

Article 3

(Supplemented, SG No. 66/2005, repealed, No. 38/2006, effective
1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006)

Obligation to Register

Article 4

(Amended, SG No. 66/2005, repealed, No. 38/2006, effective 1.07.2007 -

amended, in relation to becoming effective, SG No. 80/2006)

Registration Effect

Article 4a

(New, SG No. 84/2000, repealed, No. 38/2006, effective 1.07.2007 -

amended, in relation to becoming effective, SG No. 80/2006)

Public Nature of the Commercial Register

Article 5

(Repealed, SG No. 38/2006, effective 1.07.2007 - amended, in

relation to becoming effective, SG No. 80/2006)

Publishing of Registration

Article 6

(Amended, SG No. 103/1993, supplemented, SG No. 66/2005, repealed,

No. 38/2006, effective 1.07.2007 - amended, in relation to becoming

effective, SG No. 80/2006)

CHAPTER THREE TRADE NAME AND SEAT

Definition

Article 7

(1) A trade name shall be the name under which a merchant shall carry on its business and under which it shall sign.

(2) (Amended, SG No. 103/1993) In addition to the necessary content established by law, a trade name may also denote the purposes of a business, the names of the partners, and a freely chosen extension. A trade name must correspond to the truth, must not deceive, and must not be offensive to public order and morals.

(3) (New, SG No. 103/1993) The merchant shall mandatorily inscribe its trade name in Bulgarian. It may additionally inscribe it in a foreign language.

Trade Name of a Branch

Article 8

The trade name of a branch shall incorporate the trade name of the merchant and the extension "branch".

Trade Name During Liquidation

Article 9

(Supplemented, SG No. 63/1994)

The trade name of a merchant which has been declared in liquidation shall carry the extension "in liquidation", and upon declaration of bankruptcy - "in bankruptcy".

Change of Trade Name

Article 10

(1) A trade name may be changed upon an application by the merchant which has registered it.

(2) Should a trade name contain the name of a retiring partner, it may be preserved only with that partner's consent.

Exclusive Right

Article 11

(1) A trade name may be used only by the merchant which has registered it.

(2) In case of use of another's trade name the interested parties shall be free to seek an injunction, as well as damages for such use.

Seat and Registered Office

Article 12

(1) A merchant's seat shall be the community where its registered office is located.

(2) A merchant's address shall be the address of its registered office.

Obligation to Provide Data

Article 13

(1) (Previous Article 13, SG No. 84/2000, supplemented, No. 66/2005, amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) A merchant shall provide the following data on all its commercial correspondence and its web site if available: trade name; seat and registered office; standard identification code and bank account. A merchant may also provide a forwarding address. Where a commercial company shows the amount of its capital, it must also indicate what portion of it has been paid in.

(2) (New, SG No. 84/2000, amended, SG No 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The company data shall be shown on the business correspondence of the branch.

Change of Seat

Article 14

(1) (Amended, SG No. 58/2003) (1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Any relocation of a merchant's registered office to another community shall be declared for entry into the commercial register.

(2) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

(3) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

(4) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

CHAPTER FOUR ENTERPRISES AND TRANSACTIONS WITH THEM

Transactions With an Enterprise

Article 15

(1) An enterprise as a set of rights, obligations and factual relations shall be transferable by a transaction in writing with the signatures attested by a notary public. The transferor shall advise all creditors and debtors of the effected transfer.

(2) (New, SG No. 58/2003) Where the entire enterprise of a company is transferred, such transfer shall require a decision taken in accordance with Article 262p.

(3) (Renumbered from Paragraph 2, supplemented, SG No 58/2003) Absent another

agreement with the creditors, upon the transfer of an enterprise the transferor shall be liable jointly and severally with the transferee. Creditors of recoverable liabilities shall first address the transferor up to the amount of rights obtained.

Registration

Article 16

(1) (Amended, SG No. 58/2003, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The transfer of an enterprise shall be registered in the commercial register simultaneously in the files of both the transferor and the transferee.

(2) (New, SG No. 58/2003, repealed, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

(3) (New, SG No. 58/2003, repealed, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

(4) (Amended SG 104/1996, renumbered from Paragraph 2, SG No. 58/2003) Should the contract transfer real property or another interest therein, the contract shall be registered with the recordation office as well.

Provision of security for creditors

Article 16a

(New, SG No. 42/1999, amended, SG No. 58/2003)

(1) (Amended and supplemented, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The transferee shall manage separately the enterprise transferred onto it for a period of 6 months as from the registry entry of the transfer.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Within the time limit referred to in paragraph (1), any creditor of the transferor or of the transferee holding a claim that has not been secured and has arisen prior to the date of registration of the transfer may request execution or securing, in compliance with their rights. If the request is not satisfied the creditor shall enjoy the right of privileged satisfaction from the rights that used to be held by its debtor.

(3) Members of the governing body of the transferee shall be liable jointly and severally before creditors for the separate management.

CHAPTER FIVE

BRANCHES

Branch

Article 17

(1) A merchant may open a branch outside the community where its seat is located.

(2) (Amended, SG No. 58/2003, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) A branch shall be registered in the commercial register on the basis of a written application indicating:

1. the seat and purposes of the branch;

2. data concerning the person who manages the branch, and concerning the scope of his representation powers.

(3) (Amended, SG No. 58/2003) The application referred to in paragraph (2) which shall enclose the notarized consent, with a signature specimen, of the person who manages the branch.

(4) (Amended, SG No. 58/2003, supplemented, SG No. 66/2005, repealed, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

(5) (Amended, SG No. 58/2003, repealed, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

(6) (New, SG No. 58/2003, repealed, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

(7) (New, SG No. 58/2003, repealed, SG No. 66/2005) .

Branch of a foreign person

Article 17a

(New, SG No. 66/2005)

(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) A branch of a foreign person registered with the right to engage in commercial activity in accordance with its national law shall be registered in the commercial register.

(2) In addition to the data under Article 17(2), the application for registration shall also contain data on:

1. The legal form and company or the name of the foreign person, as well as the branch name, if different from the one of the foreign person;

2. the register and number, under which the foreign person was recorded, if provided for by applicable law;

3. the law of the state, applicable to the foreign person, if different from the law of an EU Member State;

4. persons, which represent the foreign person according to the register, where it was recorded, where such a register exists, the manner of representation, as well as the liquidators and receivers and their powers.

(3) The following data shall also be recorded in the register:

1. those under paragraph 2, as well as any change thereto, including of winding down of the branch;

2. of dissolution of the foreign person, initiation of liquidation, continuation of activity, termination and conclusion of liquidation;

3. regarding all acts of the bankruptcy court, which are recorded in the register, whereon the foreign person was entered, as well as the resolutions under Article 759(1) and Article 760(3), if any;

4. regarding striking out of the foreign person.

(4) A transcript of the following shall be submitted to the register:

1. the founding act, articles or statute of the foreign person, to contain all amendments and supplements, including after the registration of the branch;

2. each annual financial statement of the foreign person, after it has been registered or delivered in accordance with the legislation of the country, where it was registered.

Relocation of a Branch

Article 18

The rules pertaining to a merchant shall apply *mutatis mutandis* to the seat and registered office of a branch and its relocation.

Account Books of a Branch

Article 19

A branch shall keep its account books as an independent merchant, without preparing a separate balance sheet. The branch of a legal person which is not a merchant within the meaning of this Act and the branch of a foreign person shall further prepare a balance sheet.

Jurisdiction

Article 20

Actions based on disputes arising from a direct relationship with a branch may be brought against the merchant at the seat of the branch as well.

CHAPTER SIX AGENCY

Section I Direct Agency

Procurator (Manager)

Article 21

(1) (Amended, SG No. 70/1998) A procurator shall be a natural person commissioned and authorized by a merchant to manage its enterprise for compensation. Such authority may be given to more than one person for either a separate or joint exercising of the procuration. The signatures on the procurator's mandate (procuration) shall be notarized and it shall be submitted by the merchant for registration in the commercial register together with a specimen signature of the procurator.

(2) A procurator shall sign by adding his own name to the merchant's trade name and an extension indicating the procuration.

(3) (New, SG No. 14/2011, effective 15.02.2011) A managerial agent may not be a person who has declared insolvency, as well as a person who has occupied the position of a manager, or an ex member of a managing or controlling body of a company that was suspended due to insolvency, in the last two years prior to the date of the decision to declare insolvency, in case there were unsatisfied creditors.

Procurator's Powers

Article 22

(1) A procurator shall be entitled to perform or effect any acts or transactions related to the carrying on of the business activities, to represent the merchant, and to authorize third parties to perform specific acts. He may not authorize third parties with those of his powers which are derived by operation of law.

(2) A procurator may not alienate or encumber any real property of the merchant except when expressly authorized to do so. The authorization may be restricted to the business of a

single branch. No other restrictions shall be binding upon third parties.

Relationship Between Merchant and Procurator

Article 23

The relationship between a merchant and a procurator shall be governed by an agreement.

Binding Effect of Authorization upon Third Parties

Article 24

An authorization shall be binding upon third parties only after being registered in the commercial register.

Termination of Authorization

Article 25

(1) An authorization shall be terminated upon withdrawal by the merchant, and the registration of such withdrawal in the commercial register.

(2) An authorization shall not be terminated by virtue of a merchant's death or placing under judicial disability.

Agent

Article 26

(1) An agent shall be a person authorized by a merchant to perform, for compensation, the acts set forth in the mandate. Absent any other instructions, an agent shall be deemed authorized to perform all acts related to the merchant's usual business. The authorization shall be made in writing and the signature shall be notarized.

(2) An agent shall need express authorization to alienate or encumber real property, to accept bills of exchange, to obtain a loan, or to engage in litigation. Any other restrictions on its mandate shall be binding upon a third party only if that party new or ought to have known of such restrictions.

(3) An agent may not transfer its powers to a third party without the merchant's consent.

(4) An agent shall sign by adding its own name to the trade name and an extension indicating the agency.

Relationship Between Merchant and Agent

Article 27

The relationship between a merchant and an agent shall be governed by an agreement.

Termination of the Mandate

Article 28

The authorization of an agent shall be terminated in accordance with the provisions of civil law.

Restrictions and Liability

Article 29

(1) A procurator or agent may not, without the merchant's consent, effect commercial transactions either on their own behalf or on the behalf of a third party within the framework of their authorization. Consent shall be deemed given if at the time of authorization the merchant knew of the carrying on of such activities and their termination was not agreed upon expressly.

(2) In case of a breach of the obligations set forth in the preceding para the merchant shall be entitled to seek damages or to state that the transactions effected by the authorized persons have been effected on its behalf. The statement shall be made in writing not later than one month of its becoming aware of the transaction, but not later than one year of the effecting of the transaction, and shall be addressed to the procurator or agent and to the third party.

(3) Actions pursuant to para 2 shall expire by limitation after five years from the date the transaction was effected.

Shop Assistant

Article 30

(1) The relationship between a merchant and its assistant shall be governed by a contract.

(2) A shop assistant may not effect transactions on the merchant's behalf. When working in a generally accessible sales area, a shop assistant shall be deemed authorized to effect the transactions which are usually effected in such an area.

Restrictions

Article 31

A shop assistant may not engage in any commercial activity independently or on the behalf of third parties in competition with his employer, except with the latter's express consent.

Section II

Sales Representative

Definition

Article 32

(1) A sales representative shall be a person engaged independently and by occupation in assisting the business of another merchant. A sales representative may be authorized to effect transactions in the name of the merchant, or in its own name but on the behalf of the merchant.

(2) (Supplemented, SG No. 38/2006) The contract between the merchant and the sales representative shall be executed in writing. The merchant may not refer against a sales representative to agreements in deviation of the provisions of Articles 33, 34, Article 36, Paragraph (4) and (5) and Article 40 that stand to the detriment of said representative.

Sales Representative's Obligations

Article 33

(1) (Amended, SG No. 83/1996, previous Article 33, SG No. 38/2006) A sales representative shall cooperate or effect transactions with due care, taking into consideration the merchant's interests. It shall forthwith notify the merchant of any transaction effected by it.

(2) (New, SG No. 38/2006) The sales representative shall be obligated to follow the instructions of the merchant, providing said merchant with the entire information at his/her disposal in relation to the activity thereof.

Merchant's Obligations

Article 34

(1) (Amended and supplemented, SG No. 38/2006) The merchant shall be obligated to provide the trade representative the necessary information and documents for conclusion and execution of the commissioned deals.

(2) (Supplemented, SG No. 38/2006) The merchant shall be obligated to promptly notify the trade representative whether said merchant accepts the deal concluded without authority of representation, as well as whether he has concluded a deal prepared thereby.

(3) (New, SG No. 38/2006) The merchant shall be obligated to provide the trade representative with the information necessary for the implementation of the activity thereof, including of possible considerable reduction of volume of concluded deals as compared to the expected.

Commission Under Del Credere Contracts

Article 35

A sales representative which undertakes to be personally liable for the performance of obligations under effected transactions shall be entitled to an additional commission which shall be agreed upon in writing. The parties may not agree in advance that no such commission shall be owed.

Right to Commission

Article 36

(1) (Amended and supplemented, SG No. 38/2006) A sales representative shall be entitled to a commission for all transactions effected by it or through its assistance during the term of its contract with the merchant. A commission shall also be paid for transactions prepared but not concluded, except in the cases where this is due to a reason for which the merchant may not be faulted.

(2) Where a sales representative is entrusted with a specified territory or circle of clients, it shall also be entitled to a commission for all transactions concluded without its assistance, but with persons from the same territory or with the same clientele.

(3) A sales representative shall be entitled to a commission for any of the merchant's claims which it has collected.

(4) (New, SG No. 38/2006) The merchant shall be obligated to provide the sales representative the information necessary for calculation of the commission due no later than the time limit referred to in Article 38.

(5) (Renumbered from Paragraph (4), supplemented, SG No. 38/2006) Either party shall be entitled to request from the other abstracts from the account books concerning the transactions concluded on the basis of the agency agreement, including those that are necessary to check the commission determined.

Commission Rate

Article 37

(Supplemented, SG No. 38/2006)

Where the commission has not been agreed upon, it shall be deemed to amount to the customary rate paid for the specific activities. If the customary rate cannot be established, the commission shall be determined by the court according to merit.

Commission Payment Term

Article 38

(Amended and supplemented, SG No. 38/2006)

A sales representative's commission shall be paid on a monthly basis. The contract may specify another term for the payment of the commission, but not longer than the end of the month following the quarter during which the relevant transaction was concluded or has to be concluded.

Reimbursement for Customary Expenses

Article 39

A sales representative shall be entitled to reimbursement for the customary expenses related to its activities, unless the agreement provides otherwise.

Compensation and Commission upon Dissolution

Article 40

(Amended, SG No. 103/1993, SG No. 38/2006)

(1) A sales representative, respectively the heirs thereof in the case of his/her death, shall be entitled to a compensation upon termination of agreement when the merchant continues to enjoy benefits from the clientele established by the sales representative or the latter has considerably increased the volume of transactions concluded therewith. The right to such compensation shall be judged in view of all circumstances, including the existence or absence of restrictive commercial clauses.

(2) Such compensation shall be equal to the annual commission of the sales representative, calculated on the basis the sales representative's average annual commission for the entire duration of its agreement, but for not more than the last five preceding years.

(3) The compensation referred to in Paragraph (2) may not be claimed when:

1. more than one year has lapsed since the termination of the agreement without the commercial agent having notified the merchant in writing of claiming the compensation due;

2. the contract is rescinded at the fault of the trade representative or has been terminated unilaterally by the trade representative pursuant to Article 47 (1) or (2), except where this has occurred as a result of the permanent incapacitation or age thereof.

3. the trade representative has transferred the legal relationship to another person, including with the agreement of merchant.

(4) Upon termination of contract the sales representative may claim compensation for already concluded or prepared for conclusion deals.

(5) The sales representative shall not be entitled to a commission under Article 36 where pursuant to Paragraph (4) it is due to a previous trade representative, except in the cases where according to circumstances the commission should be divided between the two.

Restrictions Following Termination of Contract

Article 41

(1) Any restrictions on the activities of a sales representative subsequent to the termination of the agreement shall be agreed upon in writing.

(2) Restrictions must encompass the same territory and type of goods or services as the agency agreement. They may not be for more than two years following the termination of the contract. The merchant shall owe a respective compensation for the period of restriction.

(3) Should a sales representative declare the agreement avoided through a fault of the merchant, the sales representative shall be free to discharge itself from the said restrictions not later than one month from the date of the avoidance.

Effect of Restriction

Article 42

Even when not authorized to conclude contracts a sales representative may accept acts performed by third parties to protect their rights against imperfect performance by the merchant. A sales representative may act to secure evidence in name of the merchant. Any restriction on these rights shall be binding upon third parties only if they knew or ought to have known of the said restriction.

Ratification of Contract

Article 43

Should a sales representative conclude contracts without authorization, and the third party did not know of that fact, the contract shall be deemed ratified by the merchant if the merchant fails to reject it upon being notified of it by the sales representative or the third party and inform them correspondingly.

Prohibition on Representation of Competitors

Article 44

A sales representative may represent several merchants as long as they are not in competition among themselves. It may reach agreement with a merchant to be its exclusive sales representative.

Scope of Agency

Article 45

The subject and territory of a sales representative shall be determined by the agency agreement.

Relationship Between Merchant and Sales Representative

Article 46

(1) The internal relationship between the sales representative and the merchant shall be governed by the agreement between them. Absent any other provision, a sales representative shall arrange for its own premises. If the compensation is not indicated in the agreement, the customary compensation for the type of representation shall be due.

(2) Representation under the preceding paragraph may not be delegated to another party in the same territory.

(3) A sales representative shall indicate in the documents issued by it and on its commercial correspondence the information required under Article 13.

Termination of Representation

Article 47

(1) (New, SG No. 103/1993, amended, SG No. 38/2006) Where the sales representation agreement has been concluded for an indefinite term, during the first year any of the parties thereto may terminate it with a month's prior notice, within the second year - with a two month's prior notice, and within the third year - with a three months' prior notice, the parties thereto being unable to negotiate shorter terms. Where a longer period of prior notice has been agreed, that period should be identical for both parties. If not otherwise agreed, the termination of the agreement shall be effective from the end of the calendar month in which the term of prior notice has expired.

(2) (New, SG No. 103/1993) An agreement which has been concluded for a definite period may be terminated before its expiration if the party wishing to terminate it compensates the other party for the damages caused.

(3) (New, SG No. 103/1993) The rights of the sales representative under Article 40 may not be prejudiced by the termination pursuant to paras 1 and 2.

(4) (New, SG No. 38/2006) In case following the expiry of contract for trade representation both parties continue to fulfill their obligations thereunder, said contract shall be considered extended for an indefinite term. In this case, when determining the term of prior notice referred to under Paragraph (1) the duration of the contract prior to the expiry of its term shall also be taken into consideration.

(5) (Renumbered from Paragraph (1), SG No. 103/1993; renumbered from Paragraph (4), amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) A sales representative that has ceased activity shall apply, within the time limit set forth in Article 4, for expungement of entry into the commercial register.

(6) (Repealed, renumbered from Paragraph (5), amended, SG No. 38/2006, effective 1.07.2007 - amended in relation to becoming effective, SG No. 80/2006) Should a representation be terminated by reasons of death or placing under disability of the sales representative, the heirs or, respectively, the guardian, and in case of bankruptcy the respective court, shall be obligated to request expungement from commercial register.

Applicability

Article 48

The provisions of Articles 32 to 47 shall not apply to persons engaged as representatives or brokers in stock exchange transactions, or as representatives of persons engaged in auction operations.

Section III Broker

Definition

Article 49

(1) A broker shall be a merchant which by occupation acts as an intermediary so that transactions may be entered into.

(2) (Amended, SG No. 86/1996) As far as brokerage for contracts for the carriage of goods by sea and for stock exchange transactions are concerned, the provisions for the said activities shall apply even when the brokerage is performed by a mercantile broker.

Broker's Journal

Article 50

(1) A broker shall keep a journal in which it shall record on a daily basis all executed contracts. At the end of each day the broker shall date and undersign all entries for that day.

(2) Contracts shall be recorded consecutively in the order of their execution; an entry shall include the names of the contracting parties, the time of execution of the contract and the essential arrangements.

(3) A broker must, upon request, provide the parties with an abstract from its journal

containing the full entry concerning their contract.

Brokerage

Article 51

A broker shall be entitled to a commission from one or both parties in accordance with the arrangement reached. Absent such an arrangement, the customary brokerage for the type of transaction in the specific circumstances shall be owed by both parties.

Section IV Trade Secrets

(Title new, SG No. 103/1993) Obligation to Protect Trade Secrets (Title amended, SG 103/1993)

Article 52

In carrying on their activities a procurator, an agent, a shop assistant, a sales representative and a broker must protect the trade secrets of the persons which have commissioned them to perform certain acts, as well as their good name as merchants.

CHAPTER SEVEN ACCOUNT BOOKS

Obligation to Keep Accounts

Article 53

(1) A merchant shall keep accounts in which it shall record the movements of its enterprise's property. Such movements shall be recorded in chronological order.

(2) A merchant shall, through inventory performed within the time periods prescribed by the Accountancy Act , establish the availability and value of the items of the assets and liabilities of its enterprise's property.

(3) (Supplemented, SG No. 66/2005, amended, SG No. 67/2008) A merchant shall sum up the results of its commercial activities on the basis of the entries in its books of account and of the inventory, and prepare an annual financial statement and, where necessary, the relevant accounting notes. The annual financial statement must be audited by a registered auditor in the cases provided for by a law.

Continuity Of Opening and Closing Balance Sheet

Article 54

The opening balance sheet for each year shall correspond to the closing balance sheet for the preceding year. A balance sheet shall also be prepared when a merchant winds up its activities.

Admissibility as Evidence

Article 55

(1) Regularly kept account books and entries therein shall be admissible as evidence between merchants for establishing commercial transactions.

(2) Account books kept in violation of the provisions of this Act or the Accountancy Act shall be inadmissible as evidence in favor of the party whose duty it is to keep them.

PART TWO TYPES OF MERCHANTS

DIVISION ONE SOLE PROPRIETOR

CHAPTER EIGHT NATURAL PERSON MERCHANT

Definition

Article 56

Any natural person possessing capacity whose domicile is in the country may register as a sole proprietor.

Restrictions

Article 57

Ineligible to be a sole proprietor shall be a person:

1. who is bankrupt and his rights have not been restored;

2. (amended, SG No. 63/1994) who has intentionally gone bankrupt and has left unsatisfied creditors.

3. (new, SG No. 63/1994) any person who has been convicted for fraudulent bankruptcy.

4. (new, SG No. 14/2011, effective 15.02.2011) any person who has occupied the position of a manager, or an ex member of a managing or controlling body of a company that was suspended due to insolvency, in the last two years prior to the date of the decision to declare insolvency, in case there were unsatisfied creditors.

Registration

Article 58

(1) A sole proprietor shall be registered on the basis of an application which shall state:

1. the name, domicile, address and Unified Civil Code (EGN);
2. the trade name under which the activities shall be carried on;
3. the seat and the address of the registered office;
4. the purposes of the business.

(2) A specimen of the merchant's signature and an affidavit stating that the person has not been deprived of the right to carry on commercial activities shall be attached to the application.

(3) (New, SG No. 124/1997) Entered in the register shall be all data specified under para 1.

(4) (Renumbered from Paragraph 3, SG No. 124/1997) A person may register only one trade name as a sole proprietor.

Trade Name of Sole Proprietor

Article 59

A sole proprietor's trade name shall incorporate without abbreviation the person's given name and either the surname or patronymic by which he is generally known.

Transfer of Trade Name

Article 60

(1) A sole proprietor's trade name may be transferred to a third party only together with his enterprise. The consent to transfer a trade name shall be given in accordance with Article 15, para 1.

(2) A sole proprietor's heirs, on acquiring the enterprise, shall be free to retain its trade name.

(3) In cases under the preceding paragraphs the new owner's name shall be added to the trade name.

(4) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The transfer shall be registered in the commercial register.

Deletion from the Register

Article 60a

(New, SG No. 84/2000)

The registration of a sole proprietor shall be deleted from the commercial register:

1. (amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) upon termination of the sole proprietor's activity or establishing his/her residence abroad - upon a written request from said sole proprietor;

2. (amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) in case of the sole proprietor's death - upon an application from the heirs;

3. (amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) in case of legal disability of the sole proprietor - upon an application from the guardian or the trustee.

DIVISION TWO STATE - OWNED AND MUNICIPAL ENTERPRISE

CHAPTER NINE PUBLIC ENTERPRISE MERCHANT

Status

Article 61

A state-owned and municipal enterprise shall be either a single person limited liability company or a single person joint-stock company. State-owned and municipal enterprises may also form other companies or groups of companies.

Formation

Article 62

(1) State-owned enterprises shall be formed as or transformed into single person limited liability companies or single person joint-stock companies pursuant to a procedure to be established by a law.

(2) Municipal enterprises shall be formed as or transformed into single person limited liability companies or single person joint-stock companies through a resolution of the municipal council.

(3) State-owned enterprises which are not companies may be formed with a law.

DIVISION THREE COMPANIES

CHAPTER TEN GENERAL

Definition

Article 63

(1) A company is an association of two or more persons for effecting commercial transactions with joint means.

(2) In cases provided by a law a company may be incorporated by one person.

(3) Companies shall be legal persons.

Types of Companies

Article 64

(1) The types of companies are:

1. general partnership;
2. limited partnership;
3. limited liability company;
4. joint-stock company;

5. partnership limited by shares.

(2) Only the companies set forth in this Act may be established.

(3) (New, SG No. 58/2003) Companies referred to in paragraph (1), subparagraphs (1) and (2) shall be personal, and those in subparagraphs (3) through (5) shall be equity companies.

(4) (Renumbered from Paragraph 3, amended, SG No. 58/2003) Under a law it may be envisaged that a certain activity can be performed only by a certain type of companies.

Partners in a Company

Article 65

(1) A company's founders shall be Bulgarian or foreign natural or legal persons possessing capacity.

(2) A person may participate in one or more companies to the extent such participation is not prohibited by law.

(3) (New, SG No. 84/2000) Whenever a company participates in another company, its rights of associate or single owner shall be exercised by the person entitled to represent the company or by an expressly authorized person.

Preliminary Agreement to Form a Company

Article 66

Persons wishing to form a company may reach agreement on the acts which must be performed so that the incorporation may be prepared. For a breach of obligations based on that agreement the parties shall be liable only for the actual damages caused.

Formation of a Company

Article 67

A company shall be deemed formed on the date of its registration in the commercial register. The application for registration shall be filed by the appointed managing organ.

Interpretation of the Articles of Association

Article 68

The will of the parties and the objective of the interpreted provision shall be taken into account when interpreting the Articles of Association.

Liability for Acts Performed by the Company Prior to Registration

Article 69

(1) Any acts by the founders performed in the name of the as yet unincorporated company prior to the date of its registration shall create rights and obligations for the persons who have carried out the said acts. When transactions are effected it shall mandatorily be noted that incorporation is pending. The persons who have effected the transactions shall be liable jointly and severally for undertaken obligations.

(2) When the transaction has been effected by the founders or a person authorized by them, the rights and obligations shall be transferred ex lege to the incorporated company.

Voidability of Incorporated Company

Article 70

(1) (Amended, SG No. 84/2000) The incorporation of a company shall be voidable only when one of the following violations has been made:

1. there is no constitutive agreement or the constitutive agreement has not been concluded in the form prescribed by the law;

2. the provisions of article 159 and article 163 have not been complied with, in the case of a joint-stock company or a partnership limited by shares;

3. (supplemented, SG No. 66/2005, repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

4. the purpose of the company contradicts law or good morals;

5. the constitutive agreement or the articles of incorporation does not contain the name, the purpose of the company or the size of the contributions, as well as the capital, when required by law;

6. the part of the capital prescribed by law has not been paid in;

7. a smaller number of persons possessing capacity than provided by the law have participated in the incorporation of the company.

(2) (Amended and supplemented, SG No. 84/2000, supplemented, SG No. 58/2003, amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Any interested party, as well as the public prosecutor, may request from the district court of the company's registered office that the company be declared void within one year after the establishment of the company and where the incorporation had been subject to promulgation, after such publication. In the cases under Items 4, 5 and 6 of Paragraph (1), the court shall declare a company void only if the violation has not been already eliminated or cannot be eliminated in a suitable period given by the court in a resolution.

(3) (Supplemented, SG No. 66/2005, amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The court's judgement to declare the company void shall be effective from the date of entry into force. As of that moment the company shall be deemed terminated and the court shall send the judgement for entry into the commercial register, after which liquidation shall be carried out by a liquidator appointed by the official on registration with the Registry Agency.

(4) (New, SG No. 58/2003, repealed, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

(5) (Renumbered from Paragraph 4, SG No 58/2003) Where acts in the name of the company declared void have been carried out, the founders shall be liable jointly and severally and their liability shall be unlimited.

(6) (New, SG No. 84/2000, renumbered from Paragraph 5, SG No 58/2003, amended, SG No. 59/2007) Article 605 of the Code of Civil Procedure does not apply to the incorporation of a company.

Protection of Partnership

Article 71

Any partner in a company may bring an action to the district court of the company's seat to protect its right to be a partner and its individual rights as a partner, when these have been violated by the company's organs.

Non-Monetary Contributions

Article 72

(1) Should a partner or, respectively, a shareholder, make a non-monetary contribution, the articles or, respectively the Articles of Association, shall state the name of the contributor, a full description of the non-monetary contribution, its monetary value, and the grounds for the contributor's rights.

(2) (Supplemented, SG No. 103/1993, amended and supplemented, SG No. 84/2000, supplemented, No. 66/2005, amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The contribution in a limited liability company, a joint-stock company or a partnership limited by shares shall be valued by three independent experts appointed by the official on registration with the Registry Agency. The conclusion of the experts shall contain a full description of the non-monetary contribution, the method of valuation, the resulting valuation and its consistence with the amount of the share of the capital or the number, the nominal and issuing value of the shares subscribed by the contributor. The conclusion shall be presented at registration in the Commercial Register with the application for entry.

(3) (New, SG No. 84/2000, amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The valuation stated in the articles or, respectively, the Articles of Association, shall not be higher than the valuation assigned by the experts.

(4) (Renumbered from Paragraph 3, SG No 84/2000) Should the contributor not agree with the valuation, it may participate in the company with a monetary contribution or withdraw from participation in the company.

(5) (Renumbered from Paragraph 4, SG No 84/2000) The contribution may not have as a subject future labor or services.

Paying Up of Non-Monetary Contributions

Article 73

(1) The contribution of a right for the creation or transfer of which a notarial form is required shall be effected with the articles. For contributions to a joint-stock company the consent in writing of the contributor and a description of the contribution with a notarized signature shall be attached to the Articles of Association.

(2) The contribution of any other rights shall be made pursuant to the form the law provides for their creation or transfer.

(3) (Supplemented, SG No. 84/2000) The contribution of a claim shall be made with the articles or, respectively, the Articles of Association, and the contributor shall attach evidence of having notified the debtor of the transfer of the claim. The requirement for notification does not apply when the claim is against the company itself.

(4) Title to a contribution shall be acquired from the moment of the company's formation.

(5) (Amended SG 104/1996) Where a contribution has as a subject a real right over real property, the respective organ of the company shall, after such right has arisen, present an abstract of the articles, certified by a recordation judge, for recording in the recordation office and, whenever necessary, separately the contributor's consent as well. Such organ shall present an abstract of the Articles of Association certified by a recordation judge and the contributor's consent. In making the recording the recordation judge shall ascertain the contributor's rights.

Remission and Set-Off Ban

Article 73a

(New, SG No. 84/2000)

The obligations of the partners in a limited liability company and of the stock-holders for contributions to the capital shall not be remitted except when reduced, nor offset.

Concealed Non-Monetary Contribution

Article 73b

(New, SG No. 84/2000)

(1) When a joint-stock company, within a 2-year period of its incorporation, acquires rights at a price exceeding 10 per cent of the capital, from a person who has subscribed shares at the incorporation of the company, this will require a decision of the General Meeting of the Shareholders and art. 72, paragraph 2 shall apply to the transferred rights.

(2)(Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The transaction shall have effect after entry of the decision of the General Meeting in the Commercial Register.

(3) Paragraphs 1 and 2 shall not apply to rights acquired in the course of the company's usual activity, on the stock exchange or under the supervision of an administrative or judiciary body.

Payments to Partners and Shareholders

Article 73c

(New, SG No. 58/2003)

Payments to partners and shareholders arising from participation stakes or shares in a company which have been pledged or placed under an attachment shall be made if the creditor which holds such pledge or attachment does not object within one month following a written notice. In the case of an objection, the amount due shall be deposited with a bank to secure the creditor.

Repeal of a Resolution of the Company's General Meeting

Article 74

(1) Every partner or shareholder may bring an action before the district court of the company's seat for the repeal of a resolution of the general meeting when such resolution is inconsistent with a mandatory provision of the law or with the articles or, respectively, the Articles of Association of the company. The action shall be brought against the company.

(2) The action shall be brought within 14 days of the date of the meeting when the plaintiff was present or was duly notified, or otherwise within 14 days of learning of the resolution, but not later than three months after the date of the general meeting.

(3) A partner or shareholder may intervene in a proceeding in accordance with the provisions of the Code of Civil Procedure . It may carry on the proceedings even after the withdrawal of the original plaintiff.

(4) (New, SG No. 59/2007) The action shall be examined according to the procedure established by Chapter Thirty-Three "Proceedings on Collective Actions" of the Code of Civil Procedure, where the contested resolution has been passed by the general meeting of a joint-stock company with issued bearer shares or by an investment company of the open-end type. Exclusion from participation shall not be admitted in this case.

Subsequent Voiding of Annulled Resolution

Article 75

(1) The instructions given by the court in repealing a general meeting resolution concerning the interpretation of the law, the memorandum of association or the Articles of Association shall be binding on the general meeting whenever it discusses the same issue again.

(2) Resolutions or acts by the company's organs which are in contravention of an effective court ruling are null and void. Each partner or shareholder may at any moment refer to such nullity or request its proclamation by the court.

CHAPTER ELEVEN GENERAL PARTNERSHIP

Section I General Provisions

Definition

Article 76

A general partnership shall be a company formed by two or more persons for the purpose of effecting commercial transactions by occupation under a joint trade name. The partners shall be liable jointly and severally and their liability shall be unlimited.

Trade Name

Article 77

The trade name of a partnership shall consist of the surnames or trade names of one or more of the partners with the extension "sabiratelno druzhestvo" [general partnership] or "sadruzhie" ("s-ie") [partners].

Content of Articles of Partnership

Article 78

A partnership's articles shall be drawn up in writing with notarized signatures of the partners and shall state:

1. (amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) the name and domicile or, respectively, the trade name, the seat and standard identification code, as well as the address of each partner;

2. (amended, SG No. 103/1993, supplemented, SG No. 124/1997) the trade name, the seat, the head-office address, and the purposes of the partnership;

3. the type and amount of each partner's contribution and the valuation thereof;

4. the manner of distribution of profits and losses among the partners;

5. (amended, SG No. 103/1993) the manner of management and representation of the partnership.

Registration of the General Partnership

Article 79

(1) The application for registration of the general partnership in the commercial register shall be signed by all partners and the articles of partnership shall be attached to it.

(2) Registered in the register shall be the information under Items 1, 2 and 5 of the preceding article.

(3) The persons authorized by the articles of partnership to represent the partnership shall submit specimen signatures.

Section II Partners' Legal Relationships

Primacy of the Articles of Partnership

Article 80

The partners' legal relationships shall be governed by this Section, unless the articles of partnership provide otherwise, with the exception of the provision of Article 87.

Compensation for Expenses and Damages

Article 81

(1) A partner shall be entitled to reimbursement for necessary expenses incurred in the course of the partnership's business and to compensation for damages suffered in connection with such business.

(2) The partnership shall pay the interest as set by law on such expenses incurred or damages suffered by a partner.

Obligation to Pay Interest

Article 82

A partner which is in arrears in paying its monetary contributions or receives or, respectively, takes partnership money for itself without being entitled to do so, shall owe the partnership the repayment of all such moneys and the interest as set by law. Should the damages for the partnership be greater, the partnership may seek compensation for the balance.

Prohibition on Competition

Article 83

(1) (Supplemented, SG No. 103/1993) A partner may participate in another company or enter into transactions related to the purposes for which the partnership was set up, on its own account or on account of a third party, only with the consent of the other partners.

(2) (Amended, SG No. 103/1993) In case of a violation of para 1 the partnership may request compensation for the damages suffered or state that it shall assume the rights and obligations under the concluded transactions. The statement must be made in writing within one month of acquiring knowledge of the transaction, but not later than one year of its conclusion, and be forwarded to the partner and the third party.

(3) The right to an action pursuant to the preceding paragraph shall expire after three months from the date of the partners' becoming aware of the said act, or after three years of the commitment of the said acts when the partners have no knowledge of them.

Management

Article 84

(1) Each partner shall be entitled to take part in the management of the partnership's business, except when management has been assigned with the articles of partnership to one or several of the partners or to a third party.

(2) The consent of all partners shall be required for the acquisition or disposal of real rights over real property, for the appointment of a manager who is not a partner, or for executing an agreement for a cash loan exceeding a sum fixed in the articles of partnership.

Revocation of Management Assignment

Article 85

(Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006)

The resolution to assign the management to one or several partners may be revoked by the district court of the partnership's seat upon an action brought by some of the partners, if the managers have committed a breach of their obligations, as well as on other grounds provided for in the articles of partnership. The judgement of the court shall be sent ex officio to the Registry Agency for entry into the Commercial Register.

Partner's Right to Exercise Control

Article 86

A partner which does not participate directly in the management shall be entitled to obtain information on the partnership's business, to inspect the books, the partnership and other papers, and to ask for explanations from the managers.

Resolutions

Article 87

Where the articles of partnership require that resolutions be adopted with a majority vote, each partner shall be entitled to one vote. Resolutions shall be recorded in the minutes book.

Section III

Partners' Relationship With Third Parties

Liability of the General Partnership

Article 88

(Amended, SG No. 103/1993)

When bringing an action against the partnership the plaintiff may also name as defendants one or several of the partners. Forcible execution shall be directed first against the partnership, and, in case of impossibility for satisfaction, against the partners.

Representation

Article 89

(1) Each partner shall represent the partnership, unless the articles of partnership provide otherwise.

(2) A limitation upon the representative powers of a partner shall not be binding upon bona fide third parties if it is not registered in the commercial register.

Revocation of Representative Powers

Article 90

The representative powers of a partner may be revoked pursuant to Article 85.

Partners' Plea

Article 91

A partner may, in addition to the partnership's pleas, make its personal pleas before the partnership's creditors.

Liability of Newly Admitted Partners

Article 92

The liability for all of the partnership's debts of a newly admitted partner in an existing partnership shall equal that of the other partners.

Section IV Dissolution of a Partnership and Termination of a Partners' Participation

Grounds for Dissolution

Article 93

A general partnership shall be dissolved upon:

1. (supplemented, SG No. 103/1993) expiration of its term or under other circumstances provided in the articles of partnership;
2. the agreement of the partners;
3. declaring the partnership bankrupt;
4. where there is no other provision, death or the placing under judicial disability of a

partner or dissolution of a partner which is a legal person;

5. (amended, SG No. 63/1994) request of the trustee in bankruptcy in case of bankruptcy of a partner;

6. notice of termination from a partner;

7. a court ruling in the cases established by law.

Dissolution upon Notice from a Partner

Article 94

Where a partnership has been formed for an indefinite period of time each partner may request its dissolution by sending at least six months prior notice in writing to all remaining partners, unless the articles of partnership provide otherwise.

Dissolution by Court Order Dismissal of Partner

Article 95

(1) The district court may dissolve a partnership upon an action brought by a partner when another partner has deliberately or in gross negligence omitted to perform an obligation of its under the articles of partnership or the performance of the obligation has become impossible. This rule shall also apply whenever a partner acts against the interests of the partnership.

(2) Upon an action brought by a partner the court may, instead of dissolving the partnership, dismiss the partner which is at fault.

Dissolution upon Notice from a Private Creditor of a Partner

Article 96

(1) The creditor of a partner which in the course of six months cannot be satisfied by forcible execution upon the debtor's personal property may attach that partner's liquidation share and request the dissolution of the partnership upon a notice in writing pursuant to the procedure set forth in Article 94.

(2) A partnership shall not be dissolved in case the partnership or the remaining partners repay the debt following the attachment pursuant to the preceding paragraph. In this case only the participation of the debtor partner shall be terminated, unless the partners decide otherwise.

Perpetuation of Partnership

Article 97

(1) The partners may provide in the articles that the partnership shall continue to exist in

the case of termination of the participation of a partner. In this case the remaining partners shall buy out the share of the partner which has terminated its participation, and in the case of a partner's death, those of its heirs who wish shall be admitted as partners. The heirs shall state their intent to be admitted as partners not later than three months from the date of the opening of the succession.

(2) In case the heirs do not wish to be admitted as partners, as well as in case of termination of the participation of a partner, the partnership shall pay the value of the share in the partnership's assets of the decedent or the partner which has terminated its membership, and their share in the annual profits for the period up to the death or termination of the participation.

Limitation

Article 98

(1) The right of action against a partner for obligations of the partnership shall expire by limitation after five years, except where the right of action against the partnership is subject to a shorter limitation.

(2) (Supplemented, SG No. 58/2003) The limitation period shall run from the date on which the dissolution of the partnership, its transformation or the termination of the participation of the partner, is registered in the commercial register.

(3) An interruption of the limitation with respect to the dissolved partnership shall also apply to those partners which were partners at the time of the dissolution.

CHAPTER TWELVE LIMITED PARTNERSHIP

Section I General Provisions

Definition

Article 99

(1) A limited partnership shall be formed with articles of partnership between two or more persons for carrying out commercial activities under a common trade name, whereby for the partnership's obligations one or more of the partners shall be liable jointly and severally and their liability shall be unlimited, and the remaining partners' liability shall not exceed the amount of the agreed upon contribution.

(2) (Repealed, renumbered from Paragraph 3, SG No. 103/1993) The provisions for the general partnership shall apply mutatis mutandis to the limited partnership, to the extent this

chapter does not provide otherwise.

Form

Article 100

The articles of partnership shall be drawn up in writing with notarized signatures of the partners.

Trade Name

Article 101

(1) The company's trade name shall contain the extension "komanditno druzhestvo" [limited partnership] or the abbreviation "KD" and the name of at least one of the general partners.

(2) The names of limited partners shall not be incorporated in the trade name of a limited partnership, but in case this has occurred those partners shall be deemed to bear unlimited liability vis-a-vis the creditors of the partnership.

Content of the Articles of Partnership

Article 102

A limited partnership's articles shall state:

1. the trade name of the partnership;
2. the seat and the registered office;
3. the purposes for which the partnership is set up;
4. (supplemented, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) the name and domicile or, respectively, the trade name, the seat and standard identification code, as well as the address of each partner;
5. (repealed, SG No. 84/2000);
6. the type and amount of the partners' contributions;
7. the manner of distribution of profits and losses among the partners;
8. the manner of management and representation of the partnership.

Registration

Article 103

(Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006)

A limited partnership shall be registered with the commercial register by the general partners, which shall file the articles of partnership and specimen signatures.

Section II Partners' Legal Relationships

Primacy of the Articles of Partnership

Article 104

The partners' legal relationships, to the extent the articles of partnership contain no provision to the contrary, shall be governed by this Section.

Management

Article 105

A limited partnership shall be managed and represented by the general partners. A limited partner has no right to manage the partnership and block resolutions of the general partners.

Acts by a Limited Partner

Article 106

Should a limited partner effect transactions in the name and on behalf of the partnership without being the partnership's manager or agent it shall be personally liable, except when the partnership ratifies the transaction.

Prohibition Concerning an General Partner

Article 107

The rule of Article 83 shall apply to a general partner.

Limited Partner's Rights

Article 108

A limited partner may inspect the partnership's books and request a transcript of its annual

financial statement. In case of refusal the district court shall, on the motion of such partner, order that these be placed at the disposal of the partner.

Limited Partner's Participation in Profits and Losses

Article 109

(1) Where a limited partner has not paid in full the stipulated contribution, such contribution shall be deducted from its share of the profits.

(2) A limited partner shall participate in losses up to the amount of the stipulated contribution. It shall not be bound to pay back any profits it has received to offset subsequent losses.

Prohibition on Distribution of Profits

Article 110

Where at the end of a calendar year it is established that a partnership has shown losses which affect the contributions made, no profits shall be distributed before the contributions have been restored to their stipulated amounts.

Section III

Partners' Legal Relationships With Third Parties

Liability of Limited Partner

Article 111

A limited partner shall be liable towards the partnership's creditors to the extent of its stipulated contribution, even when it has not been paid in full.

Liability Prior to Registration

Article 112

A limited partner shall bear unlimited liability with respect to transactions entered into by it in the name of the partnership prior to its formation, or after such formation whenever the creditor did not know that it was contracting with a limited partner.

CHAPTER THIRTEEN

LIMITED LIABILITY COMPANY

Section I

General Provisions

Definition

Article 113

A limited liability company may be formed by one or more persons which shall be liable for the company's obligations with their contributions to the company's registered capital.

Form of Memorandum of Association

Article 114

(1) (New, SG No. 103/1993) The Memorandum of Association shall be executed in writing.

(2) (Previous Article 114, SG No. 103/1993) A partner may be represented by an agent holding a special power of attorney with notarized signature.

(3) (New, SG No. 103/1993) When the limited liability company is formed by one person, a constitutive deed shall be drawn up instead of Memorandum of Association.

Content of Memorandum of Association

Article 115

The Articles of Association shall state:

1. (amended and supplemented, SG No. 124/1997) the company's trade name, seat, and head-office address;
2. the purposes and the time period for which the company is being set up;
3. (supplemented, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) the name or, respectively, the trade name, the seat and standard identification code, as well as the address of each partner;
4. (supplemented, SG No. 84/2000, amended, SG No. 82/2009) the amount of the capital.
5. the interests of the partners;
6. the management and manner of representation;
7. the privileges of the partners, where agreed upon;

8. other rights and obligations of the partners.

Trade Name

Article 116

(1) The trade name of a company shall contain the extension "druzhestvo s ogranichena otgovornost" [limited liability company] or the abbreviation "OOD".

(2) Should all the capital be owned by one person, the trade name shall contain the extension "ednolichno OOD" [single person limited liability company]

Capital and Shares

Article 117

(1) (Amended, SG No. 100/1997, SG No. 82/2009) The capital of a limited liability company may not be not less than BGN 2. It shall consist of the participating interests of the members, and no interest may be smaller than BGN 1.

(2) (Amended, SG No. 66/2005, SG No. 82/2009) The sum total of the participating interests must be equal to the capital, and the value of each participating interest must be a multiple of 1.

(3) The interests of the individual partners may be of unequal value.

(4) An interest may be held jointly by several persons.

Liability of Founders

Article 118

(1) The founders shall be liable jointly and severally before the company for damages caused in the course of its formation, if they have not acted with due care.

(2) The founders shall not be entitled to remuneration for the formation of the company from the registered capital.

Registration

Article 119

(1) For registration of a company in the commercial register it shall be necessary:

1. to file the Articles of Association;

2. to have an appointed manager or managers;

3. (amended, SG No. 84/2000, repealed, SG No. 82/2009);

4. (amended, SG No. 100/2008, SG No. 82/2009) payment up of the minimum amount of capital prescribed by the Act.

(2) (Amended, SG No. 50/2008) The particulars under Items 1, 2, 3, 4 (only the amount of the capital) and 6 of Article 115 shall be recorded in the register and shall be disclosed.

(3) (New, SG No. 114/1999, amended, SG No. 39/2005) For recording in the commercial register the performance of a business activity as an investment intermediary and of any other activity for which a separate law stipulates the performance thereof after obtaining permission from a government authority, the respective license or permission shall be presented.

(4) (New, SG No. 84/2000) In case of amending or supplementing the Articles of Association, a copy of the articles containing all amendments and supplements and certified by the body representing the company, shall be presented at the Commercial Register.

Section II

Partners' Rights and Obligations

Shares

Article 120

(1) Each partner shall pay up or contribute its interest as provided in the Articles of Association.

(2) (Repealed, SG No. 84/2000).

Consequences of Failure to Pay Up or Contribute One's Share

Article 121

(1) The failure to pay up or contribute an interest shall constitute grounds for the expulsion of a partner from the company. A partner which has failed to pay up or contribute its interest within a specified period shall owe interest at a rate determined by operation of law, and compensation for damages in excess of such interest.

(2) Where the interest cannot be paid up or contributed by the partner owing such payment or contribution, and cannot be sold to a third party, the remaining partners must pay up the balance in proportion to their interests or reduce the company's registered capital in accordance with established procedures.

Admitting a New Partner

Article 122

A new partner shall be admitted by the general meeting upon an application in writing, in which it shall state that it accepts the terms of the Articles of Association. The resolution to admit the partner shall be registered in the commercial register.

Partners' Rights

Article 123

Each partner shall be entitled to take part in the management of the company, in the distribution of profits, to be informed of the company's affairs, to review the company's books and to liquidation proceeds.

Partners' Obligations

Article 124

The partners must pay up or contribute their interests, take part in the management of the company, provide assistance for the carrying out of its activities, as well as carry out the resolutions of the general meeting.

Termination of Participation in a Company

Article 125

(1) The participation of a partner shall be terminated upon:

1. death or disability;
2. expulsion;
3. dissolution and liquidation, in the case of a legal person;
4. bankruptcy.

(2) A partner may terminate its participation in a company with a notice in writing made at least 3 months prior to the termination.

(3) Accounts shall be settled on the basis of the balance sheet for the last day of the month of termination of the participation.

Expulsion of a Partner

Article 126

(1) (Amended, SG No. 58/2003) A partner which has not paid up or contributed its interest stake shall be deemed expelled if it fails to pay up or pay in its stake within a time limit as determined additionally by the general meeting, which cannot be less than one month. The time period shall be determined by a majority of one half of the capital. The manager shall inform the partner in writing of such additional time period and warn it of the expulsion.

(2) In the case of para 1 the partner shall lose its title to any contributions made.

(3) A partner may be expelled by the general meeting following a notice in writing where it:

1. fails to perform its obligations for providing assistance for the carrying out of the activities of the company;

2. fails to abide by resolutions of the general meeting;

3. acts against the interests of the company.

4. (new, SG No. 84/2000, amended, SG No. 58/2003) fails to make an additional cash payment, in case the partner has not exercised its right to retire referred to in article 134, paragraph (2).

Company Share

Article 127

Each partner shall have a company interest in the company's assets the amount of which shall be determined in proportion to its interest in the registered capital, unless otherwise agreed.

Certificate of Participation

Article 128

The certificates issued to the partners for evidencing their participation in the company shall not be negotiable securities.

Transfer of Shares

Article 129

(1) An interest in a limited liability company may be transferred and inherited. The transfer of an interest from one partner to another shall be unrestricted, and the transfer to third parties shall be subject to the provisions for admitting new partners.

(2) An interest in a limited liability company shall be transferred with notarized signatures and shall be registered in the commercial register.

Liability upon Transfer

Article 130

The transferee shall be liable jointly and severally with the transferor for any payments to the registered capital due at the date of transfer.

Partition of a Share

Article 131

The partition of an interest shall be admissible only with the consent of the partners, unless otherwise agreed.

Joint Ownership of an Interest

Article 132

Where one interest belongs to several persons they may exercise their rights over it only jointly. They shall be liable jointly and severally for any obligations arising from such interest. The joint owners of the interest shall designate a person to represent them before the company.

Profits and Payments

Article 133

(1) The partners cannot claim their interests as long as the company exists. They are only entitled to part of the profits in proportion to their interests, unless otherwise agreed.

(2) No interest on the partner's profits may be agreed upon.

Additional Monetary Contributions

Article 134

(1) For covering losses and in case of temporary shortage of cash the partners may be required, by a general meeting resolution, to make additional monetary contributions within a fixed period. The additional contributions shall be in proportion to the respective interests in the capital, unless otherwise determined.

(2) (Amended, SG No. 58/2003) A partner which has not voted for the decision referred to in paragraph (1) shall have the right to terminate its participation in the company in accordance to article 125, paragraphs (2) and (3). This right shall be exercisable within one month following the meeting, for partners that have attended or have been legitimately invited, or following the notice, for all other partners.

(3) (Amended, SG No. 58/2003) The additional contributions shall not affect the company's registered capital. It may be agreed that the company shall pay interest on them. Article 73c shall not apply to refunds of additional cash contributions.

Section III Management

Types of Organs

Article 135

(1) The company's organs shall be:

1. the general meeting;
2. the manager (managers).

(2) The manager does not necessarily have to be a partner.

General Meeting of Partners

Article 136

(1) The general meeting of partners shall consist of the partners.

(2) The company's manager shall take part in the general meeting's sittings in a consultative capacity.

(3) Where the number of employees exceeds 50, they shall be represented in the general meeting in a consultative capacity.

Powers of the General Meeting

Article 137

(1) The general meeting shall:

1. amend the Articles of Association;
2. (amended, SG No. 103/1993) admit and expel partners, give consent on the transfer of an interest to a new partner;
3. approve the annual report and balance sheet, distribute the profits and resolve on their payment;

4. resolve on the increase or decrease of the registered capital;
5. appoint a manager, fix his remuneration and relieve him of liability;
6. resolve on setting up or closing down branches and participation in other companies;
7. resolve on the acquisition or alienation of real property and real rights therein;
8. resolve on bringing a company action against the manager or comptroller and appoint an attorney to proceed with the suits against them;
9. resolve on additional monetary contributions.

(2) Each partner has as many votes in the general meeting as its interest of the capital, unless the articles provide otherwise.

(3) (Amended, SG Nos. 103/1993, 84/2000, supplemented, SG No. 58/2003) Resolutions under Items 1, 2 and 9 of para 1 shall be adopted with a majority of more than three quarters of the capital, and resolutions under Item 4 - unanimously; a greater majority may be provided in the Articles of Association. The partner whose expulsion is put to a vote shall not vote and its interest stake shall be deducted from the capital when determining the majority. All remaining resolutions shall be adopted with a majority of the capital, unless the articles provide otherwise.

(4) The partners may vote by proxy only when such proxy holds a special power of attorney in writing; the above rule shall not apply to partners which are legal persons or to agents by operation of law.

(5) The general meeting shall adopt resolutions on labor and social issues only after hearing the position of a representative of the company's employees.

Convening a General Meeting

Article 138

(1) A general meeting shall be convened by the manager at least once every year.

(2) The manager shall also convene a general meeting upon the request in writing of the partners whose interests amount to at least one tenth of the capital. Should the manager fail to convene a general meeting within two weeks, the partners which have requested its convening shall be entitled to do so.

(3) (Supplemented, SG No. 58/2003) The manager shall convene a general meeting immediately should the losses exceed one fourth of the registered capital, and also when the net worth of the company's property under article 247a, paragraph (2) should fall below the amount of the registered capital.

Notice of General Meeting

Article 139

(1) The general meeting shall be convened by a notice in writing received by each partner at least 7 days before the date of the meeting, unless the articles provide otherwise. The notice shall specify the business to be transacted.

(2) general meeting resolutions may be adopted in absentia when all partners have stated in writing their consent for the resolution.

Registration of Resolutions

Article 140

(1) The general meeting resolutions which are related to registrations pursuant to Article 119, para 2 shall be registered in the commercial register.

(2) Para 1 shall apply to the resolutions of the owner of a single person company.

(3) (New, SG No. 84/2000, amended, SG No. 58/2003) Resolutions related to amending or supplementing the Articles of Association or termination of the company shall come into effect after their entry in the Commercial Register.

(4) (New, SG No. 58/2003) Increase or reduction of capital, admission or expulsion of a partner, transformation of the company, election or dismissal of a manager, as well as appointment of a liquidator shall come into effect after their entry in the Commercial Register.

Management and Representation

Article 141

(1) The manager shall organize and direct the activities of the company in accordance with the law and the general meeting resolutions.

(2) (Supplemented , SG No. 84/2000) The company shall be represented by the manager. Where several managers have been appointed each one of them may act independently, unless the articles provide otherwise. Other restrictions of the representative power of the manager shall not have effect with regard to third persons.

(3) (Amended, SG No. 84/2000, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The name of the manager, who shall present a notarized consent with a specimen signature, shall be registered in the commercial register.

(4) (New, SG No. 58/2003) The empowerment of the manager can be withdrawn at any time and his name can be removed from the commercial register.

(5) (New, SG No. 58/2003, amended, SG No. 38/2006, effective 1.07.2007 - amended, in

relation to becoming effective, SG No. 80/2006) The manager may request his own removal from the commercial register under a written notice addressed to the company. Within one month of receiving such notice, the company must apply for registration of his discharge in the commercial register. If the company fails to do so, the manager may declare for registration this circumstance himself and that entry shall be made regardless of whether another person has been elected to replace him.

(6) (New, SG No. 66/2005) The empowerment and its removal will have effect in regard to good faith third parties as of its registration.

(7) (New, SG No. 58/2003, renumbered from Paragraph 6, SG No 66/2005) Relations between the company and the manager shall be regulated under a management contract. The contract shall be executed in writing on behalf of the company by a person authorized by the general meeting of partners, or by the sole proprietor.

(8) (New, SG No. 14/2011, effective 15.02.2011) A managing director may not be a person who has declared insolvency, as well as a person who has occupied the position of a manager, or an ex member of a managing or controlling body of a company that was suspended due to insolvency, in the last two years prior to the date of the decision to declare insolvency, in case there were unsatisfied creditors.

Prohibition on Competition

Article 142

(1) Without the consent of the company the manager may not:

1. effect commercial transactions in his own or in a third party's name;
2. participate in partnerships and partnerships limited by shares, and in limited liability companies;
3. hold positions in managing organs of other companies.

(2) The limitations under para 1 shall apply when the activities carried out are similar to those of the company.

(3) (Amended, SG No. 58/2003) For violations of his obligations under para 1 the manager shall owe indemnity for damages caused to the company.

Company Books

Article 143

(1) The company shall keep a book of interests and minutes book on the general meeting resolutions.

(2) The value of each partner's interest, the payments made and all relevant changes thereto shall be recorded in the book of interests.

(3) The manager shall be responsible for the regular keeping of the company books.

Comptroller

Article 144

(1) The articles may provide for the appointment of a comptroller (comptrollers) who shall supervise the observance of the articles, the taking of proper care of the company's property and shall report to the general meeting.

(2) The following may not be comptrollers:

1. the managers, their deputies and company employees;

2. spouses, descendants or ascendants and collateral relatives to the third degree of the persons under the preceding Item;

3. persons who with a sentence have been deprived of the right to hold a position of financial accountability.

(3) In a single person company the comptroller shall be appointed by the owner.

Liability of the Manager and the Comptroller

Article 145

The manager and the comptroller shall be financially liable for damages caused to the company.

Auditors

Article 146

(1) (Supplemented, SG No. 38/2006, effective 1.07.2007 - amended, in respect of entry into effect, SG No. 80/2006, amended, SG No. 67/2008) The company's annual financial statement shall be audited by one or several auditors, who shall be registered auditors in the cases provided for by a law.

(2) Such audit shall be a condition for approving the annual financial statement.

(3) The auditors shall be appointed by the general meeting before the expiration of the calendar year. They shall be liable for the proper and unbiased audit and for maintaining confidentiality.

(4)(New, SG No. 84/2000, amended, SG No. 66/2005, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The adopted annual financial statement shall be presented at the Commercial Register.

Management of a Single Person Limited Liability Company

Article 147

(1) The single owner of the capital shall manage and represent the company either personally or through an appointed by it manager. In case the owner is a legal person the manager of such legal person or a person designated by him shall manage the company.

(2) (Supplemented , SG No. 84/2000) The single owner of the capital shall resolve on the issues falling within the powers of the general meeting, minutes of which shall be taken in the relevant form for the general meeting resolutions.

(3) (New, SG No. 84/2000) Agreements between the single owner and the company, when it is represented by the single owner, shall be concluded in a written form.

Section IV Amending the Articles of Association

Increase of Capital

Article 148

(1) The registered capital may be increased through:

1. increasing the value of the interests;
2. subscribing new interests;
3. admitting new partners.

(2) The partners may increase the value of the interests pro rata to their holdings, unless the Articles of Association or the general meeting resolution provide otherwise.

Reduction of Capital

Article 149

(1) (Amended, SG No. 70/1998, No. 84/2000) The registered capital may be reduced to not less than the minimum amount, established by law, by a resolution to amend the Articles of Association observing the requirements of Articles 150 and 151. In such a case, a simultaneous reduction or increase of the registered capital may be made under the procedure of article 203.

(2) The resolution shall state the purpose of the reduction, its amount and the manner through which it shall be accomplished.

(3) The reduction may be effected through:

1. reducing the value of interests;
2. cancellation of the interest of a partner which has terminated its participation;
3. relieving of the obligation to pay up the unpaid portion of the registered capital.

Notice to Creditors

Article 150

(1) (Supplemented, SG No. 66/2005, amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The resolution to reduce the registered capital shall be submitted to the Commercial Register and published. With the publication thereof it shall be considered that the company has declared readiness to provide security for claims or to pay its obligations as of the moment of publication to the creditors which do not agree with the reduction.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The creditor's consent for the reduction shall be assumed if within three months of the publication they do not express in writing their objection.

(3) (Repealed, SG No. 84/2000).

Registration of the Reduction

Article 151

(1) The amendment to the articles with which the registered capital is reduced shall be registered upon expiration of the time period specified in the previous article.

(2) Attached to the application for registration shall be proof of observance of the requirements of Article 150 and a statement in writing of the manager that either security has been provided or the debt has been repaid to the creditors which have not consented to the reduction.

Creditors' Protection

(Heading amended, SG No. 104/2007)

Article 152

(1) (Redesignated from Article 152, SG No. 104/2007) If the data provided by the managing director for recordation of the reduction are untrue, he shall be liable for the damages caused to the creditors to the extent they could not be satisfied from the company. Where there are several managing directors, they shall be liable solidarily.

(2) (New, SG No. 104/2007) Any creditor referred to in Article 150 (1), who has expressed his opposition to the time limit under Article 150 (2) and has not received satisfaction or sufficient security of the claim thereof within the said time limit, may approach the court with a motion to duly grant an injunction for the claim thereof according to the procedure for securing of actions by means of a garnishment or preventive attachment. The injunction shall be dissolved if recordation of the reduction of capital is refused or if the creditor receives satisfaction of the claim thereof.

Payments Pursuant to Reduction

Article 153

(Supplemented, SG No. 84/2000)

Payments to the partners pursuant to a reduction of the registered capital may be made only after the reduction has been registered, and after the creditors who have not agreed with the reduction have received security or payment.

Section V Dissolution and Liquidation of the Company

Dissolution of the Company

Article 154

(1) The company shall be dissolved:

1. with the expiration of the term set in the articles;
 2. (amended, SG No. 84/2000) upon decision of the partners adopted with a three quarters majority of the interests, unless the articles provide for a greater majority;
 3. through a consolidation or merger with a joint-stock company or another limited liability company;
 4. upon being declared bankrupt;
 5. by a decision of the district court in cases provided for by law.
- (2) The articles may provide for other grounds for dissolution of the company.

Dissolution by a Decision of the Court

Article 155

(Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006)

The company may be dissolved by a decision of the district court of its registered office upon:

1. an action by the partners showing serious cause. The action shall be brought against the company if the plaintiffs' interests represent more than one fifth of the registered capital;
2. (amended, SG No. 84/2000) an action by the public attorney where the activities of the company are in contravention to the law.
3. (new, SG No. 58/2003) an action by the public attorney where for three months there has not been any manager registered for the company.

Liquidation of a Company

Article 156

- (1) In the case of dissolution of a company pursuant to Article 154, Items 1, 2 and 5 and Article 155 a liquidation procedure shall be initiated.
- (2) The company's liquidator shall be its manager, except where another person has been appointed with the articles or with a resolution of the general meeting.
- (3) Upon request of the comptroller or of partners holding at least one tenth of the interests the court may appoint another liquidator.
- (4) The liquidation of the company shall be performed pursuant to Chapter Seventeen.

Dissolution of a Single Person Limited Liability Company

Article 157

- (1) A company in which the capital is owned by a single natural person shall be dissolved upon the death of such person, except where provided otherwise or where the heirs wish to continue its activities.
- (2) Where the capital is owned by a single legal person the company shall be dissolved with the dissolution of that legal person.

CHAPTER FOURTEEN JOINT-STOCK COMPANY

Section I General Provisions

Definition

Article 158

(1) A joint-stock company is a company the capital stock of which is divided into shares. The company shall be liable before its creditors with its assets.

(2) The trade name of the joint-stock company shall include the extension "aktsionerno druzhestvo" [joint-stock company] or the abbreviation "AD".

Number of Founders

Article 159

(Amended, SG No. 84/2000)

(1) A joint-stock company may be found by one or more natural or legal persons.

(2) When a joint-stock company is formed by one person, a constitutive deed shall approve the Statutes and appoint the first supervisory board or board of directors.

(3) The constitutive deed shall be drawn up in writing.

Founders

Article 160

(1) (Amended, SG No. 84/2000) Founders are those persons who have subscribed shares at the constituent meeting.

(2) Persons declared bankrupt may not be founders.

Capital and Shares

Article 161

(1) The capital stock and the value of the shares shall be designated in leva.

(2) (Amended, SG Nos. 100/1997, 84/2000) The minimum value of the capital stock of a joint-stock company shall be 50 000 leva.

(3) (Amended, SG Nos. 25/1992, 70/1998) The minimum amount of the capital stock required for performing banking, insurance activities or voluntary health insurance activities shall be determined by a separate law.

(4) (Supplemented, SG Nos. 84/2000, 66/2005) The capital stock must be fully subscribed. The company may not subscribe shares from its capital. Should this prohibition be violated at the incorporation of the company, the founders shall be jointly liable for the subscribed shares. If any one person subscribes shares on its behalf and at the account of the company, they shall be deemed purchased entirely at the account of that person.

Nominal Value of a Share

Article 162

(Amended, SG No. 84/2000)

The minimum nominal value of a share shall be 1 lev. Larger nominal values of shares must be in full leva.

Section II Incorporation

Constituent Meeting

Article 163

(Amended, SG Nos. 63/1995, 84/2000)

(1) A joint-stock company shall be founded at a constituent meeting attended by all the persons subscribing for shares. A founder may be represented by a special proxy whose signature has been certified by the notary public.

(2) Shares shall be subscribed at the constituent meeting.

(3) The constituent meeting shall:

1. take a decision for the incorporation of the company;
2. adopt the Statutes;
3. establish the amount of the incorporation costs;

4. elect a supervisory board, respectively a board of directors.

(4) The decisions pursuant to paragraph 3, Items 1 and 2 shall be adopted unanimously; minutes shall be taken pursuant to article 232.

(5) When a joint-stock company is formed by one person, a constitutive deed shall be drawn up.

Content of the Prospectus

Article 164

(Repealed, SG No. 63/1995)

Content of the Statutes

Article 165

(Amended, SG No. 84/2000)

The Statutes shall contain:

1. the company's trade name, seat, and head-office address;
2. the purposes, and the time period, if any;
3. (supplemented, SG No. 66/2005) the amount of the capital, as well as the portion thereof, which must be paid-in at the foundation of the company, the type and number of shares, the rights of the individual classes of shares, any special terms of their transfer, as well as the nominal value of the individual share;
4. the bodies of the company, their mandate and number of members;
5. the type and value of the non-monetary contributions, if any, the persons making them, the number and nominal value of the shares which they shall be given;
6. the advantages, if any, which the founders, by name, have reserved for themselves;
7. the terms and procedure for issuing callable stock, if such is foreseen;
8. the manner of distribution of profits;
9. the manner of calling the General Meeting;
10. other terms with respect to the incorporation, existence and dissolution of the company.

Contributions

Article 166

(1) (Amended, SG No. 84/2000) Monetary payments shall be made to a fund-raising bank account opened by the managing board, or the board of directors respectively, in the company's name, with an indication of the name of the payer, and any payments with deposited sums shall be effected with the unanimous decision of this body.

(2) The provisions of Articles 72 and 73 shall apply mutatis mutandis to non-monetary contributions.

(3) (New, SG No. 84/2000) If, within three months, the managing board, respectively the board of directors, does not certify to the bank that the company has applied for registration, the payers may withdraw their payments in full. The members of the respective board shall be jointly liable for the payment of the deposited sums.

Interim Certificate

Article 167

(1) (Amended, SG No. 84/2000) For payments or contributions for subscribing to shares the shareholders shall receive interim certificates signed by an authorized member of the managing board, or the board of directors respectively.

(2) The shareholders shall receive their shares upon presentation of interim certificates.

Constituent Meeting

Article 168

(Repealed, SG No. 84/2000)

Subscription

Article 169

(Amended, SG No. 58/2003)

A joint-stock company may be incorporated by subscription to raise capital only if a law specifically provides for the conditions and procedure to do so.

Functions of the Constituent Meeting

Article 170

(Repealed, SG No. 84/2000)

Incorporation of a company with subscribed capital

Article 171

(Repealed, SG No. 84/2000)

Content of the Statutes

Article 172

(Supplemented, SG No. 124/1997, repealed, No. 84/2000)

Liability of Founders

Article 173

(Repealed, SG No. 84/2000)

Requirement for Registration of the Company

Article 174

(1) For the registration of a joint-stock company in the commercial register it shall be necessary that:

1. the Articles of Association have been adopted;
2. the full amount of the capital stock has been subscribed;
3. (amended, SG No. 84/2000) the part of the value of each share as provided in the Articles of Association has been paid up, but not less than 25 per cent of the nominal value or issue price of each share as provided in the Articles of Association;
4. (supplemented, SG No. 58/2003) the members of the board of directors or, respectively, the supervisory and managing board have been appointed;
5. the remaining requirements of the law have been fulfilled.

(2) (Amended, SG No. 84/2000, supplemented, SG No. 58/2003, amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The data pursuant to Article 165, Items 1 - 4, 5 (only the type and the value of the non-monetary contribution) and 10, and the names of the members of the board of directors, or, respectively, the supervisory and managing board, shall be registered in the commercial register. The minutes of the constituent meeting and a list of the persons who have subscribed shares at the incorporation, certified by the managing board or the board of directors, shall be attached to the application for entry. Should the shares be acquired by one person after the incorporation of the company, the name, respectively the trade name and the standard identification code of the shareholder shall be

entered in the register.

(3) (New, SG No. 114/1999, amended, SG No. 39/2005) For recording in the commercial register the performance of banking and insurance activity, activity as a stock exchange, as an investment intermediary, investment company, management company and of any other activity for which a separate law stipulates the performance thereof after obtaining permission from a government authority, the respective license or permission shall be presented.

(4) (New, SG No. 84/2000) Should the Articles of Association be amended or supplemented, a copy of the Articles of Association with the amendments as of the respective date, certified by the person(s) representing the company, shall be provided to the commercial register.

Section III

Shares

Nominal Value of the Shares. Denominations

Article 175

(1) A share shall be a security which shall attest to the fact that its owner participates in the capital stock with the nominal value indicated on it.

(2) A joint-stock company may not issue shares of a different nominal value.

(3) Shares may be issued in denominations of 1, 5, 10 and multiples of 10 shares.

Issue Price

Article 176

(1) The issue price is the price at which the shares shall be purchased by the founders or, respectively, the subscribers in case the capital is raised through subscription.

(2) The issue price shall not be lower than the nominal value. Shares may also be subscribed at a price higher than the nominal value.

(3) The difference between the nominal value and the issue price shall be set aside for the company's reserve fund.

Indivisibility

Article 177

Shares are indivisible. Where a share belongs to several persons they shall exercise their

rights in it jointly by designating a proxy.

Types of Shares

Article 178

(1) Shares may be registered or bearer shares. Preferred shares may also be issued.

(2) (New, SG No. 84/2000) A joint-stock company may also issue book-entry shares. The issuance and disposal of book-entry shares shall be done following a procedure established by a law.

(3) (Renumbered from Paragraph 2, SG No 84/2000) Bearer shares shall not be delivered until payment of their nominal value or issue price.

(4) (Renumbered from Paragraph 3, SG No 84/2000) Where bearer shares are delivered before payment of the full issue price the amount of the installments shall be indicated on them.

Shareholders' Register

Article 179

(Amended, SG No. 101/2010)

(1) The joint-stock company shall keep a shareholders' register in which the names and addresses, Personal Identification Number/Personal Number of Non-resident Person or Unified Identification Code of the owners of registered shares shall be recorded and the type, nominal value and issue price, quantity and serial numbers of the shares shall be indicated. The same shall be applied for interim certificates.

(2) The person or the persons representing the joint-stock company shall ensure recording in the shareholders' register of the circumstances under Paragraph (1) and any changes therein not later than 7 days from submission of the documents in accordance with the provisions of law and the Articles of Association.

Exchange of Shares

Article 180

(Amended, SG No. 84/2000)

Bearer shares shall be exchanged for registered shares and vice versa upon request of the shareholder after payment in full of their price, unless the Articles of Association provide a procedure for this.

Shareholders' Rights

Article 181

(1) A share entitles its owner to one vote in the general meeting of shareholders, to a dividend and to a share in the assets in case of liquidation in proportion to the nominal value of the share.

(2) Where a company issues shares with special rights this must be indicated and provided for in the Articles of Association.

(3) (Supplemented, SG No. 84/2000) The shares providing equal rights form a separate class. Restriction of the rights of individual shareholders of one class shall not be allowed.

Preferred Shares

Article 182

(1) (Supplemented, SG No. 103/1993) Preferred shares may provide a guaranteed or additional dividend or share in the company's assets in case of liquidation, as well as other rights provided for in this Act or the Articles of Association. The Articles of Association may provide that preferred shares have no voting rights, which must be indicated on the respective share.

(2) Preferred shares having no voting rights shall be included in the nominal value of the capital stock.

(3) (New - SG No. 63/1995) It shall not be allowed more than 1/2 of the shares to be non-voting shares.

(4) (Renumbered from Paragraph 3, SG No. 63/1995) Where a dividend due from a preferred share without voting rights is not paid in the course of 1 year and the delayed payment is not made during the following year together with the dividend due for that following year, the preferred share shall acquire voting rights pending payment of the delayed dividends. In this case the preferred shares shall be taken into account in determining the quorum and majority.

(5) (Renumbered from Paragraph 4, SG No 63/1995) In order to adopt a resolution with which the advantages arising from the nonvoting preferred shares are to be restricted, it shall be necessary to obtain the consent of the preferred shareholders, which shall convene at a separate meeting. The meeting may conduct business if not less than 50 per cent of the preferred shares are represented. Resolutions shall be adopted with a vote of at least three quarters of the shares so represented. The preferred shares shall acquire the right to vote upon the removal of the advantages.

Contents of a Share

Article 183

(1) A share shall contain:

1. the designation 'share' for a denomination of one or 'shares' for larger denominations, preceded by the respective number thereof;

2. type of the shares;

3. the number of the denomination and the serial numbers of the shares comprised therein;

4. the trade name and seat of the joint-stock company;

5. the amount of the capital stock;

6. the total number of shares, their individual nominal value and their denomination structure;

7. the coupons and their maturity;

8. the signatures of two persons having authority to bind the company, and the date of issue.

(2) (New - SG No. 63/1995) A printed signature on the share shall also be considered valid signature.

(3) (Renumbered from Paragraph 2, SG No 63/1995) Filled in on the face of a registered share shall be the name of its first owner.

Coupons

Article 184

(1) Unless otherwise provided in the Articles of Association, shares shall be issued with dividend coupons for 20 years.

(2) Coupons may not be transferred separately from the shares.

(3) A coupon shall carry the designation 'Coupon', the trade name of the joint-stock company, the number of the coupon, indication as to the share and its denomination, and the year for which dividend is payable on presentation thereof.

Disposal with shares

(Title amended, SG 58/2003)

Article 185

(1) (Supplemented, SG No. 58/2003) Bearer shares shall be transferred and pledged by delivery.

(2) Registered shares shall be transferred by endorsement which, to be binding on the company, must be recorded in the registered shareholders register. The Articles of Association may provide for other conditions for the transfer of registered shares.

(3) (New, SG No. 58/2003, amended, SG No. 101/2010) Registered shares shall be pledged by endorsement with a qualification "as guarantee", "as pledge", or another phrase meaning security. The pledge shall have effect in respect of the company as from its entry into the registered shareholdersT register. Voting power attached to pledged shares shall be exercised by the shareholder unless the pledge agreement provides otherwise. Article 473 shall not apply in such cases.

(4) (New, SG No. 101/2010) Within 7 days from execution of the endorsement the transferee, the pledgee respectively, shall notify the company and shall file an application for the recording of the transfer, the pledge respectively, in the shareholdersT register.

Liability of Transferor of Registered Shares

Article 186

The transferor of registered shares which have not been fully paid up or from which other obligations towards the company arise shall be liable jointly and severally with the transferee. The transferor's liability shall lapse upon the termination of a period of two years from the date that the transfer was recorded in the shareholders register.

Transfer of Interim Certificates

Article 187

(1) An interim certificate may not be transferred prior to the incorporation of a company.

(2) Transfers of interim certificates shall be subject to the provisions of Article 185, para 2.

(3) (New, SG No. 104/2007, effective 1.07.1991) The transfer of an interim certificate shall have the same effect as a transfer of the shares certified thereby.

Acquisition of own shares

Article 187a

(New, SG No. 63/1995, amended, SG No. 70/1998, No. 114/1999,
repealed, new, SG No. 84/2000)

(1) A company may acquire its own shares only:

1. for reduction of capital under Article 200, Item 2;

2. (amended, SG No. 66/2005) in the case of legal succession, except for transformation;
3. if it is free;
4. if it is involved in securities transactions by occupation and acquires the shares in executing the order of a third person;
5. in the case of expulsion of a shareholder pursuant to article 189, paragraphs 2 and 3;
6. as a result of a forcible execution of a shareholder's obligation to the company;
7. if the shares have been issued as preferred shares for that purpose;
8. in the case of a buy-back.

(2) (Amended, SG No. 66/2005) In the cases under paragraph 1, Items 3, 4, 6, 7 and 8, the shares must have been paid-in in full.

(3) The company shall discontinue the exercising of the rights on own shares until their transfer.

(4) (Amended, SG No. 66/2005) The total nominal value of the own shares acquired pursuant to paragraph 1, except for those acquired under Item 1, shall not exceed 10 percent of the capital; The company shall transfer the possessed own shares exceeding this value within a period of three years.

(5) Should the share acquired in the cases under paragraph 1, Items 2 - 8 not be alienated within the period referred to in paragraph 4, they shall be cancelled and article 200, paragraph 2 shall be applied.

(6) (Amended, SG No. 58/2003) Own shares shall not be taken into account when determining the net value of the company's property according to article 247 a, paragraph 2.

Buy-Back of Shares

Article 187b

(New, SG No. 63/1995, amended, SG No. 114/1999; repealed,
new, SG No. 84/2000)

(1) A joint-stock company may buy back its own shares on the basis of a decision of the General Meeting of the Shareholders, which determines:

1. the maximum number of shares subject to buy-back;
2. (amended, SG No. 104/2007) the terms and procedure under which the board of directors

or the management board shall effect the buy-back within a specified period not longer than five years;

3. the minimum and the maximum buy-back price.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The decision under Paragraph (1) shall be adopted by a majority of the represented capital, and if the buy-back is not expressly provided for in the Articles of Association - by a majority of two-thirds of the represented shares. The decision shall be entered in the commercial register.

(3) (Supplemented, SG No. 66/2005) The buy-back shall be effected pursuant to article 247a, paragraphs 1 and 2. The aggregate face value of shares bought back and of those under Article 187a(4) shall not exceed 10 percent of the capital. In regard to the shares bought back, which exceed this amount, Article 187d shall apply.

(4) (New - SG No. 66/2005) The Managing Board or, respectively, the Board of Directors, shall carry out the buy-back in compliance with the requirements of paragraphs (1)-(3).

Preferred Shares for Buy-Back

Article 187c

(New, SG No. 84/2000)

(1) The Articles of Association may provide for the issue of shares subject to a buy-back under terms and procedure stipulated in it.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The company shall present the buy-back proposal to the commercial register, which shall be made public.

(3) The buy-back may be effected only with sums intended for distribution according to article 247a, paragraphs 1, 2 and 3.

(4) The company shall form a reserve in the amount of the nominal value of all the shares bought back pursuant to paragraph 1. This reserve may be distributed among the shareholders only in case of reduction of the capital by the amount of the shares bought-back, or may be used for increase of the capital.

Inadmissible Acquisition of Own Shares

Article 187d

(New, SG No. 84/2000)

If a company has acquired own shares in violation of articles 187a-187c, such shares shall

be transferred within one year of their acquisition. Otherwise, the shares shall be cancelled and article 200, Item 2 shall be applied.

Disclosure of Information

Article 187e

(New - SG No. 84/2000, amended, SG No. 66/2005, SG No. 105/2006)

The annual activity report of the company shall obligatorily state:

1. the number and the nominal value of own shares acquired or transferred during the year; the portion of the capital, which they represent, as well as the price, at which the acquisition or the transfer took place;
2. the grounds for the acquisitions made during the year;
3. the number and the nominal value of the possessed own shares and the portion of the capital, which they represent.

Cases Equal to Acquisition of Own Shares

Article 187f

(New, SG No. 84/2000)

(1) The provisions of article 187a through 187e shall also apply when:

1. shares of the company are acquired and possessed by one person at the expense of the company;
2. shares of the company are acquired and possessed by another company, in which the first company has, directly or indirectly, a majority of the voting rights, or on which it can, directly or indirectly, exercise control;
3. a company receives as a collateral own shares or shares of a company referred to in Item 2.

(2) (Amended, SG No. 66/2005) When a company has subscribed own shares at its incorporation or during an increase of the capital, they must be transferred immediately. Otherwise the shares shall be invalidated and Article 200, item 2 shall apply. Article 187a(3), Article 187e shall apply to them.

(3) (Supplemented, SG No. 66/2005, amended, SG No. 59/2006) A company shall not provide loans or secure the acquisition of its shares by a third person. This restriction shall not apply to transactions concluded by banks and financial institutions in the course of their usual activity, if as a result of it the net value of the property continues to meet the requirements of

Articles 247a(1) and (2).

Section IV Contributions

Obligation to Make a Contribution

Article 188

(1) (Supplemented, SG No. 84/2000) The shareholders shall be obligated to make contributions for the shares subscribed, which shall cover the fixed by the Articles of Association portion of the value of the shares. The remainder shall be paid in within a period stipulated in the Articles of Association, but not later than two years of the company's registration, or increase of capital respectively.

(2) Partial contributions may vary for individual shareholders, if the Articles of Association provide so expressly.

Consequences of Delaying Contributions

Article 189

(1) The shareholders which have not made their contributions within the specified time periods shall owe interest, unless the Articles of Association do not provide for liquidated damages. In case of a delayed non-monetary contribution, compensation for actual damage suffered may be claimed.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Shareholders whose contributions are overdue, if they do not make the due contributions within one month of written notice to do so, shall be deemed expelled. The notice must be made public in the commercial register unless the transfer of the shares is subject to the consent of the company.

(3) A shareholder so expelled shall lose its shares and any contributions made. The shares of a shareholder so expelled shall be canceled and destroyed. The company shall offer for sale new shares substituting the canceled ones. The contributions made by the expelled shareholder shall be appropriated to the company's reserve fund.

Interest

Article 190

(1) The shareholders shall not be paid interest on contributions made, except in cases provided for in the Articles of Association.

(2) (Amended, SG No. 84/2000) Where the shareholders have made partial contributions in different proportions, interest shall be due on the difference, unless the Articles of Association provide otherwise. Such interest shall be paid from the profit prior to the dividends in accordance with article 247a, regardless of the decision of the General Meeting of the Shareholders concerning the distribution of profit.

(3) The fruits derived from contributions made prior to incorporation shall be in the company's favor, unless the Articles of Association provide otherwise.

Security

Article 191

The Articles of Association may provide that the shareholders shall provide security for the portion not contributed.

Section V Increase of Capital

Prerequisites

Article 192

(1) The capital stock may be increased by issuing new shares, by increasing the nominal value of shares already issued, or by converting debentures into shares pursuant to Article 215.

(2) The general meeting of shareholders resolution to increase the capital stock shall be adopted by a two thirds majority of the votes of the shares represented at the meeting. The Articles of Association may provide for a larger majority, as well as for additional conditions.

(3) (Amended, SG No. 84/2000) Where shares of various classes exist, the resolution shall be adopted by each class.

(4) Where the new shares are to be sold at a price exceeding their nominal value, the minimum sale price shall be specified in the general meeting resolution.

(5) An increase of the capital stock is admissible only after the specified by the Articles of Association amount has been fully paid up.

(6) (New, SG No. 84/2000, supplemented, SG No. 66/2005) In the case of increase of capital in violation of article 161, paragraph 4, the members of the managing board, respectively the board of directors, shall be jointly liable for the contributions for subscribed own shares. If any person subscribes shares on its behalf and at the account of the company, they shall be deemed purchased entirely at the account of that person.

(7) (New, SG No. 63/1995, renumbered from Paragraph 6, supplemented, SG No. 84/2000) In the case of increase of capital Chapter Fourteen, Sub-section II shall apply, respectively, while an increase of capital through subscription shall be effected under terms and procedure established by law.

(8) (New, SG No. 114/1999, renumbered from Paragraph 7, SG No. 84/2000) For the purposes of recording an increase in capital through subscription, it shall be necessary to present a confirmation of a prospectus unless no prospectus is required by the law.

Requirements for Registration of the Increase of Capital

Article 192a

(New, SG No. 84/2000)

(1) To enter the increase of capital in the commercial register, it is required that:

1. the new shares are subscribed;
2. at least 25 percent of the subscribed new shares are paid in;
3. the difference between the nominal value and the issue price of the new shares is paid up.

(2) Should the new shares not be fully subscribed, the capital shall be increased only by the amount of the subscribed shares, if the general meeting resolution on the increase provides for such a possibility.

(3) A list of the persons who have subscribed the new shares, certified by the managing board, respectively the board of directors, shall be provided to the commercial register.

Increase of the Capital Stock by Non-Monetary Contributions

Article 193

(1) (Previous Article 193, SG No. 66/2005) Where the capital stock is increased by non-monetary contributions, the general meeting resolution shall specify the subject of each contribution, the contributor, and the nominal value of shares given for such contribution.

(2) (New, SG No. 66/2005, amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The experts' conclusion under Article 72(2) is a part of the materials under Article 224 and shall be submitted to the Commercial Register for publication together with the decision to increase the capital.

Preferential Right of Shareholders in Emissions of New Shares

(Title amended, SG No. 66/2005)

Article 194

(1) (Amended, SG No. 84/2000) Each shareholder is entitled to acquire a part of the new shares in proportion to its share in the capital stock prior to the increase.

(2) (Amended, SG No. 84/2000) For shares of different classes, the right referred to in paragraph 1 shall apply to the shareholders of the respective class. The rest of the shareholders shall exercise their right after the shareholders of the class in which the new shares are issued.

(3)(New, SG No. 84/2000, amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The right of the shareholders under paragraphs 1 and 2 shall lapse after the expiration of a period of time specified by the general meeting, which shall not be earlier than one month from the date that the invitation to subscribe shares has been made public in the Commercial Register. The invitation to subscribe new shares shall be made public together with the decision for increase of capital in the Commercial Register.

(4) (New, SG No. 84/2000, supplemented, SG No. 66/2005, amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The shareholders' right under Paragraph (1) and (2) may be restricted or forfeited only pursuant to a general meeting resolution passed with two thirds of the votes of the shares represented. The managing board, respectively the board of directors, shall submit a report on the reasons for the restriction or forfeiture of the rights and shall justify the issue price of the new shares. The general meeting resolution shall be submitted to the commercial register for publication.

Conditional Increase of the Capital

Article 195

The increase of the capital stock may be conditional upon the buying of the shares by certain persons at a certain price, or against debentures issued by the company.

Increase of the Capital Stock by the Managing Board

(Board of Directors)

(Heading amended, SG No. 84/2000)

Article 196

(1) (Previous Article 196, amended and supplemented, SG 84/2000) The Articles of Association may empower the managing board, or the board of directors as the case may be, to increase the capital stock up to a certain nominal amount in the course of five years from the date of incorporation, by issuing new shares. A resolution to the same effect may also be passed by amending the Articles of Association in accordance with the provision of article 192, paragraph 3, for a period not exceeding five years from the date of registration of the amendment.

(2) (New, SG No. 84/2000) In the case of increase of capital pursuant to paragraph 1, article 194, paragraphs 1 and 2 shall apply.

(3) (New, SG No. 84/2000, amended, No. 66/2005) The managing board, respectively the board of directors, may preclude or restrict the shareholders' right referred to in article 194, paragraph 1, only if it is empowered to do so by a general meeting resolution adopted by a majority of two thirds of the votes of the represented shares. The power may not be given for a period longer than the period referred to in paragraph 1. In such a case, the increase of capital may also be effected under the procedure of articles 193 and 195.

Increase of the Capital Stock from Company Funds

Article 197

(1) The general meeting may resolve to increase the capital stock by partial capitalisation of profits. The resolution shall be adopted within three months from the date that the financial statement for the previous year is approved, with a majority of the votes of three quarters of the shares represented at the meeting.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The company's balance sheet shall be presented and the fact that the increase is from the company's own funds shall be explicitly stated upon filing the resolution to increase the capital.

(3) (Supplemented, SG No. 84/2000) The new shares shall be allocated among shareholders, including the company if it possesses its own shares, on a pro rata basis. Any general meeting resolution in contravention of the latter provision shall be null and void.

Receipt of Shares

Article 198

(1) Upon registering the increase of the capital stock pursuant to the preceding article, the supervisory board, or the board of directors as the case may be, shall, without delay, invite the shareholders to receive their shares.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) New bearer shares, which have not been claimed within one year of the date on which the increase of the capital stock is entered in the Commercial Register, shall be sold on the stock exchange. The shareholders' rights shall lapse, and moneys from the sale shall be appropriated to the company's reserve fund.

Section VI

Reduction of Capital

Ordinary Reduction

Article 199

(1) A reduction of the capital stock shall be implemented by a general meeting resolution.

(2) (Amended, SG No. 84/2000) If there are several classes of shares, resolutions of each class of shareholders shall be necessary to reduce the capital stock.

(3) The resolution shall set forth the purpose of the reduction and the method by which it is to be effected.

Methods of Reduction

Article 200

(1) The capital stock may be reduced:

1. by reduction of the nominal value of shares;
2. by cancellation of shares.

Reduction of Capital Stock by Cancellation of Shares

Article 201

(1) Shares may be canceled forcibly or after their acquisition by the company.

(2) (Supplemented, SG No. 84/2000) Forcible cancellation of shares shall be allowed if provided for in the Articles of Association and if the shares were subscribed under that condition.

(3) The prerequisites for, and the method of, forcible cancellation shall be set forth in the Articles of Association.

Protection of Creditors

Article 202

(Amended, SG No. 84/2002)

(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) To creditors whose claims have arisen prior to notification in the Commercial Register of the resolution on the reduction of capital, the provisions of Articles 150 through 153 shall apply.

(2) The provision of paragraph 1 shall not apply when the reduction of capital is made for

the purpose of covering losses. In this case the shareholders shall not be released from the obligation to make contributions.

(3) The provision of paragraph 1 shall not apply when the reduction of capital is made with own shares fully paid-in and acquired for free or with funds under 247a, paragraphs 1 - 3. In such a case, article 187c, paragraph 4 shall apply respectively.

Simultaneous Reduction and Increase of the Capital

(Title new, SG No. 83/1996, amended, SG No. 84/2000)

Article 203

(Amended, SG No. 83/1996, No. 84/2000)

(1) The capital of a company may be simultaneously reduced and increased in such a way that the reduction takes effect only if the envisaged increase of capital is made.

(2) In the cases under paragraph 1, the capital may be reduced to a level below the minimum established by law, if at least this minimum is achieved with the increase of capital.

(3) The provision of article 202, paragraph 1 shall not apply, if, as a result of the increase, the amount of capital before its change is achieved or exceeded.

Section VII Debentures

Procedure for Issuing Debentures

Article 204

(1) (Amended, SG No. 114/1999, SG No. 58/2003) Debentures may only be issued by a joint-stock company. The issuance of debentures by public offering may be done at least two years after the company's recordation in the commercial register at the earliest, and provided it has two annual financial statements that have been approved by the general meeting.

(2) (Amended, SG No. 114/1999) The requirements under para 1 shall not apply to debentures issued or secured by a bank or by the State.

(3) (Amended and supplemented, SG No. 61/2002) Resolutions to issue debentures may be adopted by the general meeting of shareholders, which may duly authorise the board of directors, or the managing board, respectively, following the procedure set out in Article 196.

(4) Debentures of same issue and same nominal value shall rank *pari passu*.

(5) (New - SG No. 63/1995, supplemented, SG No. 61/2002) Debentures may be in the form of debenture stock and debenture certificates. The rules for shares stipulated in this Act, with the exception of Article 176, para 2, and Article 184, para 2, shall apply to the issue, transfer and pledge of debenture stock and debenture certificates.

Requirements and Procedure for Offering

Article 205

(Amended, SG No. 63/1995; No. 61/2002)

(1) Issuance of debentures through subscription and through other forms of public offering shall be done in accordance with terms, conditions and procedures as prescribed by law.

(2) In issuing debentures in cases other than those referred to in para 1, the company shall prepare a proposal for subscribing debentures that shall contain, at the minimum:

1. The resolution referred to under Article 204, para 3;
2. (repealed, SG No. 58/2003);
3. The total nominal value and the issue price of the debenture loan;
4. Number, type, nominal value and issue price of the debenture offered, and any restrictions envisaged as to their transfer;
5. For interest-bearing debentures, time to maturity of the debentures, the redemption schedule of the loan, including grace period, if any, interest payments, the method of their accrual and the period of payment;
6. For debentures with other forms of yield, the method of generating the yield and payment maturities;
7. Type and size of collateral, if any;
8. Method and term of payment of interest and principal;
9. Start and end date, and a place and procedure for subscribing the debentures;
10. Terms for subscribing the debentures;
11. Minimum and maximum size of cash contributions raised, under which the loan shall be considered contracted.

(3) Debentures shall be issued only upon full payment of the issue price.

(4) In the resolution referred to in Article 204, para 3, on issuing a non-public issue of

debentures, a provision may be made that the legal provisions regarding the trustee of debenture-holders and realization of a public issue of debentures, respectively, shall apply.

Holding of Offering

(Title amended, SG 61/2002)

Article 206

(1) (Amended, SG No. 61/2002) The raising of moneys and the delivery of the debentures shall be performed by a bank or an investment intermediary.

(2) (Amended, SG No. 61/2002) Subscribers shall pay the relevant moneys into a third-party transaction account with a bank specified by the company. The sums in the said account may not be used prior to the announcement referred to in para 6.

(3) (Amended, SG No. 61/2002) Under the resolution referred to in Article 204, para 3, the conditions under which the loan is to be considered contracted shall be specified. An obligatory condition shall be that the issue price of all subscribed debentures must be paid in full.

(4) (Amended, SG No. 61/2002). Within 14 days of the close of subscription, the company shall enter into a contract with a bank, establishing the terms and procedure of servicing payments under the debenture loan.

(5) (Amended, SG No. 61/2002) Should the term referred to in Article 205, para 2, Item 9, expire short of compliance with the terms provided for the contracting of the loan, moneys paid up shall be reimbursed to the subscribers together with such interest as accrued by the bank.

(6) (New, SG No. 61/2002, amended, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Within one month following the end date for subscribing the debentures as referred to in Article 205, Item 9 of Paragraph (2), the managing body of the company shall present at the Commercial Register for publication an announcement of the contracted debenture loans, stating:

1. the loan size;
2. the date as of which the term to maturity begins;
3. the maturity date, for interest and principal payments;
4. the bank as per para 4 servicing payments under the debenture loan;
5. the place, date, time and agenda of the first general meeting of debenture-holders.

(7) (New, SG No. 61/2002, amended, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The date for holding the first general meeting of debenture-holders may not be later than 30 days following the publication referred to in

Paragraph (6). The place for holding the meeting may not differ from the company's domicile.

(8) (New, SG No. 61/2002) The company shall immediately inform representatives of the debenture-holders as referred to in Article 209 and the bank servicing payments under the debenture loan of any changes in its business activity that are relevant to its obligations under the debentures issued.

Nullity of a Resolution to Issue Debentures

Article 207

Any decision of the company relating to the following shall be null and void:

1. A change in the terms under which debentures have been subscribed;
2. Issuing new debentures under preferential terms of redemption, unless there is agreement by the general meetings of debenture-holders of preceding unredeemed issues.

First general meeting of debenture-holders

(Title new, SG No. 103/1993)

Article 208

(Amended, SG No. 61/2002)

The first meeting of debenture-holders shall be deemed legitimate provided one half of the subscribed loan is represented.

Representation of Debenture-Holders

Article 209

(1) The holders of debentures of the same issue shall form a group for the protection of their interests before the company.

(2) The group shall be represented by trustees elected by the general meeting of debenture-holders. These trustees may not be more than three.

Limitations on Representation

Article 210

(1) The following may not be trustees as per the preceding article:

1. the debtor company;

2. (amended, SG No. 61/2002) persons related to the debtor company;
 3. companies which have guaranteed, in part or in total, the liabilities assumed;
 4. members of the supervisory board, the managing board or the board of directors of the company, or descendants, ascendants and spouses thereof;
 5. persons who are prohibited by law from serving on company governing bodies;
- (2) Trustees may be recalled by a general meeting resolution of debenture-holders.

Powers of the Trustee

Article 211

Trustees may perform acts to protect the debenture-holders' interests pursuant to resolutions of the general meeting of debenture-holders.

Participation of Trustees in the General Meeting of Shareholders

Article 212

(1) The trustees of debenture-holders may participate in the general meeting of shareholders without the right to vote. They may obtain information under the same terms as shareholders.

(2) Where decisions are adopted concerning the performance of obligations under the terms of the debenture loan, the general meeting of shareholders shall hear the opinion of the debenture-holders' trustees.

Remuneration of Trustees

Article 213

(1) The remuneration of the debenture-holders' trustees shall be fixed by the company and shall be paid on its account. Should the company fail to fix such remuneration, the general meeting of debenture-holders shall do so.

(2) Should the company object to the amount so fixed, the remuneration shall be fixed by an order of the district court upon application by the trustees.

General Meeting of Debenture-Holders

Article 214

(1) (Supplemented, SG No. 61/2002, amended, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The general meeting of

debenture-holders shall be convened by the trustees of the debenture-holders through an invitation posted in the Commercial Register at least 10 days prior to the meeting date.

(2) (Amended, SG No. 61/2002) The general meeting may also be called upon the request of the holders of not less than one-tenth of the respective debenture issue, or, if liquidation proceedings have commenced, upon the request of the liquidators of the company.

(3) The trustees of the debenture-holders shall be bound in duty to call the general meeting of debenture-holders upon receipt of notice from the governing bodies of the joint-stock company as to:

1. a proposed amendment of the company's purposes or type, or for transformation of the company;

2. (amended, SG No. 61/2002) a proposal to issue a new issue of preferred debentures.

(4) Each issue of debentures shall constitute a separate general meeting.

(5) The provisions for the general meeting of shareholders shall apply *mutatis mutandis* to the general meeting of debenture-holders.

(6) The general meeting of shareholders shall be bound in duty to review a general meeting of debenture-holders resolution.

Section VIII

Conversion of Debentures into Shares

Resolution on Conversion of Debentures into Shares

Article 215

(1) The general meeting may resolve on the issuing of convertible debentures. This type of debentures may not be issued by companies in which the State owns more than 50 per cent of the capital stock. The shareholders may subscribe preferentially such debentures under the terms which apply to a subscription for a new issue of shares.

(2) The procedure for the conversion of debentures into shares shall be specified in the general meeting resolution on the issuing.

(3) The general meeting of shareholders may lay down the terms under which holders of debentures which are not redeemable by conversion into shares may so convert them.

(4) The issue price of the converted debentures may not be lower than the nominal value of the shares which the debenture-holders would acquire by conversion.

(5) In case of reduction of the capital stock because of losses through a reduction of the number of shares or of the nominal value thereof, the rights of debenture-holders shall be reduced proportionally.

Terms of Validity of Resolution to Issue of New Debentures

Article 216

A resolution to issue new debentures convertible into shares shall be valid subject to approval by the general meeting of debenture-holders which have acquired the right to convert debentures into shares.

Conversion upon Increase of Capital Stock

Article 217

Upon adoption of a resolution to increase the capital stock, the managing board, or the board of directors as the case may be, shall determine the period within which debentures may be converted into shares. This period may not exceed three months.

Registration of the Altered Capital Stock

Article 218

(Amended, SG No. 61/2002)

The managing board, or the board of directors, as the case may be, shall apply for registration of the increase in the capital stock occurring as a result of conversion of debentures into shares.

Section IX

Joint-Stock Company Organs

Types of Organs

Article 219

(1) (Previous Article 219, SG No. 84/2000) The joint-stock company organs shall be:

1. the general meeting of shareholders;
2. the board of directors (one-tier system), or the supervisory board and the managing board (two-tier system).

(2) (New, SG No. 84/2000) In a single person joint-stock company, the single owner of the

stock shall decide on issues within the competence of the general meeting.

Subsection I

General Meeting of Shareholders

Composition of the General Meeting

Article 220

(1) (Supplemented, SG No. 58/2003) The general meeting comprises the voting shareholders. A voting shareholder may participate in a general meeting either in person or by proxy. No member of the board of directors or of the supervisory or managing board, as the case may be, may be proxy for any shareholder.

(2) (Amended, SG No. 58/2003) Shareholders holding privileged non-voting shares and the members of the board of directors, or of the supervisory board and managing board as the case may be, where such members are not shareholders, shall participate in general meeting proceedings without the right to vote.

(3) (New, SG No. 58/2003) Where a company has more than 50 employees, they shall be represented in the general meeting by one person with a consultative vote. Their proxy shall have the rights referred to in Article 224.

Competence

Article 221

The general meeting shall:

1. amend the Articles of Association;
2. resolve on increase or reduction of the capital stock;
3. resolve on transformation and dissolution of the company;
4. (amended, SG No. 58/2003) elect and recall the members of the board of directors, or of the supervisory board as the case may be;
5. (new, SG No. 58/2003) determine the remuneration of the members of the supervisory board, or of the board of directors as the case may be, who will not be assigned the company's management, including their right to receive a part of the company's profits, and to acquire shares in and debentures of the company;
6. (renumbered from Item 5, SG No. 58/2003, amended SG No. 67/2008) appoint and dismiss registered auditors;

7. (renumbered from Item 6, supplemented, SG No. 58/2003, amended, SG No. 67/2008) approve the annual financial statement as audited by the appointed registered auditor, resolve on profit distribution, replenishment of the Reserve Fund and payment of dividend;

8. (renumbered from Item 7, SG No 58/2003) resolve on issuing of debentures;

9. (renumbered from Item 8, SG No 58/2003) appoint liquidators upon dissolution of the company, except in the event of bankruptcy;

10. (renumbered from Item 9, SG No 58/2003) relieve of responsibility the members of the supervisory board and managing board, or of the board of directors as the case may be;

11. (renumbered from Item 10, SG No 58/2003) resolve on other matters which by virtue of the law or the Articles of Association are in its competence.

Holding of General Meeting

Article 222

(1) (Amended and supplemented, SG No. 58/2003) A general meeting of shareholders shall be held at least once a year at the seat of the company, unless its articles of incorporation stipulate another location on the territory of the Republic of Bulgaria.

(2) (New, SG No. 58/2003) The first general meeting shall be held within 18 months of incorporation and subsequent regular meetings shall be held not later than 6 months after the end of the reporting year.

(3) (New, SG No. 84/2000, renumbered from Paragraph 2, SG No 58/2003) Should losses exceed one half of the capital, a general meeting shall be held not later than three months of establishing the losses.

(4) (Renumbered from Paragraph 2, SG No 84/2000, renumbered from Paragraph 3, SG No 58/2003) The general meeting shall elect a chairman and a secretary of the meeting, unless the Articles of Association provide otherwise.

Convening the General Meeting

Article 223

(1) (Amended, SG No. 58/2003) The general meeting shall be convened by the board of directors, or by the managing board as the case may be. A general meeting may also be convened by the supervisory board, as well as on the request of the owners which have held, for more than 3 months, shares representing at least 5 per cent of the stock.

(2) (Amended, SG No. 33/1999, amended and supplemented, SG No. 58/2003) Where within one month following the request of shareholders - holders of at least 5 per cent of the capital, pursuant to paragraph (1), such request has not been granted, or if a General Meeting has

not been held within 3 months after submission of such request, the District Court shall call a General Meeting or shall authorize the shareholders who requested the Meeting, or a representative thereof, to call a Meeting. The fact that the stock has been held for more than 3 months shall be established before the court under a notarized statement of certification.

(3) (Amended, SG Nos. 100/1997, 84/2000, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The general meeting shall be convened by notice posted in the Commercial Register. If no bearer shares are issued, the Statutes may provide that the general meeting is convened only by invitations in writing.

(4) As a minimum the notice shall state:

1. the trade name and seat of the company;
2. the place, date and hour of the meeting;
3. the type of general meeting;

4. the formalities, if provided for in the Articles of Association, to be satisfied for attendance and exercise of the right to vote;

5. (amended, SG No. 61/2002) the agenda and business to be transacted, and specific proposals for resolutions.

(5) (Amended, SG No. 100/1997, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The time period from the posting in the Commercial Register until the opening of the meeting shall be no less than 30 days.

Including Items in the Agenda

Article 223a

(New, SG No. 58/2003)

(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Shareholders who for more than three months have owned shares representing at least 5 percent of the Company capital stock can, following the posting a notice in the Commercial Register or the sending out of invitations, also include other subjects on the General Meeting agenda.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Not later than 15 days prior to the opening of the General Assembly the persons as per par. (1) shall file with the Commercial Register a list of the items to be included in the agenda, together with any motions for decisions. By virtue of being posted in the Commercial Register, said issues shall be considered as listed on the proposed agenda.

(3) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming

effective, SG No. 80/2006) The fact that the stock has been held for more than 3 months shall attested to by a declaration.

(4) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Not later than on the next business day following the posting the shareholders shall submit the list of the items, any motions for decisions and the written materials related to those at the registered seat and management address of the company. Article 224 shall also apply accordingly.

Right to Information

Article 224

(1) (Previous Article 224, amended SG No. 58/2003, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) All papers relative to the agenda of a general meeting must be placed at the disposal of the shareholders not later than the date of posting the the announcement or mailing of the notice thereof.

(2) (New, SG No. 58/2003) Where the agenda includes the election of members of the board of directors, or of the supervisory board as the case may be, the papers referred to in paragraph (1) shall also include data concerning the names, permanent addresses and professional qualifications of persons nominated for board membership. This rule shall apply also when the item has been included in the agenda following the procedure set out in Article 223a

(3) (New, SG No. 58/2003) Such papers shall be available free of charge to any shareholder on demand.

List of Participants

Article 225

A list shall be drawn up of the shareholders or proxies present at the meeting, and the respective number of shares owned or represented. The shareholders or proxies shall certify their presence at the meeting by signature. The list shall be authenticated by the chairman and the secretary of the meeting.

Proxy

Article 226

A shareholder shall have the right to attend a general meeting by proxy executed in writing.

Quorum of Shareholders

Article 227

(1) (Previous Article 227, amended, SG No. 58/2003) The Articles of Association may

provide for a quorum of the shareholders.

(2) (New, SG No. 58/2003) Decisions referred to in Article 221, items 1 through 3 may be taken only if at least half of the equity is represented at the general meeting. Articles of incorporation may stipulate a larger quorum requirement as well.

(3) (New, SG No. 58/2003) In the absence of such quorum in the cases referred to in paragraphs (1) and (2) a new meeting date may be set which shall not be sooner than in 14 days, and the general meeting at such latter date shall be valid regardless of the equity represented. The date of such second meeting may be stated in the original notice as well.

Voting

Article 228

(1) Voting rights shall originate upon payment of the contribution, unless otherwise provided in the Articles of Association.

(2) (Amended, SG No. 58/2003) Where a proposed resolution affects the rights of a class of shareholders, the votes shall be taken class by class, whereby quorum and majority requirements shall apply separately for each class.

Conflict of Interest

Article 229

A shareholder may not, either in person or by proxy, vote on:

1. actions brought by the company against it;
2. proceedings to realize the liability of such shareholder to the company.

Majority

Article 230

(1) General meeting resolutions shall be passed by majority vote of the shares represented, unless the law or the Articles of Association provide otherwise.

(2) (Amended, SG No. 58/2003) Resolutions under 221, Items 1, 2 and 3 (for termination only), shall require a majority of at least two thirds of the shares represented. The Articles of Association may provide for another, larger majority for these cases.

(3) (New, SG No. 58/2003) Where the law or articles of incorporation stipulate that voting should occur class by class, quorum and majority rules shall apply separately for each class.

Minority

Article 230a

(New, SG No. 84/2000; Repealed, SG No. 58/2003)

Resolutions

Article 231

(1) (Amended, SG No. 58/2003, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The general meeting may not pass resolutions on matters have not been announced pursuant to Articles 223 and 223a, unless all shareholders are present or are represented at the meeting and no one objects to the submission of such matters to debate.

(2) General meeting resolutions shall take effect immediately, unless such effect is deferred.

(3) (Amended, SG Nos. 100/1997, 84/2000, 58/2003) Resolutions to amend or supplement the Articles of Association, or dissolve the company shall take effect after registration in the commercial register.

(4) (New, SG No. 58/2003) Increase or reduction of capital, transformation of the company, election or dismissal of members of the boards, as well as appointment of liquidators shall come into effect after their entry in the Commercial Register.

Minutes

Article 232

(1) The minutes of a general meeting shall be kept in a special book and shall comprise:

1. the place, date and hour of the meeting;
2. the names of the chairman and the secretary, and of the vote tellers;
3. the attendance of the managing and the supervisory board, and of other persons which are not shareholders;
4. the motions made on the substance of the debate;
5. the votes taken and the results thereof;
6. the objections made.

(2) The minutes of the meeting shall be signed by the chairman and the secretary, and by the vote tellers.

(3) Attached to the minutes shall be:

1. the list of participants;
2. the documents relative to the convening of the meeting.

(4) (New, SG No. 58/2003, amended, SG No. 59/2007) Upon the request of a shareholder or a board member, the general meeting session may be attended by a notary public who shall be tasked with preparing the fact-finding memorandum referred to in Article 593 of the Code of Civil Procedure . A transcript of the fact-finding memorandum shall be attached to the minutes of the general meeting.

(5) (Renumbered from Paragraph 4, SG No 58/2003) The minutes and the documents attached thereto shall be kept on file for not less than five years. Any shareholder shall have the right to inspect the file on demand.

Resolutions of a Single Owner

Article 232a

(New, SG No. 84/2000)

A written record shall be drawn up of the resolutions of the single owner of the stock.

Subsection II

General Provisions for the Two Systems of Administration

Terms of Office

Article 233

(1) The members of the board of directors, the supervisory board and managing board shall be elected for not more than a five-year term of office, unless a shorter term is provided for in the Articles of Association.

(2) The members of the first board of directors, or of the first supervisory board as the case may be, shall be elected for not more than a three-year term of office.

(3) Directors may be reelected for any number of terms.

(4) (New, SG No. 84/2000, supplemented, SG No. 58/2003) The members of the board of directors and of the supervisory board may be also dismissed before the end of the term for which they have been elected.

(5) (New, SG No. 58/2003, amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) A member of the Board may request his/her own

removal from the commercial register under a written notice addressed to the company. Within one month of receiving such notice, the company must apply for registration of his discharge in the commercial register. If the company fails to do so, said Board member may declare for registration this circumstance himself and that entry shall be made regardless of whether another person has been elected to replace him.

Directors

Article 234

(1) A director may be any natural person possessing capacity. Where the Articles of Association so provide, a director may be a legal person. In this case the legal person shall designate a representative for performance of its duties on the board. The legal person shall bear unlimited liability and shall be liable jointly and severally with the other directors for the liabilities arising from acts of its representative.

(2) A person may not be a director, if it:

1. (amended, SG No.84/2000) has been a member of a managing or controlling body of a company dissolved on grounds of bankruptcy in the last two years preceding the date of the decision for declaring bankruptcy and there remain unsatisfied creditors;

2. (repealed, SG No. 84/2000);

3. does not meet other requirements provided for in the Articles of Association.

(3) (New, SG No. 58/2003) Board members shall be registered in the commercial register, where they shall present a notarized consent and a statement certifying that no obstacles as referred to in paragraph (2) exist.

Representative Powers

Article 235

(1) The members of the Board of Directors, or of the Managing Board as the case may be, shall represent the company collectively, unless otherwise provided by the Statutes.

(2) The board of directors, or, as the case may be, the managing board subject to approval by the supervisory board, may delegate authority to one or several of its members to represent the company. The authority so delegated may at any time be revoked.

(3) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The names of the authorized representatives of the Company shall be listed in the Commercial Register. For registration they shall present notarized signatures.

(4) (Amended, SG No. 84/2000) Restrictions on the mandate of the board of directors, the managing board or the persons authorized by them pursuant to the paragraph 2 shall not be

binding upon third parties.

(5) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The authorization and the revocation thereof shall be binding upon bona fide third parties after registration and publication.

Contracts of the Single Owner

Article 235a

(New, SG No. 84/2000)

Agreements between the single owner and the company, when it is represented by the single owner, shall be concluded in a written form.

Special Rules on Transacting Deals

Article 236

(Amended and supplemented, SG No. 103/1993, amended SG No. 58/2003)

(1) A company's articles of incorporation may provide for certain deals to be transacted upon obtaining the permission of the supervisory board in advance, or upon the unanimous decision of the board of directors, as the case may be. Such restrictions may be imposed also by the supervisory board, or the board of directors, as the case may be.

(2) The following deals may be transacted only upon a decision of the general meeting of shareholders:

1. transfer or provision of the use of the entire commercial enterprise;
2. disposal with assets the total value of which exceeds, in the current year, half of the value of assets of the company as per its most recent audited annual financial statements;
3. assumption of liabilities or provision of collateral to one person or to related parties, the amount of which exceeds, in the current year, half of the value of assets of the company as per its most recent audited annual financial statements.

(3) A company's articles of incorporation may expressly provide that deals referred to in paragraph (2) may be transacted upon a decision of the board of directors, or the managing board, as the case may be. In such a case, it shall be necessary to obtain the unanimous decision of the board of directors, or the permission of the supervisory board in advance, as the case may be.

(4) Any transaction concluded in violation of paragraphs (1) through (3) shall be valid, and the person which has concluded it shall be liable before the company for any damages.

Rights and obligations

Article 237

(Supplemented, SG No. 84/2000, amended SG No. 58/2003)

(1) Board members shall have equal rights and obligations, regardless of any internal division of functions among them and the provision of management and representation rights to any of them.

(2) Board members must perform their functions with the care of a good merchant and in the interest of the company and of all shareholders.

(3) A person nominated for member of a board must, prior to his election, notify the general meeting of shareholders, or the supervisory board, as the case may be, of his participation in any companies as an unlimited liability partner, of holding over 25 per cent of the equity in any other company, and of his participation in the management of other companies or cooperatives as a procurator, manager or board member. When these circumstances should arise after such person has been elected to the board, he must issue a written notice forthwith.

(4) Members of the board of directors and the managing board shall not have the right, on their own behalf or on behalf of another, to execute business transactions, participate in companies as procurators, managers or board members of other companies or cooperatives when thus engaging in a competitive activity vis-a-vis the company. This restriction shall not apply if the articles of association allow it expressly, or where the body which elects the board member has given its express consent.

(5) Board members shall not disclose any information they have become aware of in that capacity, if that could affect the activity and development of the company, including after they are no longer board members. This obligation shall not apply to information which, pursuant to a law, is accessible to third parties or has already been disclosed by the company.

(6) Paragraphs (1) through (5) shall apply also to natural persons who represent legal persons that are board members, in accordance with Article 234, paragraph (1).

Quorum and Majority

Article 238

(1) The boards may pass resolutions if at least half the directors are present, whether in person or represented by another director. No director present may represent more than one absent director.

(2) Resolutions shall be passed by a simple majority, unless otherwise provided by the Articles of Association.

(3) The Articles of Association may provide that the board may pass resolutions in absentia if all directors have stated in writing their approval for the resolution.

(4) (New, SG No. 58/2003) Not later than the beginning of a session, a board member shall be obliged to notify in writing its chairman that he, or a party related to him, has an interest in an item raised for discussion and shall not participate in decision-making on that issue.

Minutes

Article 239

(Supplemented, SG No. 58/2003)

Minutes shall be kept of all resolutions of the managing board, the supervisory board and the board of directors which shall be signed by all present members of the respective board, whereas the way in which each of them has voted on the issues under discussion shall be noted.

Liability

Article 240

(1) The directors shall deposit a guarantee for their management of the affairs of the company in an amount determined by the general meeting, but not less than their three month gross income. The guarantee may be in the form of shares or debentures deposited with the company.

(2) The directors shall be liable jointly and severally before the company for any damages caused through a fault of theirs.

(3) Any director may be held harmless if it is established that it has no fault for the damage suffered by the company

Liability upon the Request of Shareholders

Article 240a

(New, SG No. 58/2003)

Shareholders holding at least 10 per cent of the company's equity may file a claim demanding that members of the board of directors, or the supervisory board or managing board, as the case may be, be held liable for damages caused to the company.

Contracts with Board Members and Parties Related to Them

Article 240b

(New, SG No. 58/2003)

(1) Board members shall be obliged to notify in writing the board of directors, or the

managing board, as the case may be, when they, or parties related to them, are entering into a contract with the company that goes beyond its usual business or materially deviate from market terms.

(2) Contracts referred to in paragraph (1) shall be executed on the basis of a decision of the board of directors, or the managing board, as the case may be.

(3) Any transaction concluded in violation of paragraph (2) shall be valid, and the person which has concluded it having known or been able to learn that such a decision is not in place, shall be liable before the company for any damages.

Subsection III

Two Tier System

Managing Board

Article 241

(1) The joint-stock company shall be managed by a managing board which shall act under the control of a supervisory board.

(2) The members of the managing board shall be appointed by the supervisory board, which shall determine their remuneration and shall have the right to recall them at any moment.

(3) No person may simultaneously serve on both the managing board and the supervisory board of one company.

(4) (Amended, SG No. 58/2003) The number of members of the managing board shall range between 3 and 9 people and shall be determined by the Articles of Association.

(5) The rules of procedure of the managing board shall be approved by the supervisory board.

(6) (New, SG No. 58/2003) Relations between the company and a member of the managing board shall be dealt with in a management contract. The contract shall be executed in writing on behalf of the company through the chairman of the supervisory board or a member authorized by him.

Supervisory Board

Article 242

(1) The supervisory board may not take part in the management of the company. The supervisory board shall represent the company only in its relationship with the managing board.

(2) (Amended, SG No. 84/2000) The members of the supervisory board shall be appointed

by the general meeting of shareholders. Their number may be from three to seven.

(3) The supervisory board shall adopt its own rules of procedure and shall appoint a chairman and vice chairman from among its members.

(4) (New, SG No. 58/2003) The supervisory board shall meet for regular sessions at least once every three months.

(5) (Renumbered from Paragraph 4, SG No 58/2003) The chairman shall call meetings of the supervisory board on his own initiative, as well as upon request by the members of the supervisory board or the members of the managing board.

(6) (New, SG No. 58/2003) Relations between the company and a member of the supervisory board shall be dealt with in a contract. The contract shall be executed on behalf of the company through a person authorized by the general meeting of shareholders or by the sole owner.

Reporting and Supervision

Article 243

(1) (Supplemented, SG No. 58/2003) The managing board shall report on its activity to the supervisory board at least once every three months. The report shall also contain the relevant data as specified in Article 247, paragraphs (2) and (3).

(2) The managing board shall immediately inform the chairman of the supervisory board of all circumstances which have arisen which are material to the company.

(3) The supervisory board may at any time require that the managing board provide information or a report on any matter concerning the company.

(4) (Supplemented, SG No. 58/2003) The supervisory board may carry out any necessary investigations in performance of its duties, whereas its members shall have access to all the necessary information and documents. For purposes of such investigation it may employ the services of experts.

Subsection IV

One Tier System

Board of Directors

Article 244

(1) (Amended, SG No. 84/2000) The company shall be managed and represented by a board of directors. The board of directors shall consist of minimum three and maximum nine directors.

(2) The board of directors shall adopt its own rules of procedure and shall elect a chairman and vice chairman from among its members.

(3) The board of directors shall meet regularly not less than once every three months to discuss the company's state of affairs and prospects for development.

(4) (Amended, SG No. 58/2003) The board of directors shall assign the management of the company to one or several executive members elected from among its members, and shall determine their remuneration. Executive members shall be fewer than the remaining members of the board.

(5) Each of the officers must immediately inform the chairman of the board of all circumstances which have arisen which are material to the company.

(6) Each director may request that the chairman call a meeting to discuss particular matters.

(7) (New, SG No. 58/2003) Relations between the company and an executive member of the board shall be dealt with in a management contract which shall be executed in writing on behalf of the company through the chairman of the board of directors. Relations with the remaining members of the board shall be dealt with in a contract which shall be executed on behalf of the company through a person authorized by the general meeting of shareholders or by the sole owner.

Section X

Annual Closing of Accounts and Distribution of Profits

Documents

Article 245

(Amended, SG No. 105/2006, SG No. 67/2008)

Annually, not later than the 31st day of March, the board of directors or the management board, as the case may be, shall draw up the annual activity report and the financial statement for the previous calendar year, and shall submit these to the registered auditors elected by the General Meeting.

Reserve Fund

Article 246

(1) The company shall set up a reserve fund.

(2) The sources of financing the reserve fund shall be:

1. At least one tenth of profit which shall be set aside until the fund's assets reach one tenth or more of the company's capital stock or such other larger proportion as the Articles of Association may provide;

2. the proceeds obtained in excess of the nominal value of shares and debentures upon their issuing;

3. the total of the additional payments made by the shareholders for preferences given them with shares;

4. other sources provided for by the Articles of Association or by a general meeting resolution.

(3) Disbursements from the reserve fund may be made only for:

1. covering losses for the current year;

2. covering losses for the previous year.

(4) When the assets of the reserve fund exceed one tenth of the company's capital stock, or any other larger proportion thereof as may be provided for in the Articles of Association, the excess amount may be used for increase of the capital stock.

Contents of Annual Report

Article 247

(1) (Previous Article 247, SG 58/2003, SG No. 105/2006) The annual activity report shall comprise a review of the company's activity over the year and its current state of affairs, and the accounting notes to the annual financial statement.

(2) (New, SG No. 58/2003) It shall be obligatory to indicate the following in the activity report:

1. the sum total of remunerations paid out to members of the boards during the year;

2. company shares and debentures acquired, held and transferred by members of the boards during the year;

3. rights of members of the boards to acquire shares and debentures in the company;

4. participation of members of the boards in any companies as unlimited liability partners, holdings of over 25 per cent of the equity in any other company, and their participation in the management of other companies or cooperatives as procurators, managers or board members;

5. contracts referred to in Article 240b executed during the year.

(3) (New, SG No. 58/2003) The report shall also state the business policy planned for the following year, including anticipated investments and personnel development, anticipated return from investments and development of the company, and any forthcoming transactions of material significance for the company's operations.

Pay-out of Dividends and Interest

Article 247a

(New, SG No. 84/2000)

(1) (Amended, SG No. 58/2003) Dividends and interest pursuant to article 190. Paragraph 2 shall be paid out only if the respective annual financial statement, audited and adopted according to Section XI, shows that the net worth of the property reduced by the amount of dividends and interest to be paid-out is not less than the amount of the company's capital, "Reserve" fund and the other funds the company may be obliged to form by the Articles of Association or by law.

(2) (Amended, SG No. 58/2003) Within the meaning of paragraph 1, the net worth of the property is the difference between the company's assets and liabilities according to its balance sheet.

(3) The payments under paragraph 1 shall be made up to the amount of the profit for the current year, the undistributed profits from previous years, the part of the "Reserve" fund and the other funds of the company in excess of the minimum set by law or the Articles of Association, reduced by the uncovered losses from previous years and the allowances for the "Reserve" fund and the other funds the company is obliged to form by law or the Articles of Association.

(4) If payments have been made without the prerequisites under paragraphs 1-3, the shareholders are not obliged to return the received amounts unless the company proves that the shareholders have known or could have known about the lack of prerequisites.

(5) (New, SG No. 58/2003) The company shall be obliged to pay out the dividend to its shareholders as voted by the general meeting within three months of holding such meeting unless a longer period is stipulated in its articles of incorporation.

Section XI

Annual Audit

Object and Scope of Audit

Article 248

(1) (Amended, SG No. 67/2008) The annual financial statement shall be audited by the registered auditors appointed by the General Meeting.

(2) The audit shall have as its object to ascertain whether the provisions of the Accountancy Act and the Articles of Association on annual closing have been observed.

Appointment and Liability of Registered Auditors

(Title amended, SG No. 67/2008)

Article 249

(1) (Amended, SG No. 50/2008, SG No. 67/2008) Where the General Meeting has failed by the end of the calendar year to appoint registered auditors, the registration official of the Registry Agency, acting on a petition by the board of directors or by the management board or by the supervisory board, as the case may be, or by an individual shareholder, shall appoint such accountants.

(2) (Amended, SG No. 67/2008) The registered auditors shall assume responsibility for the bona fide and unbiased performance of audit, and nondisclosure of secrets.

Registered Auditors' Report

(Title amended, SG No. 67/2008)

Article 250

(Amended, SG No. 105/2006, SG No. 67/2008)

Upon receipt of the report of the registered auditors, the management board shall submit it to the supervisory board, together with the annual financial statement and annual activity report. The management board shall also submit the draft resolution on distribution of profit to be discussed by the General Meeting.

Approval of Annual Closing of Accounts

Article 251

(1) The supervisory board shall verify the annual financial statement, the annual report and the draft on distribution of profit, and shall, upon approval thereof, resolve to call a regular general meeting of shareholders.

(2) In the one-tier system the draft on distribution of profit shall be prepared by the board of directors, which shall then convene the general meeting.

(3) (Supplemented, SG No. 58/2003, amended, SG No. 67/2008) The annual financial statement may not be adopted by the General Meeting without an audit by registered auditors. The registered auditor shall participate in the meeting of the supervisory board, or the board of directors, as the case may be, as stipulated in Paragraphs (1) and (2).

(4) (Amended, SG No. 84/2000, amended and supplemented, SG 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The verified and adopted annual financial statement shall be submitted for posting at the Commercial Register.

Examination at the Request of Shareholders

Article 251a

(New, SG No. 58/2003)

(1) Shareholders holding at least 10 per cent of the company's equity may request the general meeting to appoint an examiner tasked to examine the annual financial statements.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Should the general meeting fail to adopt a decision to appoint an examiner, the shareholders referred to in paragraph (1) may request the appointment of one from the regional court in the region of which the company's seat is located.

(3) The appointed examiner shall prepare a report of his findings which shall be presented at the next general meeting.

(4) The cost of the examination shall be at the expense of the company.

Section XII Termination

Grounds for Dissolution

Article 252

(1) (Previous Article 252, SG No. 58/2003) A joint-stock company shall be dissolved:

1. by resolution of the general meeting of shareholders;

2. upon the expiration of the time period for which it was formed. The general meeting may pass a resolution to dissolve the company prior to the expiration of the said period;

3. upon a declaration of bankruptcy;

4. (amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) by a ruling of the court with which the company is registered upon an action brought by the public attorney where the company pursues objectives prohibited by law;

5. (amended, SG No. 58/2003) when the net worth of the company referred to in Article

247a, paragraph (2) drops below the amount of the registered capital; if within a period of one year the general meeting fails to pass a resolution to reduce capital, to transform or terminate the company, the termination shall be effected pursuant to Item 4;

6. (new, SG No. 58/2003) if for a period of 6 months the number of members of a board of the company has been less than the minimum number specified in the law, it may be terminated following the procedure set out in Item 4;

7. (renumbered from Item 6, SG No 58/2003) upon the occurring of the grounds provided for in the Articles of Association.

(2) (New, SG No. 58/2003) A sole-owner joint-stock company shall not terminate upon the death or termination of the sole owner of its equity.

CHAPTER FIFTEEN PARTNERSHIP LIMITED BY SHARES

Definition

Article 253

(1) A partnership limited by shares shall be formed by articles of incorporation, whereby limited partners are issued with shares against their contributions to the capital. The limited partners shall be not less than three.

(2) The provisions for the joint-stock company shall apply mutatis mutandis to the partnership limited by shares, unless this chapter provides otherwise.

(3) The trade name of a partnership limited by shares shall include the extension, "Komanditno druzhestvo s aktsii" [Partnership limited by shares], or the abbreviation "KDA".

Founders

Article 254

(1) The partnership limited by shares shall be formed by the general partners. They shall have the right to select shareholders among subscribers.

(2) The general partners shall draw up the Articles of Association and shall convene the constituent meeting.

Contributions

Article 255

(1) The amount of the partners' contributions shall be specified by the Articles of Association.

(2) (Repealed, SG No. 103/1993).

Partnership Organs

Article 256

The organs of the partnership limited by shares shall be those set forth by this Act for a one-tier system joint-stock company.

General Meeting

Article 257

(1) Only limited partners shall have the right to vote in the general meeting. General partners, even when they own shares, shall take part in the meeting in a consultative capacity.

(2) The powers of the general meeting shall be set forth in the Articles of Association.

(3) The general meeting shall submit to consideration and resolve on the requests of limited partners for auditing the activities of the partnership.

Board of Directors

Article 258

The board of directors shall consist of the general partners.

Adoption and Amendment of the Articles of Association

Article 259

(1) The Articles of Association shall be adopted and amended, and the partnership shall be dissolved, subject to the consent of the general partners.

(2) The partnership shall not be dissolved with the death or bankruptcy of a limited partner, unless the Articles of Association provide otherwise.

Liquidation Proceeds

Article 260

The liquidation proceeds of each partner shall be proportionate to its contributions in the partnership.

CHAPTER SIXTEEN
(Amended and supplemented, SG No. 58/2003 - effective
01.01.2004)
TRANSFORMATION OF COMPANIES

Section I
General Provisions

Forms of Transformation

Article 261

(Amended and supplemented SG No. 103/1993, amended, SG No. 84/2000,
No 58/2003)

(1) Companies may be transformed by take-over, merger, splitting, spinning off and spinning off of a sole-owner company, and by changing their legal form.

(2) In all forms of transformation, the transforming, receiving and newly established companies (the companies involved in the transformation) may differ in their type, unless otherwise provided for in a law.

(3) A sole-owner company may transform also by transferring its entire property to the sole owner if that owner is a natural person.

Transforming a Company in Liquidation and in Bankruptcy

Article 261a

(New, SG No. 58/2003)

(1) A company in liquidation may transform under the procedure set out in this chapter if it satisfies the conditions specified in Article 274, paragraph (1).

(2) A company for which bankruptcy proceedings have been initiated may transform if the reorganisation plan envisages that it continue its operations. The rules of this chapter shall apply to such transformation.

Exchange Ratio

Article 261b

(New, SG No. 58/2003)

(1) In a transformation, partners or shareholders in transforming companies shall become partners or shareholders in one or more of the newly established and/or receiving companies. Interest stakes or shares acquired after the transformation must be equivalent to the fair price of interest stakes or shares held prior to the transformation in the transforming company.

(2) To attain an equivalent exchange ratio, cash payments may be made to partners or shareholders in an amount not to exceed 10 per cent of the aggregate nominal value of the interest stakes or shares acquired.

(3) (New, SG No. 66/2005) No shares or stakes in a receiving or a newly formed company may be acquired in exchange of shares or stakes in the transforming company, owned by the receiving company, nor against own shares of the transforming company. This prohibition shall also be valid in regard to persons operating in their own name, but on the account of the company.

Liability of Members of Managing Bodies

Article 261c

(New, SG No. 58/2003)

Members of managing bodies of the transforming and receiving companies shall be liable to the partners and shareholders in the company for any damages resulting from a failure to fulfil their duties in preparing and effecting the transformation.

Retaining Third Party Rights

Article 261d

(1) (New, SG No. 58/2003) In a transformation, any existing pledges and attachments on interest stakes and shares in the transforming companies shall transfer onto the interest stakes and shares in the receiving and/or newly established companies acquired in exchange.

(2) The pledges and attachments being transferred shall be registered ex officio or on the request of creditors in the commercial register or in the book of shareholders maintained by the company or by the Central Depository.

Section II

Transformation by Take-Over, Merger, Splitting, Spinning Off

Take-Over

Article 262

(Amended, SG No. 58/2003)

(1) In case of a take-over, the entire property of one or more companies (transforming companies) is transferred over to one existing company (receiving company), which then becomes their legal successor. Transforming companies shall be terminated without liquidation.

(2) In the case referred to in paragraph (1), it shall not be possible to effect a simultaneous change in the legal form of the receiving company.

Merger

Article 262a

(New, SG No. 52/1998, amended, SG No. 58/2003)

In case of a merger, the entire property of two or more companies (transforming companies) is transferred over to one newly established company, which then becomes their legal successor. Transforming companies shall be terminated without liquidation.

Splitting

Article 262b

(New, SG No. 58/2003)

(1) In case of a splitting, the entire property of one company (transforming company) is transferred over to two or more companies, which then become its legal successors for the respective part. The transforming company shall be terminated without liquidation.

(2) Companies onto which the property of the transforming company is transferred may be existing companies (receiving companies) in the case of splitting through acquisition, newly established companies in the case of splitting through establishment, and both existing and newly established companies at the same time.

(3) It shall not be possible to effect a change in the legal form of the receiving company simultaneously with the splitting.

Spinning Off

Article 262c

(New, SG No. 58/2003)

(1) In case of a spin-off, part of property of one company (transforming company) is

transferred over to one or more companies, which then become its legal successor for that part of the property. The transforming company shall not be terminated.

(2) Companies onto which the part of the property of the transforming company is transferred may be existing companies (receiving companies) in the case of spinning off through acquisition, newly established companies in the case of spinning off through establishment, and both existing and newly established companies at the same time.

(3) It shall not be possible to effect a change in the legal form of the receiving company or of the receiving company simultaneously with the spinning off.

Spinning Off a Sole-Owner Company

Article 262d

(New, SG No. 58/2003)

(1) In case of a spin-off of a sole-owner company, part of property of one company (transforming company) is transferred over to one or more sole-owner limited liability companies or sole-owner joint-stock companies (newly-established companies), whereby the transforming company then become the sole owner of their capital. This transformation may be effected simultaneously with a spin-off as referred to in Article 262c.

(2) To cases of spinning off a sole-owner company, the rules for spinning off by establishment shall apply, to the extent that this Act does not provide otherwise.

Transformation Agreement and Transformation Plan

Article 262e

(New, SG No. 58/2003)

(1) Prior to taking a decision to transform, the receiving and/or transforming companies involved in such transformation shall enter into a transformation agreement.

(2) The transformation agreement may be concluded also after the decision has been taken. In such a case the transforming and receiving companies shall prepare a draft agreement to which all rules concerning the transformation agreement shall apply. In the meaning of this section, the date of the draft agreement shall be considered to be a date of the transformation agreement.

(3) In case of splitting by establishment, spinning off by establishment and spinning off of a sole-owner company, no agreement needs to be concluded. In this case, the transforming company shall prepare a transformation plan.

Form of the Transformation Agreement and Plan

Article 262f

(New, SG No. 58/2003)

(1) The transformation agreement shall be executed by the persons representing the company, in writing, with notarized signatures.

(2) Where a draft agreement is prepared, it must be drawn up in writing with notarized signatures of the persons representing each of the transforming and receiving companies.

(3) The transformation plan shall be drawn up in writing with notarized signatures of the persons from the governing body of the company or of the partners with management rights in a personal company.

Contents of the Transformation Agreement and Plan

Article 262g

(New, SG No. 58/2003)

(1) The transformation agreement deals with the method in which transformation is to be effected.

(2) The transformation agreement shall contain, as a minimum, the following:

1. (supplemented, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) the legal form or, respectively, the trade name, the standard identification code, as well as the address of each of the transforming and receiving companies ;

2. the exchange ratio of the shares or interest stakes as determined as of a specific date;

3. the amount of cash payments, if any have been envisaged pursuant to Article 261b, paragraph (2), and the time period within which payment must be made;

4. a description of the interest stakes, shares or membership which each partner or shareholder acquires in the newly established and/or receiving companies;

5. conditions regarding the distribution and transfer of shares in the newly established and/or receiving companies;

6. the point in time as of which participation in the newly established and/or receiving company entitles to a share in the profits, and any specific terms related to such entitlement;

7. the point in time as of which any action of the transforming companies shall be deemed effected for the account of the newly established or receiving companies for accounting purposes;

8. the rights which the newly established or receiving companies grant to shareholders with special rights and to holders of securities other than shares;

9. any privilege granted to the examiners referred to in Article 262m or to members of the governing and control bodies of companies involved in the transformation.

(3) In addition to the dates referred to in paragraph (2), the transformation plan shall contain also:

1. a precise description and allocation of rights and liabilities from the property of the transforming company which are transferred onto each newly established company;

2. distribution of interest stakes, shares and membership in the newly established and/or transforming companies among partners or shareholders in the transforming companies and the criterion for such distribution.

(4) The exchange ratio shall be determined as of a date which cannot precede by more than 6 months the date of the transformation agreement or plan, nor be later than the date of the transformation agreement or plan.

Effect of the Transformation Agreement

Article 262h

(New, SG No. 58/2003)

(1) The transformation agreement shall take effect as from the time of its execution for each of the transforming and receiving companies. Where the agreement is not approved under the decision to transform any one of the participating companies, it shall be terminated. No liability for damages can be claimed in such a case.

(2) Prior to the decision to transform, the agreement can be terminated by the governing body of the company. After the decision has been taken and prior to the registration of the transformation, the agreement can be terminated only by a decision taken by the respective majority vote as referred to in Article 262q.

Report of the Governing Body

Article 262i

(New, SG No. 58/2003)

(1) The governing body of each of the transforming and receiving companies shall prepare a written report on the transformation. For personal companies, the report shall be drawn up by the partners with management rights.

(2) (Supplemented, SG No. 66/2005) The report referred to in paragraph (1) shall contain a detailed legal and economic rationale for the transformation agreement or plan, and particularly concerning the exchange ratio, and in the case of splitting of spinning off, concerning the

criterion for distributing interest stakes and shares. The report must state data about the appointed examiner and the authorized depositary as referred to in Article 262x, and the difficulties that have emerged in the evaluation, if any. Where the newly established company is a capital company or an increase of the capital of the receiving company is to be performed, the report shall also contain data on the property, passing to this company, based on which the amount of the capital shall be established in compliance with Article 262r(3) and Article 262t(1).

(3) (New, SG No. 108/2008, amended and supplemented, SG No. 101/2010) In the cases referred to in Article 262k(5) and Item 5 of Article 262m(1), the consents of the partners or shareholders shall be attached to the report.

(4) (New, SG No. 101/2010) No report shall be drawn up, if all partners or shareholders in the transforming and acquiring corporations have expressed their consent in writing therefor. In this case the consent for not drawing up such report and the consents under Paragraph (3), if any, shall be submitted to the Commercial Register.

Presentation of the Agreement, Plan and Report in the Commercial
Register

(Heading amended, SG No. 38/2006, effective 1.07.2007 - amended,
in relation to becoming effective, SG No. 80/2006)

Article 262j

(New, SG No. 58/2003)

(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The transformation agreement or plan and the report of the governing body shall be submitted for recordation in the Commercial Register; recordation thereof shall be carried out simultaneously for the merchant files of each transforming or receiving company.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Presentation of the documents referred to in paragraph (1) for the participating equity companies shall be recorded in the Commercial Register not later than 30 days prior to the date of the general meeting convened to take a decision on the transformation.

Examination of the Transformation

Article 262k

(New, SG No. 58/2003)

(1) The transformation agreement or plan and the report of the governing body shall be reviewed by an examiner assigned for the purpose, for each transforming or receiving company.

(2) (Amended, SG No. 58/2003, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The examiner shall be appointed by the governing body or by the managing partners for each transforming or receiving company. Upon the joint request of the managing bodies, the registrar of the Recordation Agency may appoint a joint examiner for all transforming and receiving companies.

(3) The examiner must be a registered auditor. The examiner may not be a person which has, over the past two years, been an auditor of the company which is appointing it or which has produced an evaluation of a in-kind contribution. The appointed examiner may not be elected auditor of any of the companies participating in the transformation for two years following the date of the transformation.

(4) The examiner shall be provided with access to any information and written materials referring to any of the transforming and receiving companies which are relevant to the examiner's task.

(5) (New, SG No. 108/2008) The transformation shall not be examined, if all partners or shareholders in the transforming or acquiring corporations have expressed their written consent to this effect.

Examiner's Report

Article 262l

(New, SG No. 58/2003)

(1) The appointed examiner shall draw up a report from the examination to the partners or the shareholders of the respective company. Where a joint examiner has been appointed, he shall prepare a joint report for all the companies.

(2) The examiner's report must include an assessment of whether the exchange ratio envisaged in the transformation agreement or plan is adequate and reasonable and indicate:

1. methods used in determining the exchange ratio;
2. the extent to which the use of these methods is appropriate and proper in that particular case;
3. the values obtained when using each method, and the relative significance of each method in determining the value of the shares or interest stakes;
4. particular difficulties in the evaluation, if any.

(3) The examiner shall be liable to all companies participating in the transformation and to their partners and shareholders for any damages due to a non-performance of his obligations.

Obligation to Provide Information

Article 262m

(New, SG No. 58/2003)

(1) (Amended, SG No. 101/2010) Prior to adoption of the resolution on transformation, the following shall be made available to the partners and the shareholders:

1. the transformation agreement or plan;

2. the report of the management body;

3. the examiner's report;

4. the annual financial statements and the activity reports of all transforming and acquiring corporations for the past three financial years, if any;

5. (supplemented, SG No. 101/2010) the balance sheet as of the last of the month preceding the date of the transformation agreement or plan, unless the most recent annual financial statements refer to a financial year ended less than six months prior to that date, or the company shall make available the financial statements every 6 months or within shorter periods in accordance with the Public Procurement of Securities Act, or if all partners and shareholders of the transforming or acquiring corporations have expressed their consent in writing for non-submission of the balance sheet;

6. drafts of a new Memorandum or Articles of Association of each of the newly formed corporations, or draft clauses amending and supplementing the Articles or Memorandum of Association of each of the transforming and acquiring corporations, respectively.

(2) (Supplemented, SG No. 101/2010) The papers referred to in Paragraph (1) shall be made available at the registered office and at the address of equity corporations within thirty days prior to the date of the General Meeting. On request, a copy of the materials or abstracts thereof shall be made available to each partner or shareholder free of charge. The papers shall not be made available, if the company publishes them on its website within the same time period and provides full access to them electronically or upon expiry of the time period under Article 263b (1). The papers may furthermore be made available via e-mail where a partner or a shareholder has given his consent to the company to communicate therewith via e-mail.

(3) The time period referred to in paragraph 2 does not need to be observed if all partners or shareholders have voted for the transformation.

(4) The governing bodies of each of the transforming or receiving companies shall be obliged to inform the general meeting of the partners or shareholders of any change in the property rights and obligations that has occurred between the drawing up of the transformation agreement or plan and the day of the general meeting. The governing bodies of the other transforming or receiving companies shall also be informed of such change, which shall be obliged to inform the general meetings of their companies.

(5) (New, SG No. 101/2010) Paragraph 4 shall not apply, if all partners or shareholders in the transforming and acquiring corporations have expressed their written consent therefor.

Decision to Transform

Article 262n

(New, SG No. 58/2003)

(1) The decision to transform shall be taken separately for each transforming or receiving company.

(2) Under the decision to transform, the transformation agreement or plan shall also be approved.

(3) If the general meeting has approved a draft transformation agreement, the governing body of the company shall be obliged to execute it only if this is expressly stipulated in the decision.

(4) Under the decision to transform, the decisions envisaged in this section concerning all changes related to the transformation shall also be adopted.

Majority Requirement in Taking the Decision to Transform

Article 262o

(New, SG No. 58/2003)

(1) A transformation of a general partnership or a limited partnership company shall be done upon the agreement of all partners given in writing with notarization of the signatures.

(2) The decision to transform a limited liability company shall be taken by the general meeting of the partners by a majority vote of the capital.

(3) The decision to transform a joint-stock company shall be taken by the general meeting of the shareholders by a majority vote of the represented shares with voting power. In case of shares from different classes, the decision shall be taken by the shareholders from each class.

(4) To transform a partnership limited by shares, it is necessary to have a decision of the unlimited liability partners taken unanimously in writing with notarization of the signatures, and a decision of the general meeting of the shareholders taken by a majority vote of the represented shares with voting power.

Consent to Transform

Article 262p

(New, SG No. 58/2003)

(1) Where as a result of a transformation a partner in a limited liability company or a shareholder becomes an unlimited liability partner, it is necessary to obtain his express consent.

(2) The consent shall be considered to be given if the partner or shareholder has voted for the decision to transform. In this case the general meeting shall be attended by a notary public who shall draw up a memorandum establishing facts as referred to in Article 488a of the Code of Civil Procedure , a transcript of which shall be attached to the minutes from the general meeting.

(3) If a partner or shareholder has not taken part in the taking of the decision, his consent may be given in writing with a notarization of the signature.

Newly Established Company

Article 262q

(New, SG No. 58/2003)

(1) If in a transformation a new company is being established, under the decision of each of the transforming companies the membership agreement and/or articles of incorporation of each of the newly established companies shall be adopted and bodies shall be elected.

(2) With the adoption of the decision referred to in paragraph 1, the requirements concerning the form of the membership agreement or articles of incorporation shall be considered met.

(3) The size of the capital of a newly established company may not be larger than the net worth of the property being transferred onto the company in the transformation. Article 262t, paragraph 3 shall also apply, accordingly.

(4) For the newly established company the rules for that specific type of company shall respectively apply.

Amendment to the Membership Agreement or Articles of Incorporation

Article 262r

(New, SG No. 58/2003)

(1) Amendments to the membership agreement and/or articles of incorporation of a receiving company which are being made in the course of the transformation shall be adopted under the decision of each of the transforming companies and under the decision of that receiving company.

(2) Amendments to the membership agreement and/or articles of incorporation of a

transforming company shall be adopted under the decision to transform it.

(3) With the adoption of the decision referred to in paragraphs 1 and 2, the requirements concerning the form of the membership agreement or articles of incorporation shall be considered met.

Increase of Capital

Article 262s

(New, SG No. 58/2003)

(1) The capital of a receiving company shall be increased for the purposes of effecting the transformation to the extent that is necessary in order to set up new interest stakes or shares for the partners and the shareholders of the transforming companies. The amount of the increase may not be larger than the net worth of the property that is being transferred onto that company in the transformation.

(2) No increase of capital of a receiving company may be effected when:

1. it holds its own shares, or
2. a transforming company holds shares in the receiving company and they have been fully paid in.

(3) No increase of capital of a receiving company may be effected when:

1. it holds shares in a transforming company;
2. a transforming company holds its own shares, or
3. a transforming company holds shares in the receiving company and they have not been fully paid in.

Verification of Capital

Article 262t

(New, SG No. 58/2003)

(1) (Supplemented, SG No. 108/2008) Where upon transformation an equity company is established or an increase of capital of an acquiring corporation is effected, the examiners of all corporations shall prepare, in addition to the report referred to in Article 262l, a joint report in which they shall verify whether the conditions specified in Article 262q (3) and Article 262s (1) have been met. The joint report shall also be drawn up in the cases referred to in Article 262k (5).

(2) The net worth of the property shall be established as the difference between the fair

price of the rights and the obligations which, in the transformation, are transferred onto the newly established or receiving company.

(3) In cases referred to in paragraph 2, the rules on equity contributions shall not apply.

Reduction of Capital

Article 262u

(New, SG No. 58/2003)

(1) If in a spinning off a reduction of the capital of the transforming company is effected, no payments to the partners and the shareholders may be made. The rules on protection of creditors shall not apply.

(2) Paragraph 1 shall apply also where a receiving company reduces its capital for the purposes of effecting the transformation.

Holders of Special Rights

Article 262v

(New, SG No. 58/2003)

(1) Holders of securities which are other than shares and give special rights must be provided with equivalent rights in the receiving or newly established companies after the transformation.

(2) To the submission of securities referred to in paragraph 1, Article 262x shall apply.

(3) Paragraph 1 shall not apply in case that the meeting of the holders of these securities, if one is provided for by the law, has agreed to the change of the rights attached to them or each holder has separately given his consent to change his right or may present his security holdings for redemption.

Submission of the Shares

Article 262w

(New, SG No. 58/2003)

(1) After a decision to transform has been taken by all participating companies, the governing body of a receiving or newly established joint-stock company or partnership limited by shares shall submit to a depositary the temporary certificates or the shares which must be received by the partners or the shareholders of the transforming companies.

(2) The depositary shall be a natural or a legal person authorized by the governing body of

a separate transforming company. To relations between the depositary and the partners or the shareholders of the transforming company, the rules of an order contract shall apply. The depositary shall not exercise the rights attached to the shares submitted to him.

(3) (Amended, SG No. 58/2003, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Following registration as per Article 263c, paragraph 1 and Article 263d, paragraph 1, the depositary shall be obliged to submit, within two months, the temporary certificates or the shares to the shareholders.

(4) Any temporary certificates or shares not received within the time period set in paragraph 3 shall be returned to the managing body or the receiving or newly established company. Any bearer's shares not claimed within a period of one year shall be sold by the managing body whereas the rights of those which had been their holders shall be extinguished and proceeds shall be posted to the Reserve Fund. The one-year time period shall commence as from the expiry of the time period referred to in paragraph 3.

(5) Where the partners or the shareholders of the transforming companies have to receive dematerialised shares, the governing body of a receiving or newly established company shall state before the Central Depositary the registration of the issue of shares, including the opening of accounts or the transfer of shares already issued. After the registration referred to in Article 263c, paragraph 1 and Article 263d, paragraph 1, the Central Depositary shall register the issue and distribute the shares among the accounts or register the transfer of the shares.

Exchange of Bearer's Shares

Article 262x

(New, SG No. 58/2003)

(1) Holders of bearer's shares in a transforming company shall be named in the list of persons acquiring interest stakes, shares or membership in a newly established or receiving company, in the book of the shareholders kept by the company or by the Central Depositary, or in the commercial register, with an indication of the class and the numbers of shares held by them.

(2) Where a holder of bearer's shares, prior to the declaration of the transformation for registration purposes, should deposit his shares with the company, he shall be indicated by name in the documents referred to in paragraph 1.

(3) After the date of the transformation, any person may request in writing to be indicated by name in the book of the shareholders or in the commercial register by presenting the bearer's shares held by him. Prior to such time, such person may not exercise the rights attached to the interest stakes, the shares or membership acquired in exchange of the respective bearer's shares, and they shall not be taken into the calculation when determining the necessary quorum and majority.

Filing for the Purposes of Registering a Take-Over or a Merger

Article 263

(Amended, SG No. 58/2003)

(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The governing body of each of the transforming companies shall file, for the purposes of recordation in the Commercial Register, a statement of the take-over or merger. Enclosed with the application for recordation shall be the agreement on transformation and the decisions of all companies participating in the transformation.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) In addition to the documents as per paragraph (1), the following shall be enclosed with the application for recordation:

1. (repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

2. (repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

3. a transcript of the membership agreement and/or articles of incorporation of the receiving company, which includes all modifications and amendments, certified by the body which represents the company, if any such modifications and amendments have been made in the transformation;

4. the adopted membership agreement and/or articles of incorporation of the newly established company and the documents necessary for the registration of the bodies elected;

5. (repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

6. the examiners' reports;

7. the expressions of consent under Article 262q;

8. the list of persons acquiring shares, interest stakes or membership in a newly established or receiving company, the type of membership, and data concerning any existing pledges and attachments;

9. the declaration of the depositories stating that they have been handed over the temporary certificates or the shares, or proof, respectively, that the circumstances referred to in Article 262x, paragraph 5 have been stated before the Central Depository.

(3) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

(4) The filing for registration for personal companies shall be made by each of the partners

with management rights.

Filing for the Purposes of Registering a Splitting or Spinning-Off

Article 263a

(New, SG No. 58/2003)

(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The governing body of the transforming company shall file for recordation of the splitting or spinning off in the Commercial Register. The following shall be enclosed with the application for recordation:

1. the transformation agreement or plan and the decisions of all companies participating in the transformation;

2. a transcript of the membership agreement and/or articles of incorporation of the receiving company, which includes all modifications and amendments, certified by the body which represents the company, if any such modifications and amendments have been made in the transformation;

3. the adopted membership agreement and/or articles of incorporation of the newly established company and the documents necessary to register its bodies.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) In addition to the documents as per paragraph (1), the following shall be enclosed with the application for recordation:

1. (repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) ;

2. (repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) ;

3. a transcript of the membership agreement and/or articles of incorporation of the transforming company, which includes all modifications and amendments, certified by the body which represents the company, if any such modifications and amendments have been made in the transformation;

4. (repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

5. the examiners' reports;

6. the expressions of consent under Article 262q;

7. the list of persons acquiring shares, interest stakes or membership in a newly established

or receiving company, the type of membership, and data concerning any existing pledges and attachments;

8. the declaration of the depositories stating that they have been handed over the temporary certificates or the shares, or proof, respectively, that the circumstances referred to in Article 262x, paragraph 5 have been stated before the Central Depository.

(3) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

(4) Filing for registration of a personal company shall be made by one or by all partners with management rights.

Time Limit for Filing for Registration

Article 263b

(New, SG No. 58/2003)

(1) The filing referred to in Article 263, paragraph 2 and Article 263a, paragraph 2 may not be made later than 8 months after the date as of which the exchange ratio is established under the transformation agreement or plan. This time period may not be extended or renewed.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) In cases where a law prescribes that permission for the transformation be obtained, in advance, from a government authority, the filing shall be made within the time period referred to in paragraph 1, and such permission shall be presented to the Commercial Register after it has been issued.

Registration of a Take-Over or a Merger

Article 263c

(New, SG No. 58/2003)

(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The registration of a take-over or merger shall be made by the registrar in charge of the company file of the transforming, receiving or, resp., the newly established company, not earlier than 14 days after the date of filing. Subject to recordation shall also be any changes in the articles of association or the statutes, any change in the capital and changes in the persons managing and representing the receiving company, if any have been made in the transformation.

(2) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

(3) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming

effective, SG No. 80/2006) .

Registration of Splitting and Spinning-Off

Article 263d

(New, SG No. 58/2003)

(1) (Amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The registration of a splitting or spinning off shall be made by the registrar in charge of the company file of the transforming, receiving or, resp., the newly established company, not earlier than 14 days after the date of filing. Subject to recordation shall also be any changes in the articles of association or the statutes, any change in the capital and changes in the persons managing and representing the transforming or receiving company, if any have been made in the transformation. In the event of splitting, the transforming company shall be deleted.

(2) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

(3) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

Refusal to Register the Transformation

Article 263e

(New, SG No. 58/2003, repealed, No. 38/2006, effective 1.07.2007 -

amended, in relation to becoming effective, SG No. 80/2006) .

Notification of creditors

Article 263f

(New, SG No. 58/2003, amended SG No. 38/2006, effective 1.07.2007 -

amended, in relation to becoming effective, SG No. 80/2006) From the moment of recordation, the creditors shall be deemed to have been notified as to their rights in pertinence to the transformation.

Date of the Transformation

Article 263g

(New, SG No. 58/2003)

(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The transformation shall take effect as of the moment of recordation in the Commercial register.

(2) The transformation agreement or plan may provide for an earlier date as from which the actions of the transforming companies are deemed as done for the account of the newly established or receiving companies for the purposes of accounting. This date may not precede by more than 6 months the date of the transformation agreement or plan.

Closing and Opening Balance Sheets

Article 263h

(New, SG No. 58/2003)

(1) Each transforming company which is being terminated shall draw up a closing balance sheet as of the date of the transformation. A copy of the closing balance sheet shall be handed over to each of the receiving or the newly established companies.

(2) Each newly established company shall draw up an opening balance sheet as of the date of the transformation on the basis of the balance sheet values of the assets and liabilities received through the transformation or on the basis of their fair value.

(3) Where the transformation agreement or plan provides for an earlier date, according to Article 263g, paragraph 2, closing and opening balance sheets shall be drawn up as of such date.

Transformation Effects

Article 263i

(New, SG No. 58/2003)

(1) With the registration of the transformation under Article 263c, paragraph 1, or under Article 263d, paragraph 1, as the case may be, the newly established companies shall arise and the transforming companies be terminated, except for a transforming company in the case of splitting.

(2) With the registration of a take-over or merger, the rights and the obligations of the transforming companies shall transfer onto the receiving or newly established company. The partners and the shareholders in the transforming companies shall become partners or shareholders in the receiving or in the newly established company.

(3) With the registration of a splitting, the rights and the obligations of the transforming company shall transfer onto each receiving and/or newly established company in accordance with the distribution envisaged in the transformation agreement or plan. If a right has not been distributed it shall transfer onto all legal successors in proportion to such part of the net worth of the property that they are entitled to according to the transformation agreement or plan. The

partners and the shareholders in the transforming company shall become partners or shareholders in one or more of the receiving or the newly established companies in accordance with the provisions in the transformation agreement or plan.

(4) With the registration of a spinning-off, the rights and the obligations of the transforming company shall transfer onto each receiving and/or newly established company in accordance with the distribution envisaged in the transformation agreement or plan. The partners and the shareholders in the transforming company shall become partners or shareholders in one or more of the receiving or the newly established companies and/or retain their membership in the transforming company in accordance with the provisions in the transformation agreement or plan.

(5) With the registration of a spinning off of a sole-owner company, the part of the rights and the obligations of the transforming company as envisaged in the transformation plan shall transfer onto the newly established company. The transforming company shall become the sole owner of the capital of the newly established company.

(6) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Where the property of a transforming company includes a property right of a real property or a movable asset transactions with which are subject to registration, the certificate of recordation as per Article 263c, paragraph 1 and Article 263d, paragraph 1 shall be submitted for recordation in the respective register. In case of a splitting or spinning off, the court decision shall enclose also the transformation agreement or plan.

(7) In case of a splitting or spinning off, any grandfathered pending proceedings on cases shall continue in the legal successor of the litigant in accordance with the provisions made in the transformation agreement or plan. Where the transforming company is the respondent, the court shall ex officio summon as litigant all companies which are liable jointly and severally, according to Article 263l, paragraphs 1 and 2.

(8) Any permits, licenses or concessions held by the transforming company, when it is terminated, shall transfer onto the receiving or the newly established company in the case of take-over or merger, and in the case of splitting they shall transfer onto the company identified under the transformation agreement or plan, to the extent that a law or the action of award does not provide otherwise.

Protection of Creditors in a Take-Over or Merger

Article 263k

(New, SG No. 58/2003)

(1) (Amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The receiving or the newly established company shall manage separately the property of each of the transforming companies transferred onto them for a period of 6 months from the moment of recordation of the transformation.

(2) (Supplemented, SG No. 101/2010) Within the time period under Paragraph (1) each

creditor of a corporation involved in the transformation whose claim is not secured and has arisen prior to the date of the transformation may demand performance or security according to his rights. If the demand is not satisfied, the creditor shall be entitled to preferred satisfaction from the rights that appertained to his debtor, as well as to demand from the court to admit a valid security on the receivable through attachment.

(3) The members of the governing body of the receiving or the newly established company shall be liable jointly and severally before creditors for the separate management.

Protection of Creditors in Splitting and Spinning-Off

Article 263l

(New, SG No. 58/2003)

(1) Concerning obligations which have arisen prior to the date of the transformation, joint and several liability shall be borne by all companies participating in the transformation except for those terminated. The liability of each company shall be up to the amount of rights received by such company except for the company to which the obligation is allocated under the transformation agreement or plan.

(2) If, in the case of splitting, an obligation has not been distributed, joint and several and unlimited liability for that shall be borne by all receiving and/or newly established companies. Any payment to the creditor shall be borne by them in a proportion to the net worth of the property that they are entitled to according to the transformation agreement or plan.

(3) In cases of splitting and spinning off, when a part of the property transfers onto one or more existing companies, the rules for separate management as referred to in Article 263k shall also apply for each of the receiving companies, respectively.

(4) Where, in case of splitting by establishment, and of spinning off by establishment the amount of the capital of the transforming company has been larger than the total amount of the capital of all newly established companies, creditors with claims that have arisen prior to the date of the transformation may request securitization up to the amount of the difference in the capital. This shall apply also where any or all newly established companies are personal.

Unlimited Liability in the Case of Transformation

Article 263m

(New, SG No. 58/2003)

(1) Unlimited liability partners in the transforming companies shall remain liable before the creditors for obligations that have arisen prior to the date of the transformation.

(2) Where, in case of a transformation, a person becomes an unlimited liability partner in a receiving company, such person shall not be liable for the obligations of that company that have

arisen prior to the date of the transformation.

Prohibition on Discharging from an Obligation

concerning Contributions

Article 263n

(New, SG No. 58/2003)

(1) Partners or shareholders in a transforming or receiving company shall not be discharged from the obligation concerning contributions which have not been paid in full.

(2) After the date of the transformation, contributions shall be due to the receiving or the newly established company in case of a take-over or merger, and in case of splitting or spinning off they shall be due according to the provisions in the transformation agreement or plan.

Contending the Transformation

Article 263o

(New, SG No. 58/2003)

(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Any partner or shareholder in a company participating in the transformation, as well as any company participating in the transformation, may, in the event of splitting or spinning off, file a claim with the court in the jurisdiction of which the seat of the transforming company is located, in order to ascertain that none of the following violations have been committed as a result of the transformation, no matter by which of the companies participating in the transformation:

1. lack of a transformation agreement, draft of an agreement, plan or they are null and void;
2. failure to meet the requirements of Article 262f, Article 262g, paragraph 2, subparagraphs 1, 2 and 8 and paragraph 3, Article 262i, Article 262k, Article 262l, paragraphs 2 and 3, Articles 262m - 262u and Article 262w, paragraph 1;
3. the decision to transform contradicts prescriptive provisions of the law or the founding agreement, or the articles of incorporation of the company, as the case may be.

(2) A non-equivalent exchange ratio is not grounds for filing a claim pursuant to paragraph 1.

(3) The claim under paragraph 1 shall be lodged not later than the date of the transformation against all companies participating in the transformation except for the newly established. Any partner or shareholder may step into the proceedings and sustain the claim, even if the claimant should give it up or withdraw it.

(4) (Amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The filing of the claim as per paragraph (1) shall result in suspension of the transformation. The persons as per paragraph (1) shall notify the Recordation Agency of the filing of the claim. Recordation of the transformation shall be denied by force of the effective court decision sustaining the claim.

(5) (Amended, SG No. 59/2007) The claim under paragraph 1 shall be considered according to the rules set out in chapter Thirty-Two "Proceedings on Commercial Disputes" of the Code of Civil Procedure.

(6) The decision to transform may not be attacked by lodging a claim under Article 74.

Nullity of a Newly Established Company

Article 263p

(New, SG No. 58/2003)

(1) (Amended, SG No. 66/2005) After the date of the transformation, one may request the pronouncement of nullity of the company newly established in the transformation by applying Article 70. Such a request may be lodged only by a partner or by a shareholder.

(2) A partner or shareholder may request a pronouncement of nullity also where the general meeting which took the decision to transform has not been duly convened following the procedure established by law or envisaged in the membership agreement or articles of incorporation and he did not attend it.

(3) The claim under paragraph 1 may not be lodged by a partner or shareholder which has take part in proceedings on a claim contesting the transformation and the claim has been rejected.

Claim for Cash Settlement

Article 263q

(New, SG No. 58/2003)

(1) Any partner or shareholder may, within three months following the date of the transformation, lodge a claim for cash settlement with the regional court, if the exchange ratio adopted under the transformation agreement or plan is not equivalent.

(2) The claim under paragraph 1 shall be lodged against the receiving or the newly established company in case of a take over or merger. In case of splitting or spinning off, the claim shall be lodged against the company or companies in which the partner or shareholder participate after the transformation.

Right to Leave

Article 263r

(New, SG No. 58/2003)

(1) A partner in a limited liability company or a shareholder whose legal status is changing after the transformation and which has voted against the decision to transform may leave the company in which it has received interest stakes or shares. Termination of participation shall be effected under a notarized notice to the company within a period of three months after the date of the transformation.

(2) The partner which has left shall have the right to receive the countervalue of its membership share or shares held prior to the transformation, according to the exchange ratio provided for in the transformation agreement or plan. The partner which has left may lodge a claim for cash settlement within a period of three months after the notice referred to in paragraph 1.

(3) The interest stakes of the partner which has left shall be taken over by the remaining partners, offered to a third party or the capital shall be reduced by their amount. The shares of a shareholder which has left shall be taken over by the company and concerning them the rules for the acquisition of own shares shall apply, except for Article 187a, paragraph 4.

Special rules

Article 263s

(New, SG No. 58/2003, amended, SG No. 66/2005)

(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Where all companies participating in the transformation are personal, Articles 262i - 262n shall not apply. Upon a request by a managing partner in one of the participating companies, the relevant registrar with the Recordation Agency shall appoint an examiner, which shall conduct an examination for all companies participating in the transformation. In this case, Articles 262l and 262m shall apply, respectively.

(2) (Supplemented, SG No. 101/2010) Where all transforming and acquiring corporations are sole-owner corporations and the sole owner of the capital is one and the same person, the transformation shall take place on the basis of a decision of the sole owner. Articles 262f and 262g (1), (2), items 1, 3, 4, 8 and 9, (3) and (4) shall apply, mutatis mutandis, to such decision. Articles 262h to 262p and Articles 263n to 263q shall not apply.

(3) (Supplemented, SG No. 101/2010) Upon transformation through division by the formation of a sole-owner commercial corporation, no exchange ratio shall be determined and checked. Articles 261b, 262i, 262k and 262l shall not apply. This shall also be the case upon merger by acquisition of a sole-owner commercial corporation with the sole owner of its capital.

(4) (New, SG No. 101/2010) Where, upon merger, the receiving company owns more than

90 per cent of the interest stakes or voting shares in the capital of the transforming company, Articles 262i and Article 262k -262m shall not apply. In this case Article 263q shall apply, regardless of whether the legal form of the partner or shareholder will change or not after the merger.

(5) (New, SG No. 101/2010) Upon merger, if the receiving company owns more than 90 per cent of the interest stakes or voting shares in the capital of the transforming company, no decision on the merger is required to be made by the general meeting of the receiving company, if within the time period under Article 262j(2), but not later than 5 days before the date of the general meeting, shareholders owning at least 5 per cent in the capital, do not require holding of the meeting under the terms of Article 223a(2).

(6) (New, SG No. 101/2010) Upon splitting through acquisition, where the capital of the transforming company is owned only by the receiving companies, no decision on the transformation shall be required from the general meeting of the transforming company.

(7) (New, SG No. 101/2010) Upon splitting by establishment, Articles 262i, 262k, 262l and Item 5 of Article 262m(1) shall not apply, if the shares or interest stakes in the new established companies are allocated among the partners and shareholders in proportion to their rights in the transforming company.

Section III

Transformation by Change of the Legal Form

Change of the Legal Form

Article 264

(Amended, SG No. 58/2003)

(1) A company (transforming company) may transform by change of the legal form, thus converting into a company of another type (newly established company). The newly established company shall become the legal successor of the transforming company, which shall be terminated without liquidation.

(2) Simultaneously with the change of the legal form, no new partners or shareholders may be accepted.

Transformation Plan

Article 264a

(New, SG No. 58/2003)

(1) In case of a change of the legal form, the governing body or the partners with

management rights in a personal company shall draw up a transformation plan in writing with notarization of the signatures.

(2) The transformation plan must include at least the following:

1. (supplemented, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) the legal form, the trade name, the standard identification code and the registered address of the newly established company;

2. the exchange ratio of the shares or interest stakes as determined as of a specific date;

3. the amount of cash payments, if any are provided for according to Article 261b, paragraph 2, and a time limit for paying them in;

4. a description of the interest stakes, the shares or membership which each partner or shareholder acquires in the newly established company, and data concerning any existing pledges and attachments

5. the conditions concerning the distribution and hand-over of the shares in the newly established company;

6. the rights which shareholders with special rights and holders of securities which are not shares obtain.

(3) The transformation plan shall enclose also a draft for a new membership agreement or articles of incorporation of the newly established company.

Provision of Information

Article 264b

(New, SG No. 58/2003)

(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The transformation plan shall be submitted for recordation in the Commercial register. If the transforming company is an equity one, the submitted plan shall be recorded not later than 30 days prior to the date of the general meeting on taking the decision to transform.

(2) The following shall be made available to the partners and the shareholders:

1. The transformation plan together with the draft for a new membership agreement or articles of incorporation of the newly established company;

2. the balance sheet as of the last of the month preceding the date of the transformation plan, unless the most recent annual financial statements refer to a financial year ended less than 6 months prior to that date;

3. data concerning the appointed examiner and the authorized depository under Article 262x.

(3) The papers referred to in paragraph 2 shall be made available at the seat and address of equity companies within 30 days prior to the date of the general meeting. On request, a copy of the papers or summaries of these shall be made available to each partner or shareholder free of charge.

(4) The time period referred to in paragraph 3 does not need to be observed if all partners or shareholders have voted for the transformation.

Examination of the Transformation

Article 264c

(New, SG No. 58/2003)

(1) Where the newly established company is an equity one, the transformation plan shall be reviewed by an examiner specially appointed by the governing body or by the partners with management rights.

(2) The examiner shall produce a report from the examination to the partners or the shareholders. The report must include an assessment of whether the exchange ratio envisaged in the plan is adequate and reasonable and must indicate the data referred to in Article 262m, paragraph 2.

(3) With respect to the examiner, the rules of Article 262l, paragraphs 3 and 4 and Article 262m, paragraph 3 shall apply, respectively.

(4) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Except for cases under paragraph 1, An examination of the transformation shall be done also upon the request of a partner or shareholder or under a decision of a governing or control authority of the company. Where the examination has been requested by a partner, a shareholder or a control authority, the examiner shall be appointed by the registrar with the Recordation Agency.

Decision to Transform

Article 264d

(New, SG No. 58/2003)

(1) The change in the legal form of the company shall be made under a decision to transform according to Article 262p.

(2) Where in case of a change of the legal form, a partner in a limited liability company or a

shareholder becomes an unlimited liability partner, Article 262q shall apply.

(3) Under the decision to transform, the transformation plan shall be approved or amended. Under this decision, the membership agreement and/or articles of incorporation of the newly established company shall be adopted and the bodies elected, and thus the requirements as to the form of the membership agreement or articles of incorporation shall be considered met.

Capital of the Newly Established Company

Article 264e

(New, SG No. 58/2003)

(1) Where the newly established company is an equity one, the amount of its capital may not be larger than the net worth of the property of the transforming company. In this case, the examiner shall conduct an examination as to compliance with this requirement.

(2) The rules of Article 262u, paragraphs 2 and 3 shall apply, respectively.

Additional Rules in Case of a Joint-Stock Company and

a Company Limited by Shares

Article 264f

(New, SG No. 58/2003)

(1) With respect to holders of bearer's shares and of special rights which are not shares in the transforming company, Article 262y and Article 262w shall apply, respectively.

(2) With respect to the handing over of shares in the newly established company, Article 262x shall apply, respectively.

Registration

Article 264g

(New, SG No. 58/2003)

(1) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The change of the legal form shall be subject to recordation in the Commercial Register not earlier than 14 days from the date of the filing.

(2) The application for registration shall be filed by the governing body or by a partner with management rights in the newly established company, and the following shall be attached to it:

1. the decision to transform;

2. the expressions of consent referred to in Article 264d, paragraph 2;
3. the adopted membership agreement and/or articles of incorporation of the newly established company and the documents necessary for the registration of the bodies elected;
4. the examiner's report, if an examination has been made;
5. the list of the persons acquiring shares, interest stakes or membership in the newly established company, and the type of membership;
6. the depository's certification stating that it has been handed over the temporary certificates or the shares, or the proof that the circumstances referred to in Article 262x, paragraph 5 have been declared before the Central Depository, as the case may be.

(3) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

Registration Effect

Article 264h

(New, SG No. 58/2003)

(1) A change of the legal form shall take effect as from the registration in the commercial register.

(2) With the registration of the change of the legal form, the transforming company shall be terminated and the newly established one shall arise. The rights and the obligations of the transforming company shall be transferred in their entirety onto the newly established company.

(3) The partners and the shareholders in the transforming company shall become partners or shareholders in the newly established one.

(4) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Where the property of a transforming company includes a property right of a real property or a movable asset transactions with which are subject to registration, the certificate of recordation of the change of the legal form shall be submitted for recordation in the respective register.

(5) Any permits, licenses or concessions held by the transforming company shall transfer onto the newly established company to the extent that a law or the action of award does not provide otherwise.

(6) As of the date of registration, a closing and an opening balance sheet shall be drawn up according to Article 263h, paragraphs 1 and 2.

Protection of Creditors

Article 264i

(New, SG No. 58/2003)

(1) Unlimited liability partners in the transforming company shall remain liable before the creditors for obligations that have arisen prior to the date of the change of the legal form. Where a person becomes an unlimited liability partner in the newly established company, such person shall not be liable for the obligations that have arisen prior to the date of the change of the legal form.

(2) Partners or shareholders in the transforming company shall not be held free of the obligation concerning contributions which have not been paid in full.

(3) Where the transforming company is an equity one, and the newly established company is a personal one or a company with a smaller amount of the capital, creditors holding claims that have arisen prior to the change of the legal form may request securitization up to the amount of the difference in the capital.

Contending the Transformation

Article 264k

(New, SG No. 58/2003)

(1) Any partner or shareholder in the transforming company may lodge a claim with the regional court in the jurisdiction of which its seat is located in order to establish that in the change of the legal form any of the following violations have occurred:

1. a transformation plan is lacking or the plan is null and void;
2. failure to meet the requirements of Article 264a, paragraph 1 and paragraph 2, subparagraphs 1, 2 and 6, Articles 264b - 264e and Article 262w, paragraph 1;
3. the decision to transform contradicts prescriptive provisions of the law or the founding agreement, or the articles of incorporation of the company, as the case may be.

(2) A non-equivalent exchange ratio is not grounds for filing a claim pursuant to paragraph 1.

(3) The claim referred to in paragraph 1 shall be lodged against the transforming company not later than before the registration of the change of the legal form. Any partner or shareholder may step into the proceedings and sustain the claim, even if the claimant should give it up or withdraw it.

(4) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming

effective, SG No. 80/2006) The filing of the claim as per paragraph (1) shall result in suspension of the recordation of transformation. Recordation of the transformation shall be denied by force of the effective court decision sustaining the claim.

(5) (Amended, SG No. 59/2007) The claim under paragraph 1 shall be considered according to the rules set out in chapter Thirty-Two "Proceedings on Commercial Disputes" of the Code of Civil Procedure.

(6) The decision to transform may not be attacked by lodging a claim under Article 74.

Nullity of the Newly Established Company

Article 264l

(New, SG No. 58/2003, amended - SG No. 66/2005)

After the change of the legal form has been registered, a partner or a shareholder may request that it be declared null and void. Article 263p shall apply, respectively.

Protection of a Partner or a Shareholder

Article 264m

(New, SG No. 58/2003)

(1) Any partner or shareholder may, within three months following the date of the registration of the change of the legal form, lodge a claim for cash settlement with the regional court, if the exchange ratio adopted under the transformation plan is not equivalent.

(2) A partner in a limited liability company or a shareholder whose legal status is changing after the change of the legal form and which has voted against the decision to transform may leave the newly established company. Article 263r shall apply, accordingly.

Change of the Legal Form of a Sole-Owner Company

Article 264n

(New, SG No. 58/2003)

(1) Where a change of the legal form of a sole-owner company is being effected, no transformation plan needs to be drawn up and there is no obligation to provide information. The appointed examiner shall conduct only an examination of the capital as referred to in Article 264e.

(2) The sole owner of the capital shall not have the rights referred to in Articles 264k, 264l and 264m.

Section IV

Transformation by Transfer of Property onto the Sole Owner

Transfer of Property onto the Sole Owner

Article 265

(1) (Amended, SG No. 58/2003) The entire property of a sole-owner company (transforming company) may transfer onto the sole owner if he is a natural person and has been registered as a sole proprietor. The transforming company shall be terminated without liquidation.

(2) No transformation under paragraph 1 may be effected if the interest stakes or shares in the transforming company have been pledged or placed under an attachment.

(3) The decision to transform shall be taken by the sole owner in writing with notarization of the signature.

Registration

Article 265a

(New, SG, No. 58/2003)

(1) (Amended, SG, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The transfer of property to the single proprietor shall be recorded in the Commercial Register both in that single proprietor's file and in the file of the transforming company which is deleted.

(2) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

(3) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

(4) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) From the moment of recordation the creditors shall be deemed to have been notified of their rights under Article 265b.

Effect

Article 265b

(New, SG, No. 58/2003)

(1) (Amended, SG, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The transfer of property to the single proprietor shall take effect from the moment of recordation thereof in the Commercial Register, in the file of the transforming company.

(2) With the registration, all rights and obligations of the transforming company shall transfer onto the sole proprietor.

(3) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Where the property of a transforming company includes a property right of a real property or a movable asset transactions with which are subject to registration, the certificate of recordation of the transfer of property to the single proprietor shall be submitted for recordation in the respective register.

(4) Any permits, licenses or concessions held by the transforming company shall transfer onto the sole proprietor, to the extent that a law or the action of award does not provide otherwise.

Protection of Creditors

Article 265c

(New, SG, No. 58/2003)

(1) (Amended and supplemented, SG, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The single proprietor shall manage separately the property of the transforming company transferred to said proprietor's name for a period of 6 months from the moment of recordation of the transformation

(2) Within the time limit referred to in paragraph 1, any creditor of the transforming company and of the sole proprietor whose claim has not been secured and has arisen prior to the registration may request execution or securitization, in accordance with its rights. If the request is not satisfied, the creditor shall be entitled to privileged satisfaction from the rights which used to belong to its debtor.

(3) While the time period for separate management is running, the sole proprietor may not request to be removed from the commercial register.

Section V

(New, SG No. 104/2007)

Transformation Involving Companies from Member States of European Union or from Another Contracting Party to

Agreement on the European Economic Area

Applicability

Article 265d

(New, SG No. 104/2007)

(1) Transformation according to the procedure established by this Section shall be effected only through merger by acquisition and merger by the formation of a new corporation, where at least one of the companies involved in the transformation has its registered office in another Member State of the European Union or in a Contracting Party to the Agreement on the European Economic Area, and is of a type specified in Article 1 of the First Council Directive (68/151/EEC) on coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, with a view to making such safeguards equivalent throughout the Community, and the corporations having their registered offices in the Republic of Bulgaria, which are involved in the transformation, are equity corporations, with the exception of the open-end type.

(2) Transformation under Paragraph (1) may not be effected where any of the companies involved in the transformation has its registered office outside the European Union or the law of the Member State governing any of the companies involved in the transformation does not admit such transformation.

(3) Transformation under Paragraph (1) may not be effected where a transforming corporation, which has its registered office in the Republic of Bulgaria, owns land, and the newly formed or acquiring company has its registered office outside the Republic of Bulgaria. This prohibition shall apply conforming to the conditions ensuing from the accession of the Republic of Bulgaria to the European Union.

(4) The rules of this Section shall apply in respect of a corporation involved in the transformation which has its registered office in the Republic of Bulgaria, and where the acquiring or the newly formed corporation has its registered office in the Republic of Bulgaria, the said rules shall furthermore apply regarding the applying for recordation, the recordation and the effect of the recordation. Article 261b shall apply as well.

Common Transformation Plan

Article 265e

(New, SG No. 104/2007)

(1) Before adoption of a resolution on transformation, the acquiring and/or transforming corporations involved therein shall draw up a common transformation plan.

(2) The common transformation plan shall be drawn up in writing and shall be signed for the corporations involved in the transformation, which have their registered offices in the Republic of Bulgaria, by the persons representing the corporation.

(3) The common transformation plan shall regulate the manner in which the transformation is to be effected. The said plan must include, as a minimum:

1. the legal form, the business name and the registered office of each of the transforming corporations, of the acquiring corporation upon merger by acquisition, as well as of the newly formed corporation upon merger by the formation of a new corporation;

2. the exchange ratio of the shares or participating interests as determined at a specific date;

3. the amount of cash payments, if any have been provided for according to Article 261b (2), as well as the time limit for effecting such payments;

4. a description of the participating interests or shares which each partner or shareholder is to acquire in the newly formed or acquiring corporation, including the envisaged increase of capital of the acquiring corporation, if any such increase is required in order to effect the transformation, as well as the conditions regarding the allotment and delivery of shares in the newly formed or in the acquiring corporation;

5. the moment from which the participation in the newly formed or acquiring corporation will entitle the holders to share in the profit, as well as any special conditions affecting this entitlement;

6. the moment from which any steps of the transforming corporations will be treated for accounting purposes as being performed for the account of the newly formed or acquiring corporation;

7. the rights which the newly formed or acquiring corporation confers on shareholders enjoying special rights and on holders of negotiable securities other than shares;

8. any special advantage granted to the examiners referred to in Article 265h or to the members of the management and controlling bodies of the corporations involved in the transformation;

9. the impact of the transformation on employment;

10. the procedure by which arrangements for involvement of factory and office workers in the management of the newly formed or acquiring corporation are determined, if such involvement is possible;

11. information on the evaluation of the property passing to the newly formed or acquiring corporation.

(4) The following shall constitute an integral part of the common transformation plan:

1. the draft of a Memorandum or Articles of Association of the newly formed corporation upon merger by the formation of a new corporation or, respectively, the clauses amending and supplementing the Memorandum or Articles of Association of the acquiring corporation upon merger by acquisition;

2. the annual financial statements and the activity report and/or the balance sheet of the transforming corporations and of the acquiring corporation, on the basis of which the transformation plan has been drawn up.

Management Body's Report

Article 265f

(New, SG No. 104/2007)

The management body of each of the transforming corporations and of the acquiring corporation shall draw up a written report on the transformation. The said report shall explain in detail and shall justify the legal and economic aspects of the common transformation agreement, and particularly concerning the exchange ratio, as well as concerning the implications of the transformation for the position of partners and shareholders, creditors, and factory and office workers.

Submission of Plan and Report to Commercial Register

Article 265g

(New, SG No. 104/2007)

(1) The common transformation plan and the report of the management body of each transforming and/or acquiring corporation which has its registered office in the Republic of Bulgaria shall be submitted to the Commercial Register. Publication shall be effected simultaneously on the files of each transforming corporation and/or of the acquiring corporation not less than a month before the date of the General Meeting for adoption of the resolution on transformation.

(2) Together with the acts referred to in Paragraph (1), a list containing the business name, the registered office, the address and the register in which each transforming and/or acquiring corporation is recorded shall be published in the Commercial Register. The said list shall furthermore contain an indication, for each of the corporations, regarding the rules applicable to protection of its creditors and minority shareholders, as well as the address at which complete information on those arrangements may be obtained.

(3) Within the time limit referred to in Paragraph (1), the report of the management body shall be made available to the factory and office workers' representatives under Article 7a of the Labour Code, and where there are no such representatives, to the factory and office workers

themselves. Any opinions received from the factory and office workers' representatives shall be enclosed with the report.

Examination of Transformation

Article 265h

(New, SG No. 104/2007)

(1) The common transformation plan shall be examined by an examiner for each transforming or acquiring corporation which has its registered office in the Republic of Bulgaria, who shall be expressly appointed by the management body of the relevant corporation.

(2) At the joint request of all transforming and acquiring corporations, the registrar with the Registry Agency may appoint a single examiner for all transforming and acquiring corporations, including those which have their registered offices in another Member State.

(3) Article 262k (3) shall apply to the examiner appointed under Paragraphs (1) and (2).

(4) The examiner, appointed under Paragraph (1) and (2) or appointed in accordance with the law of another Member State in which a transforming or an acquiring company has its registered office, shall enjoy the rights under Article 262k (4) and shall incur liability under Article 262l (3).

(5) An examination of the transformation shall not be conducted if all partners or shareholders in the transforming corporations and in the acquiring corporation have so agreed in writing.

Examiner's Report

Article 265i

(New, SG No. 104/2007)

(1) Article 262l (1) and (2) shall apply to the report of the examiner appointed under Article 265h (1) and (2).

(2) Where the newly formed corporation upon merger by the formation of a new corporation has its registered office in the Republic of Bulgaria or where the capital of the acquiring corporation, which has its registered office in the Republic of Bulgaria, is increased upon merger by acquisition, the examiner shall furthermore prepare a report regarding the examination of the capital. Article 262t (1) and (2) shall apply, *mutatis mutandis*.

(3) The report of the examiner, as well as the report of the management body, shall be made available at the registered office and at the address of the relevant transforming and/or acquiring corporation which has its registered office in the Republic of Bulgaria not later than one month prior to the date of the General Meeting. On request, a copy of the materials or

abstracts thereof shall be made available to each partner or shareholder free of charge.

Resolution on Transformation

Article 265j

(New, SG No. 104/2007)

(1) After familiarizing itself with the reports referred to in Articles 265f and 265I, the General Meeting of each transforming and acquiring corporation separately shall adopt a resolution on transformation, whereby the common transformation plan shall be approved.

(2) The resolution on transformation of a transforming or acquiring corporation which has its registered office in the Republic of Bulgaria shall be adopted according to Article 262o (2), (3) and (4).

(3) Where a member of a limited liability company or a shareholder in a corporation which has its registered office in the Republic of Bulgaria becomes a general partner in the acquiring or newly formed corporation, Article 262p shall apply as well.

Certification of Legal Conformity of Transformation

Article 265k

(New, SG No. 104/2007)

Where the acquiring or the newly formed company has its registered office in another Member State, the management body of each transforming corporation which has its registered office in the Republic of Bulgaria shall request from the Commercial Register the issuing of a certificate of the legal conformity of the transformation in respect of that company. The resolution on transformation, the expressions of consent under Article 265j (3), the report of the examiner and evidence that the resolution has been adopted in conformity with all requirements of the law, as well as a declaration that the company does not own land according to the prohibition under Article 265d (3), shall be enclosed with the request.

Recordation of Transformation

Article 265l

(New, SG No. 104/2007)

(1) The management body of the newly formed or acquiring corporation which has its registered office in the Republic of Bulgaria shall apply for recordation of the merger by acquisition or merger by the formation of a new corporation in the Commercial Register. The common transformation plan and the resolutions of all corporations involved in the transformation, as well as the certificates referred to in Article 10 of Directive 2005/56/EC of the European Parliament and of the Council on cross-border mergers of limited liability companies,

in respect of the transforming companies which have their registered offices in another Member State, shall be enclosed with the application for recordation. Article 263 (2) shall apply, *mutatis mutandis*.

(2) The recordation of a merger by acquisition or a merger by the formation of a new company shall be effected on the file of the acquiring or, respectively, newly formed corporation which has its registered office in the Republic of Bulgaria, as well as on the files of the transforming corporations which have their registered offices in the Republic of Bulgaria, not earlier than fourteen days after the applying if:

1. the transforming companies which have their registered offices in other Member States have submitted certificates according to Article 10 of Directive 2005/56/EC;

2. the corporations involved in the transformation, which have their registered offices in the Republic of Bulgaria, have complied with the requirements of this Section and with the requirements of the law regarding the adoption of the resolution on transformation;

3. the transforming corporation and the acquiring corporation have approved a common transformation plan; and

4. the requirements of the Bulgarian law regarding the acquiring or the newly formed corporation have been complied with.

(3) Any revisions of the Memorandum or Articles of Association, any alteration of the capital or a change in the persons who manage and represent the acquiring corporation, if any such changes have been made upon the transformation, shall be recorded simultaneously with the merger by acquisition.

Expungement of Transforming Corporations

Article 265m

(New, SG No. 104/2007)

Where the newly formed or the acquiring company has its registered office in another Member States, the transforming corporations which have their registered offices in the Republic of Bulgaria shall be expunged in the Commercial Register on the basis of a notification from the register of the Member State in which the acquiring or newly formed company is recorded, to the effect that the transformation has been recorded.

Effect of Transformation

Article 265n

(New, SG No. 104/2007)

(1) The transformation referred to in Article 265l shall have effect as from the moment of

recordation in the Commercial Register, and the transformation upon which the acquiring or the newly formed company has its registered office in another Member State shall have effect according to the law of that other State.

(2) Upon recordation, the newly formed corporation shall be formed and the transforming corporations shall be dissolved, with the rights and obligations of the transforming corporations passing to the acquiring or newly formed corporation. The partners and the shareholders in the transforming corporations shall become partners or shareholders in the acquiring or in the newly formed corporation.

(3) Where the property of a transforming corporation which has its registered office in the Republic of Bulgaria includes a right in rem to a corporeal immovable, a movable thing or another right the transactions in which are subject to recordation in a special register, the certificate of recordation in the Commercial Register and, respectively, the notification of recordation under Article 265m from the register of the Member State, shall be submitted for recordation in the relevant register.

(4) Any permits, licences or concessions held by the transforming corporation shall pass to the acquiring or newly formed corporation, to the extent that a law or the act of conferment does not provide otherwise.

Contest of Transformation and Protection of Creditors

Article 265o

(New, SG No. 104/2007)

(1) An action under Article 74 may not be brought against the resolution on transformation of a corporation which has its registered office in the Republic of Bulgaria. Declaration of nullity under Article 263o may not be moved for the corporation newly formed upon merger by the formation of a new corporation which has its registered office in the Republic of Bulgaria.

(2) Transformation under this Section may not be declared null. Transformation may be contested by the persons and according to the procedure established by Article 263n, where the requirements of this Section have not been complied with. A non-equivalent exchange ratio shall be no cause for bringing an action.

(3) Where the acquiring or newly formed company has its registered office in another Member State, the action shall be brought at the latest until the issuing of a certificate under Article 265k. The bringing of the action shall stay the issuing of a certificate. On the basis of an effective judgment granting the action, issuing of a certificate shall be refused.

(4) Where the acquiring or newly formed corporation has its registered office in the Republic of Bulgaria, the action shall be brought at the latest until recordation of the transformation. The bringing of the action shall stay the recordation of the transformation. On the basis of an effective judgment granting the action, recordation of the transformation shall be refused.

Special Rules

Article 265p

(New, SG No. 104/2007)

Where the acquiring corporation is a sole owner of the capital of all transforming corporations, the transformation shall take place on the basis of a decision of the sole owner. Items 2 to 5 of Article 265e (3), Article 265h and Article 265I and sentence two of Article 265n (2) shall not apply.

Participation of Factory and Office Workers

Article 265q

(New, SG No. 104/2007)

(1) Where one of the transforming corporations, the acquiring or the newly formed corporation has its registered office in the Republic of Bulgaria, Articles 12 to 15, Article 16 (1) and (2), Items 4 and 5 of Article 16 (3) (in such case, the minimum number covered shall be one-third instead of 25 per cent of the total number of factory and office workers), Articles 17, 18, 19, 29 and 30 of the Act on Information and Consultation of Factory and Office Workers in Community-Scale Undertakings, Groups of Undertakings and European Companies shall apply, *mutatis mutandis*, to the participation of the factory and office workers in the transformation, with the acquiring or newly created corporation under this Section being treated as a European Company.

(2) Where the acquiring or newly formed corporation has its registered office in the Republic of Bulgaria, the management bodies of the transforming corporations and of the acquiring corporation may choose, without any prior negotiation, to be directly subject to the standard rules under Articles 16 and 17 of the Act on Information and Consultation of Factory and Office Workers in Community-Scale Undertakings, Groups of Undertakings and European Companies. Where the acquiring or newly formed company has its registered office in another Member State, the said bodies may choose to be directly subject to the standard rules adopted in the legislation of the said Member State in accordance with Council Directive 2001/86/EC supplementing the Statute for a European company with regard to the involvement of employees.

(3) Where the acquiring or the newly formed corporation has its registered office in the Republic of Bulgaria and one of the transforming corporations has applied rules for participation of the factory and office workers within the meaning given by Item 20 of § 1 of the Supplementary Provisions of the Act on Information and Consultation of Factory and Office Workers in Community-Scale Undertakings, Groups of Undertakings and European Companies, the acquiring or newly formed corporation shall be obligated to ensure the exercise of the rights arising from the said rules. This rule shall furthermore apply upon a subsequent transformation according to the procedure established by this Chapter or by Council Regulation (EC) No 2157/2001 on the Statute for a European Company (SE), but for not more than three years after

the date referred to in Article 265n (1).

CHAPTER SEVENTEEN LIQUIDATION

Commencement of Liquidation

Article 266

(1) Liquidation shall be carried out after the dissolution of a company.

(2) (New, SG No. 83/1996, amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The term for completion of the liquidation shall be determined by the General Meeting of the limited liability company and the joint-stock company, and for other companies, by unanimous decision of the partners with unlimited liability. Such a term shall also be determined by the registrar of the Recordation Agency, where the latter appoints liquidators. Where necessary, the term determined as above may be extended.

(3) (Previous paragraph 2, SG, No. 83/1996; amended SG, No. 84/2000; supplemented SG, No. 66/2005; amended SG, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The liquidators shall be registered in the commercial register with notarized consents with their specimen signatures.

(4) (Renumbered from Paragraph 3, amended, SG No 83/1996; amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The court in the jurisdiction of which the affected company is located may, where important reasons exist, appoint or dismiss liquidators on application by the partners, or, respectively, by the shareholders which own at least one twentieth of the stock.

(5) (New, SG No. 83/1996) The remuneration of the liquidators shall be fixed by:

1. the General Meeting of the limited liability company or the joint-stock company;
2. the partners with unlimited liability in a company, unanimously;
3. the court, where the liquidators have been appointed by it.

4. (new, SG, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) the registrar with the Recordation Agency, where the liquidators are appointed by him/her.

(6) (New, SG No. 83/1996) The liquidators shall be liable for their activities related to the liquidation in the same way as the managers and the other executive bodies of companies.

Notice to Creditors

Article 267

(Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006)

Upon declaring the dissolution of the company the liquidators must invite its creditors to make their claims. The notice shall be forwarded in writing to known creditors, and shall also be posted in the Commercial Register.

Duties of Liquidators

Article 268

(1) A liquidator shall be obliged to consummate pending transactions, to collect payments due, to convert the company's assets into cash and satisfy its creditors. A liquidator may not enter into new transactions unless so warranted for the purposes of liquidation.

(2) A liquidator may, subject to the consent of the partners or, respectively, the shareholders, and the consent of the creditors, transfer to them particular items of the assets under liquidation, provided that this does not prejudice the rights of the remaining partners and creditors.

(3) (New, SG No. 61/1993, amended, SG No. 105/2005) The liquidators must inform the National Revenue Agency of the liquidation which has commenced.

Representation

Article 269

(1) The liquidators shall represent the company and shall have the rights and obligations of its executive organ.

(2) The liquidators may represent a company only jointly. A single liquidator may accept legal statements addressed to the company.

Opening Balance Sheet and Report

Article 270

(1) (Amended, SG No. 105/2006) The liquidators shall draw up a balance sheet as of the moment of dissolution of the company, and explanatory notes thereto. At the end of each year the liquidators shall close accounts and present an annual financial statement and annual activity report to the governing body.

(2) The governing body shall resolve on approval of the opening balance sheet, the annual

closing of accounts, and on holding the liquidators harmless.

Merger of a company in liquidation

Article 270a

(New SG No 83/1996, repealed, SG No. 58/2003)

Distribution of Assets

Article 271

Upon satisfaction of the creditors, the remaining assets shall be distributed among the partners, or among the shareholders as the case may be.

Protection of Creditors

Article 272

(1) (Amended, SG, No. 83/1996; amended and supplemented, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) The company's assets shall not be distributed before six months have passed from the date that the notice to the creditors was posted in the commercial Register.

(2) Should a creditor duly notified not assert its claim, the sum owed to it shall be deposited in a bank account in its name.

(3) Where a liability is disputed, assets shall not be distributed until the creditor concerned has been secured.

(4) (New, SG No. 83/1996) The managing body of the company may, upon satisfaction of the creditors, write off any bad amounts receivable of the company. Such decision shall be taken by simple majority.

Suspension and Termination of Liquidation Proceedings

with Instituting Bankruptcy Proceedings

Article 272a

(New, SG, No. 84/2000)

(1) (Supplemented, SG, No. 38/2006) The liquidation proceedings against a company in liquidation shall be suspended from the date of the ruling on instituting bankruptcy proceedings. The liquidation proceedings shall be terminated on the date of entry into force of the ruling referred to in article 630. With the ruling on instituting bankruptcy proceedings, the court shall declare the debtor-company in bankruptcy according to article 632, paragraph 1.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) In cases as per paragraph (1), the court of jurisdiction over bankruptcy shall be obligated to forward a transcript of the judgment on institution of bankruptcy proceedings for recordation in the Commercial Register.

Liquidator's Report and Balance Sheet upon Termination of the Liquidator's Activity

Article 272b

(New, SG, No. 84/2000)

(1) In the cases when bankruptcy proceedings have been instituted for a company in liquidation, the liquidator shall prepare and submit to the court of jurisdiction over the bankruptcy a balance sheet as of the date of the ruling on instituting bankruptcy proceedings and a report on his activity according to article 270 within seven days of the suspension of the liquidation proceedings.

(2) The appointed trustee in bankruptcy, the debtor or a creditor may raise objections to the balance sheet and the report within seven days of their submission to the court.

(3) Within fourteen days The court shall issue a ruling on the objections, which will be final and not subject to appeal.

(4) Should no objection be raised in the period referred to in paragraph 2, the liquidator's report and balance sheet will be considered accepted.

(5) While the liquidation proceedings are suspended, the liquidator shall not carry out the actions provided in Chapter Seventeen.

Closing of Liquidation Proceedings

Article 273

(1) (Supplemented, SG, No. 84/2000, amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) When all liabilities have been settled and the remaining assets distributed, the liquidator shall apply for deletion of the company from the Commercial Register.

(2) (Amended, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) Should at some later time the need arise for further liquidation proceedings, the court shall, on application by the person concerned, appoint liquidators, either the previous or new ones.

Continuation of a Company after Dissolution

Article 274

(1) (Supplemented, SG No. 58/2003) When a company is dissolved due to expiration of the specified time period or upon a resolution of the competent company organs, they may decide to continue its activities, unless the distribution of assets has commenced. This provision shall apply also in case of a termination of a limited liability company pursuant to Article 155, item (3), and of a joint-stock company pursuant to Article 252, paragraph (1) subparagraph (6).

(2) A resolution pursuant to para 1 shall be passed:

1. in case of a joint-stock company, by a majority of at least three quarters of the shares represented;

2. in case of another company, unanimously.

(3) The liquidators shall file the resolution to continue the company for registration in the Commercial Register.

CHAPTER EIGHTEEN (Heading amended, SG No. 104/2007) COMBINATIONS

Section I Consortium

Definition

Article 275

A consortium is a contractual grouping of merchants for carrying out specified activities.

Applicable Provisions

Article 276

The respective rules either for partnerships under civil law or for the company in the form of which a consortium has been organized shall apply to consortia.

Section II Holding Company

Definition

Article 277

(1) A holding company shall be a joint-stock company, a partnership limited by shares or a limited liability company the purpose of which is to participate under any form in other companies or in their management, regardless of whether it carries on manufacturing or commercial activities of its own.

(2) At least 25 percent of the capital stock of a holding company must be invested directly in subsidiary companies.

(3) A subsidiary company is a company in which a holding company owns or controls, directly or indirectly, at least 25 per cent of the stocks or shares and is in a position to appoint, directly or indirectly, a majority of the directors.

Purposes

Article 278

(1) The purposes for which a holding company is set up may be:

1. acquisition, management, valuation and sale of interest in Bulgarian or foreign companies;

2. acquisition, management and sale of debentures;

3. acquisition, valuation and sale of patents, assigning licences for the use of patents of companies in which the holding company owns an interest;

4. financing of companies in which the holding company owns an interest.

(2) A holding company may not:

1. participate in a partnership which is not a legal person;

2. acquire licences which are not intended for use by the companies controlled by it;

3. acquire real property which is not required by its needs. The acquisition of stock in real estate companies is permitted.

Taxation of Holding Activities

Article 279

(Repealed, SG No. 59/1996)

Credits Given by Holding Companies

Article 280

(1) A holding company may extend loans only to companies in which it participates directly or which it controls.

(2) The amount of the extended loans may not exceed ten times the capital stock of the holding company.

(3) The amount of the deposits of subsidiary companies and enterprises in a holding company may not exceed three times the amount of the capital stock.

Section III **(New, SG No. 104/2007)** **European Economic Interest Grouping**

Legal Status

Article 280a

(New, SG No. 104/2007)

(1) A European Economic Interest Grouping, within the meaning given by Council Regulation (EEC) No 2137/85 on the European Economic Interest Grouping (EEIG), hereinafter referred to as "Regulation (EEC) No 2137/85", which has its registered office in the Republic of Bulgaria, shall be a legal person and shall be formed as from the day of its recordation in the Commercial Register. The members in the Republic of Bulgaria of European Economic Interest Groupings, which have a registered office in another State, shall also be recorded in the Commercial Register.

(2) Article 70 shall apply, mutatis mutandis, to a European Economic Interest Grouping recorded in the Republic of Bulgaria.

(3) The members of the Grouping recorded in the Republic of Bulgaria shall be liable for the obligations of the Grouping according to the rules applicable to a general partnership, unless otherwise provided for in Regulation (EEC) No 2137/85.

(4) The registered office of the Grouping may not be transferred to another State where the Grouping owns land in the Republic of Bulgaria. This prohibition shall apply conforming to the conditions ensuing from the accession of the Republic of Bulgaria to the European Union.

Dissolution

Article 280b

(New, SG No. 104/2007)

(1) A European Economic Interest Grouping may be dissolved on the grounds provided for in Article 32 of Regulation (EEC) No 2137/85 by the district court exercising jurisdiction over its registered office. The Grouping may alternatively be dissolved by the court and on an action brought by a public prosecutor, where the said Grouping acts in violation of public order in the Republic of Bulgaria.

(2) Bankruptcy proceedings according to Part Four may be instituted in respect of a European Economic Interest Grouping, but Article 610 shall not apply to the members of any such Grouping.

(3) Where a member of a Grouping which has its registered office in the Republic of Bulgaria has gone into liquidation or is declared bankrupt, the participation of the said member in the Grouping shall be dissolved by the liquidator or, respectively, by the trustee in bankruptcy.

CHAPTER NINETEEN **(New, SG No. 104/2007)** **EUROPEAN COMPANY**

Incorporation

Article 281

(Repealed, SG No. 42/2005, new, SG No. 104/2007)

(1) A European Company, within the meaning given by Council Regulation (EC) No 2157/2001 on the Statute for a European company (SE), hereinafter referred to as "Regulation (EC) No 2157/2001", which has its registered office in the Republic of Bulgaria, shall be incorporated through merger by the formation of a new corporation or transformation of a joint-stock company, which has its registered office in the Republic of Bulgaria, into a European Company and shall be recorded in the Commercial Register.

(2) The registered office of a European Company referred to in Paragraph (1) shall be the nucleated settlement where the management of the activity thereof is located.

(3) A European Company, which has its registered office in another Member State, may not be incorporated through merger by the formation of a new corporation where a transforming corporation, which has its registered office in the Republic of Bulgaria, owns land. A European Company, which has its registered office in the Republic of Bulgaria and which owns land, may not transfer its registered office to another Member State. This prohibition shall apply

conforming to the conditions ensuing from the accession of the Republic of Bulgaria to the European Union.

Independent Expert

Article 282

(Repealed, SG No. 42/2005, new, SG No. 104/2007)

(1) Where one corporation which has its registered office in the Republic of Bulgaria participates in the incorporation of a European Company through merger by the formation of a new corporation, the registrar with the Registry Agency shall appoint an independent expert under Article 22, paragraph 1 and Article 32, paragraph 4 of Regulation (EC) No 2157/2001.

(2) Upon transformation of a joint-stock company, which has its registered office in the Republic of Bulgaria, into a European Company or of a European Company, which has its registered office in the Republic of Bulgaria, into a joint-stock company, the registrar with the Registry Agency shall appoint an independent expert under Article 37, paragraph 6 and Article 66, paragraph 5 of Regulation (EC) No 2157/2001.

(3) Article 262k (3) shall apply as well in the cases referred to in Paragraphs (1) and (2).

Dissolution

Article 283

(Repealed, SG No. 19/2003, new, SG No. 104/2007)

A European Company shall be dissolved by a judgment of the court exercising jurisdiction over the registered office thereof on a motion by the public prosecutor if the Company no longer complies with the requirements of Article 7 of Regulation (EC) No 2157/2001. The Company shall be dissolved solely if the position is not regularized within a specified period, which the court shall lay down, by a ruling.

CHAPTER TWENTY ADMINISTRATIVE PENAL PROVISIONS

Violations and Fines

Article 284

(1) (Amended, SG No. 103/1993, supplemented, SG No. 84/2000, repealed, No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

(2) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming

effective, SG No. 80/2006) .

(3) (Repealed, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006) .

(4) (New, SG No. 84/2000; supplemented, SG No. 38/2006, effective 1.07.2007 - amended, in relation to becoming effective, SG No. 80/2006, supplemented, SG No. 104/2007) A fine of BGN 100 to BGN 500 shall be imposed upon any person who fails to indicate the particulars covered under Article 13 in his business correspondence and Internet site, if available, if he is under an obligation to do so pursuant to this Act. The same sanction shall also be imposed on any person who fails to indicate the particulars covered under Article 25 of Regulation (EEC) No 2137/85.

(5) (New, SG No. 101/2010) The persons who do not meet their obligations under Article 179(2) shall be punished with a fine from BGN 100 to BGN 500.

(6) (Renumbered from Paragraph (4), SG No. 84/2000, renumbered from Paragraph (5), amended, SG No. 101/2010) The statements shall be established by statements drawn up by officials designated by the executive director of the Registry Agency, and penal orders shall be issued by the executive director of the Agency or persons authorised by him.

(7) (New, SG No. 101/2010) The establishment of the violations, the issuing, appeal and enforcement of the penal orders shall be done pursuant to the Administrative Violations and Sanctions Act.

Article 285

(1) (New, SG, No. 103/1993) For non-performance of the obligation under Article 7, para 3 a fine or, respectively, a financial sanction, equal to BGN 50 shall be imposed on the merchant.

(2) The statements for establishing the violations shall be drawn up by the mayors of communities, and the penal orders shall be issued by the mayors of municipalities or persons designated by them.

(3) The establishment of the violations, the issuing, appeal and enforcement of the penal orders shall be done pursuant to the Administrative Violations and Sanctions Act.

PART THREE COMMERCIAL TRANSACTIONS

(New, SG No. 83/1996)

CHAPTER TWENTY-ONE GENERAL

Section I

General Provisions

Definition of Commercial Transaction

Article 286

(1) A Commercial transaction shall be any transaction concluded by a merchant, related to the occupation exercised by him.

(2) Commercial transactions shall also be the transactions under Article 1, para 1, regardless of the capacity of the persons effecting them.

(3) In case of doubt it shall be considered that transactions concluded by a merchant are related to his occupation.

Applicability of provisions on commercial transactions

Article 287

The provisions on commercial transactions shall apply to both parties if the transaction is considered commercial for one of the parties and this Act does not provided otherwise.

Sources

Article 288

The provisions of civil legislation shall apply to matters of commercial transactions not regulated by this Act, and where it is inadequate, the commercial customs shall apply. Where commercial customs vary, the customs of the place of performance shall apply.

Abuse of right

Article 289

The exercising of a right arising from a commercial transaction shall be inadmissible if it is exercised with the sole intention of causing injury to the other party.

Section II

Conclusion of commercial transaction

Public invitation

Article 290

(1) Catalogues, price-lists, tariffs and the like, as well as announcements through the mass media or otherwise addressed to an indefinite number of persons, shall be deemed to be an invitation to make an offer in accordance with them.

(2) If the offer under para 1 is not accepted without just cause the author of the invitation shall be held liable for the damages incurred by the offerer.

Public offer

Article 291

An offer for entering into a transaction may also be addressed to an indefinite number of persons, including through the mass media. It should contain both the total quantity offered and the time limit for accepting the offer. In this case the offerer shall be bound until the quantity is exhausted within the specified time limit.

Silence equal to acceptance

Article 292

(1) An offer to a merchant with whom the offerer has lasting commercial relations shall be considered accepted if not immediately rejected.

(2) In the event of rejection of the offer under para 1, the merchant shall be bound to safeguard whatever has been sent to him at the expense of the offerer, unless he has been secured for the costs or the safeguarding does not cause him unusual inconvenience.

Form

Article 293

(1) To be valid a commercial transactions shall require a written or other form only in the cases provided for by a law.

(2) A statement on execution, performance or termination of a commercial transaction shall be null and void unless made in the form established by a law or by the parties.

(3) A party may not refer to nullity should its behaviour imply that it has not contested the validity of the statement.

(4) The written form shall be deemed met if the statement has been technically recorded in a way that permits it to be reproduced.

(5) In the event of statements made by telefax or telex, the written form shall be deemed

met if the books and documents documenting the operation of these apparatuses rule out incorrect reproduction of the statement.

(6) Where a specific form has been provided for the conclusion of a commercial transaction, this form shall also be required for any amendments to the transaction.

Interest

Article 294

(1) Interest shall be due between merchants unless otherwise agreed.

(2) Interest on interest shall be due only if so agreed.

Permission or approval by a state authority

Article 295

(1) Where the validity of a commercial transaction requires permission or approval by a state authority, the transaction becomes valid when permission is granted.

(2) The party who has undertaken to request permission or approval must make immediately the necessary reasonable efforts and bear the costs related with that, and must inform the other party of the result.

Confirmation by third party

Article 296

(1) In the event a transaction has been concluded subject to confirmation by a third party, it shall become valid upon confirmation.

(2) The party who is responsible for obtaining the confirmation must inform immediately the other party of the result.

(3) Where within three months following the conclusion of a transaction the other party has not been informed of the result, it may decline to proceed with the transaction, unless another time period has been agreed upon.

Financial duress

Article 297

A commercial transaction concluded between merchants may not be voided on grounds of financial duress or due to manifestly unfavourable terms.

Commercial transactions under general terms

Article 298

(1) A merchant may specify in advance general terms for transactions concluded by him. They shall become binding upon the other party should it:

1. declare in writing their acceptance;
2. be a merchant and has known or been obliged to know them and has failed to object to them immediately.

(2) If a written form has been provided for the validity of a transaction, the general terms established by the merchant shall be binding upon the other party only if submitted to it upon execution of the transaction.

(3) In the event of conflict between what was agreed upon by the parties and the general terms, the terms agreed upon shall govern.

Determination of provisions by third parties

Article 299

(1) Where the parties have agreed that a third party shall determine particular provisions, such provisions shall become binding upon the parties only if the third party has determined them in accordance with the objective of the contract, the remainder of its contents and commercial custom.

(2) Should the third party fail to make the determination or makes it in a manner inconsistent with para 1, either party may petition the court to make the determination.

Supplementing of the contract by the court

Article 300

Where the parties agree to supplement the contract upon the occurrence of certain circumstances, and should they fail to reach agreement in the event of such occurrence, either party may petition the court to do so. When rendering its decision the court shall take in consideration the objective of the contract, the remainder of its contents and commercial custom.

Actions without authority for representation

Article 301

Where a person acts on behalf of a merchant without authority for representation, it shall be deemed that the merchant confirms such actions provided he has not objected immediately after learning of them.

Section III

Execution

Due Care Requirement

Article 302

A debtor in a transaction which is commercial with respect to him, shall exercise the care of a good husband.

Term

Article 303

Where a contract does not specify a term for performance of an obligation, provided the nature of the transaction or the commercial custom do not require otherwise, the performance may be requested and may be made at any time during working hours at the place of performance.

Joint and several obligations

Article 304

Persons who undertake a joint obligation upon conclusion of a commercial transaction shall be considered joint and several debtors, unless it follows otherwise from the transaction.

Non-cash payment

Article 305

(Amended, SG No. 31/2005)

Where payment is effected through debiting and/or crediting bank accounts, any such payment shall be deemed to be perfected at the moment of crediting the obligee's account or by means of payment of the amount of the obligation to the creditor in cash available.

Section IV

Non-performance

Force majeure

Article 306

(1) A debtor in a commercial transaction shall not be liable for failure to perform due to force majeure. Where the debtor was already in default, he may not invoke force majeure.

(2) A force majeure shall be an unforeseen or unavoidable event of an extraordinary nature which has occurred after the conclusion of the contract.

(3) A debtor who cannot perform due to force majeure shall notify the other party in writing within a reasonable time about the nature of the force majeure, and its potential consequences for the contract. In case of failure to notify, compensation shall be due for the damages resulting from such failure.

(4) The performance of obligations and the related counter-obligations shall be suspended for the duration of the force majeure.

(5) Should the duration of the force majeure be such that the creditor loses its interest in the performance, he shall be entitled to terminate the contract. The debtor shall also have the same right.

Business frustration

Article 307

A court may, upon request by one of the parties, modify or terminate the contract entirely or in part, in the event of the occurrence of such circumstances which the parties could not and were not obliged to foresee, and should the preservation of the contract be contrary to fairness and good faith.

Earnest money

Article 308

(1) Where upon the conclusion of a contract one of the parties has given or promised something in case it backs out, it may renounce the contract if its performance has not commenced. The party which backs out shall be bound to pay earnest money, and if it has given such earnest money upon conclusion of the contract, the party shall forfeit it.

(2) When the contract is performed, the earnest money shall be paid back or set off. It shall also be paid back in the event of termination of the contract by mutual agreement.

Liquidated damages

Article 309

The liquidated damages due under a commercial transaction concluded between merchants may not be reduced on grounds of excessive amounts.

Section V

Commercial security

Commercial pledge

Article 310

(1) A contract for commercial pledge which secures rights ensuing from a commercial transaction shall be considered concluded in the event of:

1. pledge of movable items and bearer securities - upon their delivery to the creditor or to another person on his account;

2. pledge of securities to order - by endorsement for security and delivery to the creditor.

(2) Entitled to a pledge by operation of law shall be creditors in the cases provided for in this Act.

(3) In the event of transfer of a secured claim the pledge shall be considered transferred upon delivery of the pledged object, unless the transferor has agreed to hold it as another person within the meaning of para 1, Item 1.

Satisfaction of the mortgage creditor

Article 311

(1) Where the pledge contract has been concluded in writing with a valid date and the parties have agreed that, should the debtor be in delay, the satisfaction from the pledge may be effected without court intervention, the creditor shall be entitled to sell on his own the pledged item or securities, if they have a market or stock exchange price. The creditor shall be bound to immediately notify the pledgor of the sale and to pay him the remainder of the price obtained.

(2) Creditors under Article 310, para 2, shall also be entitled to the rights under para 1.

Pledge without surrender of possession

Article 312

The pledgor may keep the pledged item in his possession in the cases and in compliance with the procedure specified by a law.

Pledge over perishables

Article 313

If the pledged item is perishable, the creditor may sell it, provided the item has a market or commodity exchange price, and deposit the amount with a bank as his security. The creditor must notify the pledgor immediately of the sale.

Set-off of yield from pledged item

Article 314

Where the pledged item produces yield, the pledge contract may provide for the right of the creditor to collect such yield on account of the debt.

Commercial lien

Article 315

(1) A merchant shall be entitled to a lien for his due claim from another merchant, under a transaction concluded between them, on the movables and securities of the debtor received by that merchant in a lawful manner. Such right shall exist as long as the merchant has in his possession the movables and the securities.

(2) The lien shall also exist where:

1. the ownership of the items has passed to the creditor, but he must transfer it back;
2. the ownership of the items has been transferred to a third party with regard to the debtor to the creditor, but he should transfer it back to the debtor.

(3) The lien shall also have effect against the third parties to the extent objections the creditor may have against the claim of the debtor for delivery of the item may be raised against them.

(4) The lien shall cease to exist if the debtor has ordered otherwise prior to the delivery of the item, or if the creditor has undertaken to act in respect of the item in a specific manner.

(5) The lien may also be exercised for sums receivable which have not become due:

1. if the debtor has entered bankruptcy proceedings;
2. if a compulsory execution undertaken against the debtor has failed.

(6) The lien shall be retained, if the debtor has ordered otherwise prior to the delivery of the item or if the creditor has undertaken to act in respect of the item in a specified manner, provided the circumstances under para 5 have come to the knowledge of the creditor after the delivery of the item.

Section VI

Transfer of rights

Transfer of order negotiable instruments

Article 316

(1) An instruction issued to order and addressed to a merchant for payment of money, delivery of securities or other fungible goods, and which does not set the performance as subject to counter performance, may be transferred by endorsement. This shall also apply to documents for obligations issued to order by a merchant for items as above, if the performance thereof is not conditioned upon counter performance.

(2) Transferred by endorsement may also be bills of lading, consignment notes, warehouse warrants, notes for marine loans and transport insurance policies, provided they have been issued to order.

Effect of the endorsement

Article 317

(1) All rights embodied in the endorsed negotiable instruments are assigned through endorsement.

(2) The debtor shall be bound to perform only against presentation of the negotiable instrument, with mark thereon indicating that the obligation for which it has been issued has been paid.

(3) The provisions for bills of exchange shall apply mutatis mutandis to the form of the endorsement, the identification of the possessor and the verification of identification, as well as to the obligation of the possessor to deliver the negotiable instrument.

CHAPTER TWENTY-TWO COMMERCIAL SALE

Section I General Provisions

Definition

Article 318

(1) A commercial sale shall be a sale which constitutes a commercial transaction pursuant

to the provisions of this Act.

(2) A sale the subject of which is an item for personal consumption and where the buyer is a natural person, shall not be a commercial sale.

Term for delivery

Article 319

Where no term has been agreed for delivery of the goods, the buyer may demand delivery within a reasonable term.

Obligation for notification

Article 320

Where it has been agreed that the goods will be accepted at the warehouse of the seller, the parties shall determine within what time limits and in what manner the seller must notify the buyer that the goods are ready for delivery. Where that has not been determined, the notification shall be at least three days prior to the date of delivery, and should the parties be situated in different localities - at least five days before that date.

Documents pertaining to the goods

Article 321

Upon request of the buyer the seller shall be obliged to issue an invoice, and also other documents as agreed between the parties.

Service

Article 322

The seller shall be obliged to provide the necessary service according to the commercial practice, unless otherwise agreed.

Indemnity

Article 323

Should the sale be avoided and within an appropriate period of time after the avoidance the buyer has purchased replacement goods, or the seller has re-sold the goods, the party seeking compensation may receive the difference between the sale price and the price of the replacement transaction, as well as compensation.

Inspection of the goods

Article 324

The buyer shall inspect the goods in the course of time as necessary in view of the circumstances, and where the goods fail to meet the requirements, he shall immediately notify the seller. If the buyer fails to do so, the goods shall be considered approved as complying to the requirements, except for hidden defects.

Obligation for keeping

Article 325

(1) In the event of refusal to accept goods forwarded from another place, the buyer shall be obliged to keep them with the care of good merchant for the time period usually needed by the buyer to give his instructions. Should the seller be in delay, the buyer may deliver the goods for keeping to a third party, notifying the seller thereof.

(2) Should the goods be perishable, or where their keeping is related to considerable costs and inconveniences, the buyer may sell them on account of the seller.

(3) Where no instructions have been given pursuant to para 1, the buyer shall be liable only for intentional acts or gross negligence.

Determination of price

Article 326

(1) The price shall be determined by the parties upon conclusion of the contract.

(2) Where the price has not been determined and there is no agreement as to how to determine it, it shall be considered that the parties have agreed to the price usually paid upon conclusion of sale of the same type of goods under similar circumstances.

(3) Where the price is calculated on the basis of weight of the goods, the tare shall be deducted. This rule shall also apply where substances other than the goods are used for the purpose of preservation of goods.

Time of payment

Article 327

(1) The buyer shall be obliged to pay the price upon delivery of the goods or of the documents entitling him to receive the goods, unless otherwise agreed.

(2) If the seller has undertaken to forward the goods, he shall be entitled to demand that this happens only against payment of the price or presentation of evidence for payment thereof.

Delay of receipt

Article 328

(1) Where the buyer is in delay of receipt of goods, the seller may:

1. deliver the goods for safekeeping;
2. sell the goods at market prices or at a public auction, after notification to the buyer thereof, informing him of the time and place of the sale or auction;
3. in the case of perishable goods to sell them without prior notice.

(2) The delivery for safekeeping and the sales under para 1 shall be on the account and risk of buyer.

Section II

Special rules for some sales

Transit sale

Article 329

(1) The parties may agree that the seller deliver the goods to a third party indicated by the buyer.

(2) The seller shall be obliged to notify the buyer of the forwarding of the goods to the third party, sending him also copies of the documents accompanying the goods.

(3) The price may be paid by the third party.

Distribution of costs pertaining to delivery of goods

Article 330

(1) Where the goods have to be forwarded to a place other than the place of delivery, the costs pertaining to forwarding and transportation shall be on account of the buyer.

(2) It shall be assumed that the seller has undertaken the costs of loading and transportation, if delivery has been agreed franco a specific point other than the point of delivery.

(3) The costs pertaining to forwarding and transportation, as well as the distribution of other costs related to the performance of the contract, may be determined by reference to general terms elaborated by international and other institutions.

Sale with additional specification

Article 331

The parties may agree on a term during which the buyer shall specify the object of sale. In case of delay of the buyer, the seller may either do so or avoid the contract.

Sale with periodic performance

Article 332

In the case of a sale with periodic performance where the parties have agreed that seller may perform in advance, what has been given in excess during the preceding period shall be deducted from what is due.

Sale with buy-back clause

Article 333

A sale with a buy-back clause must be in writing and with a fixed term for exercising the right of buy-back. The right of buy-back shall lapse upon expiration of the term.

Sale with advance payment of the price

Article 334

The agreement for advance payment of the price must be in writing. If the seller fails to deliver the goods, he shall owe interest from the date of receipt of the price. In such a case the price paid shall be considered earnest money.

Installment sale

Article 335

(1) An installment sale shall be valid if executed in writing.

(2) The failure to pay installments not exceeding one-fifth of the price of the goods, shall not be a reason for cancellation of the contract.

(3) If the sale is avoided due to the buyer's failure to perform, the seller may also claim compensation.

Sale by assignment of negotiable instruments

Article 336

In the case of sale of goods by assignment of a negotiable instrument the seller shall be relieved from the obligation to deliver the goods, by assigning the negotiable instrument to the

buyer. The buyer shall be bound to pay the price immediately and at the point of delivery of the documents, unless otherwise agreed.

Section III

Sale at public auction with open bidding

Publicity

Article 337

The seller shall provide publicity of the auction terms by announcement in at least one daily.

Binding force of proposal

Article 338

A participant in the auction shall be bound by his proposal in compliance with the terms of the auction.

Assignment of the goods

Article 339

The person who conducts the bidding shall assign the goods to the bidder who has offered the highest price. The sale shall be considered concluded by assignment of the goods.

Payment

Article 340

The buyer shall be bound to pay the price immediately, unless otherwise provided by the terms of the auction. The seller may cancel the contract if the buyer fails to fulfil this obligation.

Nullification of sale

Article 341

An auction sale concluded as a result of acts contrary to the law or good morals may be declared null and void upon the request of any interested party, within ten days following the assignment. In the case of an action for payment of the price, the buyer may demand nullification of the sale by means of an objection.

CHAPTER TWENTY-THREE

LEASING CONTRACT

Definition

Article 342

(1) Under a leasing contract the lessor undertakes to provide an item for use against payment.

(2) Under a financial leasing contract the lessor undertakes to obtain an item from a third party under terms specified by the lessee, and to provide that item to the lessee for use against payment.

(3) The lessee may acquire the item during the term of the contract or after the expiration thereof.

Risk

Article 343

In the case of a financial lease the risk of accidental destruction or damages to the article shall be on the account of the lessee.

Obligations of lessor

Article 344

(1) The lessor shall undertake the obligations of lessor pursuant to Article 230 of the Obligations and Contracts Act.

(2) The lessor under a financial lease shall be bound to transfer its rights in respect of the third party concurrently with the transfer of title of the item.

Obligations of the lessee

Article 345

(1) The lessee shall undertake the obligations of lessee pursuant to Articles 232 and 233, para 2, of the Obligations and Contracts Act , as well as the obligation to return the item upon expiration of the term of the contract.

(2) The costs pertaining to maintenance of the item shall be on the account of the lessee.

Sub-leasing

Article 346

The lessee may give the item to be used by another party with the consent of the lessor.

Reference

Article 347

(1) The rules of this Chapter shall also apply mutatis mutandis to leasing of an enterprise.

(2) (Amended, SG No. 92/2007) The rules relevant to lease contracts shall apply mutatis mutandis to leasing contracts with the exception of Article 229, Paragraph 3, Article 231 , paras 1 and 2, Article 233, para 1, Article 235, Article 236, para 1, Articles 237, 238 and 239 of the Obligations and Contracts Act.

CHAPTER TWENTY-FOUR COMMISSION MERCHANT CONTRACT

Definition

Article 348

(1) Under a commission merchant contract the commission merchant shall undertake, for a commission, to perform on his own behalf and on the account of the principal one or more transactions.

(2) The provisions on the contract of mandate shall apply mutatis mutandis to the relationship between the principal and the commission merchant, unless otherwise provided in this Chapter.

Effect

Article 349

(1) Under a transaction concluded with a third party for performance of the mandate, rights and obligations shall also arise for the commission merchant in the case where he has informed the third party of the principal's name.

(2) The rights acquired by the commission merchant or granted thereto by the principal, shall be deemed, with respect to the commission merchant's creditors, rights of the principal even before their transfer to the principal.

(3) The commission merchant shall be bound to meet the obligations and to exercise the rights ensuing from the transaction with the third party.

(4) The principal may exercise the rights and may be compelled to meet the obligations towards a third party only after the transfer thereof by the commission merchant.

Obligations of the commission merchant

Article 350

(1) The commission merchant must perform the mandate with the care of good husband.

(2) Where the commission merchant has performed the mandate under conditions more favourable than those set by the principal, the benefit shall belong to the principal.

(3) In the case of receipt of goods from another location, the commission merchant must inspect them immediately after receipt, and should he ascertain any defects or losses he must notify forthwith the principal thereof and provide the necessary evidence.

(4) Should any changes occur in the goods which would depreciate them, and where there is no sufficient time available to wait for the instructions of the principal or the principal is in delay, the commission merchant may sell the goods at prices lower than the specified by the principal, provided in this way he protects the principal from greater damages.

(5) The commission merchant shall be bound to insure the goods received from the principal or from the third party under the executive transaction, provided the principal has given instructions to that effect.

Deviation from the mandate

Article 351

(1) Should the commission merchant deviate from the mandate, the principal shall not be obliged to recognize the transaction executed on his account, and may claim damages. This rule shall not apply where such deviation has been made in the interest of the principal and the commission merchant was not able to request in advance new instructions, or did not receive a timely response to his inquiry.

(2) A commission merchant who sells at a lower price or buys at a higher price than the one set by the principal, must notify the latter immediately thereof. If the principal does not immediately refuse to accept the transaction it shall be deemed that he has approved it.

(3) Where the commission merchant states that he shall bear the difference in prices, the principal may not refuse to accept the transaction.

(4) The principal may not refuse to accept a transaction, even though the commission merchant has not expressed readiness to bear the difference in prices, provided the commission merchant has ascertained that it was not possible to perform the transaction at the price set by the principal, and that by performing the transaction he has protected the principal from greater damages.

Notification to the principal

Article 352

(1) Where the third party is in default of its obligations, and also if damages are inflicted by anyone to the property acquired or held by the commission merchant on account of the principal, the commission merchant shall be bound to notify immediately the principal and to provide the necessary evidence.

(2) Upon receipt of notification that the third party is in default of its obligations under the executive transaction, the principal shall be entitled to request from the commission merchant to transfer immediately to him the rights in respect of such party.

Transaction on credit

Article 353

A commission merchant authorized to conclude a transaction on credit shall be liable before the principal for the performance of the obligations by the third party, provided he has been or should have been of knowledge that the third party is unable to pay.

Commission contract del credere

Article 354

Where the commission merchant has guaranteed to the principal for the obligation of the third party, he shall be liable jointly and severally with the third party and shall be entitled to separate compensation.

Accounting

Article 355

The commission merchant shall be bound to account before the principal and to transfer to him the results of the transaction executed.

Obligations of the principal

Article 356

(1) The principal shall be obliged to accept from the commission merchant the results of the transaction executed, to inspect the goods acquired for him and to notify immediately the commission merchant of any defects or losses, as well as to undertake the obligations undertaken by the commission merchant towards the third party.

(2) The principal shall be bound to pay the commission merchant the expenses made in

relation to the execution of the mandate, and the remuneration agreed upon. Where no remuneration has been agreed, the customary sum shall be due.

Pledge right of the commission merchant

Article 357

The commission merchant shall be entitled to a pledge on the items acquired by him on account of the principal, or which the principal has delivered to him.

Entering into executive transaction

Article 358

(1) Where subject of the mandate is the purchase or sale of goods or securities which have market or stock exchange prices, the commission merchant may state that he himself sells to the principal or buys from him the goods or securities at such prices. In such case the amount of the remuneration shall be reduced in half.

(2) The commission merchant shall be assumed a party to the sale provided he has notified the principal of the carrying out of the mandate without indicating a third party.

Refusal by the commission merchant

Article 359

(1) Unless otherwise provided in the contract, the commission merchant may not refuse to carry out an undertaken mandate, except in the case of termination of the contract due to default of the principle. The termination shall be effected in writing, whereas the commission contract shall remain in force for two weeks as from the date on which the principal has received notification from the commission merchant of the refusal.

(2) If the commission merchant refuses to carry out an undertaken mandate because of a breach of the commission contract by the principal, the commission merchant shall be entitled to a commission and to compensation for any expenses made.

(3) A principal who has been notified of the refusal of the commission merchant to carry out an undertaken mandate shall be bound, within one month following the date of notification for refusal, to dispose of his property which is in the possession of the commission merchant.

(4) Where the principal fails within the above term to dispose of the property which is in the possession of the commission merchant, the commission merchant shall be entitled to deliver such property for safekeeping on account of the principal or, in order to cover his claims towards the principal, to sell such property at the best prices for the principal.

Withdrawal of mandate

Article 360

Should the principal withdraw his mandate entirely or in part, before the commission merchant has concluded the respective transactions with third parties, he shall be bound to pay the commission merchant the remuneration and the costs incurred for transactions concluded by him before the withdrawal. In such case the principal shall have the obligation pursuant to Article 359, para 3.

CHAPTER TWENTY-FIVE FORWARDING CONTRACT

Definition

Article 361

(1) Under a forwarding contract a forwarding agent shall undertake, for compensation, to conclude a contract for transportation of cargo in his own name and on account of the principal.

(2) The provisions for commission merchant contract shall apply mutatis mutandis to all matters not covered by this Chapter.

Forwarding agent - carrier

Article 362

The forwarding agent may carry out the transportation himself, entirely or partially. In such case he shall have the rights and obligations of a carrier as well.

Several forwarding agents

Article 363

The forwarding agent may assign to subsequent forwarding agents the carrying out of the activities under Article 361, even without authorisation therefore from the principal.

Obligation for notification

Article 364

(1) The principal shall be bound to notify the forwarding agent about any special characteristics of the cargo.

(2) Should the packing of the cargo be inappropriate for transportation, the forwarding agent shall be bound to notify the principal thereof.

Compliance with principal's instructions

Article 365

(1) The forwarding agent shall be bound to comply to the instructions of the principal pertaining to the route, direction and manner of transportation, as well as to the selection of carriers and subsequent forwarding agents.

(2) Should the forwarding agent deviate from the instructions of the principal, he shall be liable for damages, unless he proves that such could also have occurred even if he had complied to the instructions.

Limitation of actions

Article 366

An action for damages under a forwarding contract may be brought within one year.

CHAPTER TWENTY-SIX CONTRACT OF CARRIAGE

Definition

Article 367

Under a contract of carriage a carrier shall undertake to carry out for compensation the transportation of a person, luggage or cargo to a certain place.

Obligations of the carrier

Article 368

(1) A carrier shall be bound to carry out the transportation within the specified term, to keep the cargo as from its acceptance to the delivery, to notify the consignee about the arrival of the cargo and to deliver the cargo at the point of destination.

(2) Where no consignment note has been issued, the carrier shall follow the instructions of the consignor about return of the cargo or delivery of the cargo to another person, if he has not delivered the cargo or the bill of lading.

Obligations of the carrier for transportation of passengers

Article 369

A carrier shall be bound to ensure to passengers appropriate conveniences and safety

according to the type of transport vehicle and the distance of transportation.

Obligations of the consignor

Article 370

(1) A consignor shall be bound to deliver the cargo to the carrier in a state allowing it to undergo transportation, according to its type and special requirements for various types of cargo.

(2) The consignor shall deliver to the carrier together with the cargo also the documents needed in order to deliver the cargo to the consignee.

(3) Where the packing is obviously inappropriate, the carrier may accept the cargo, provided the consignor declares in writing that any damages that may occur shall be on his own account.

Consignment note

Article 371

(1) The consignor may request the carrier to issue him a consignment note for the delivered cargo, which may also be issued to order.

(2) Where a consignment note has been issued, the cargo shall be delivered to the bearer of the note who has established himself as such.

Freightage

Article 372

(1) The consignor shall pay the freightage upon the conclusion of the contract, unless otherwise agreed.

(2) Where freightage has not been paid by the consignor, it shall be paid by the consignee upon acceptance of the cargo.

Liability for losses and damages

Article 373

(1) The carrier shall be liable for losses, destruction or damages to the cargo, except where the damages are due to force majeure, to the characteristics of the cargo, or to obviously inappropriate packing, if the consignor has declared his consent pursuant to Article 370, para 3.

(2) Pursuant to the provisions of para 1 the carrier shall be liable for damages due to delay in performing the transportation.

(3) An arrangement to relieve from liability under paras 1 and 2 shall be invalid.

(4) If some lost cargo, for which the consignee has been compensated, is later on found, the carrier shall notify thereof the consignee after taking the necessary measures to preserve it. Should the consignee accept the cargo, he shall owe reimbursement of the compensation received. In the case of rejection, the carrier may sell the cargo himself.

(5) After delivery of the cargo the carrier shall be liable only if he has been notified about damages not later than one month following the delivery.

Liability in the case of subsequent carriers

Article 374

(1) Where a carrier performs the transportation entirely or in part with the participation of other carriers, he shall be liable for their actions to the time of delivery of the cargo.

(2) Each subsequent carrier shall enter into the contract and must exercise the rights of the preceding carriers, as stipulated in the contract of carriage. All carriers shall be liable jointly and severally.

Right to pledge

Article 375

A carrier shall be entitled to a pledge on the cargo for his dues under the contract. This right shall be exercised by the last carrier and shall exist until the rights of all carriers are satisfied.

Obligation for keeping the cargo

Article 376

Where it is not possible to find the consignee at the address indicated, or if he refuses to accept the cargo, the carrier shall be obliged to keep it or to deliver it for keeping to another party, notifying the consignor thereof in due time. In the case of perishable cargo, the rules for sale of items in the case of delay of a creditor, shall apply.

Transportation of luggage

Article 377

The respective rules for transportation of cargo shall apply to transportation of luggage.

Limitation of actions

Article 378

An action for damages under a contract of carriage may be brought within one year, commencing:

1. for cargo - from the date of delivery to the consignee, and where the cargo has not been delivered - from the date on which it should have been delivered;

2. for passengers, in the case of death or bodily injury - from the date of occurrence thereof or the date of coming of knowledge thereof, but not later than three years.

Special rules

Article 379

The special rules for individual types of transportation shall be governed by separate Acts.

CHAPTER TWENTY-SEVEN INSURANCE CONTRACT

(Repealed, SG No. 103/2005)

Section I General Provisions

Definition

Article 380

(Repealed, SG No. 103/2005)

Form

Article 381

(Repealed, SG No. 103/2005)

Pre-contract information

Article 381a

(New SG No 96/2002, repealed, SG No. 103/2005)

Payment of first premium

Article 382

(Repealed, SG No. 103/2005)

Obligation for declaration

Article 383

(Repealed, SG No. 103/2005)

Intentional incorrect declaration or holding back

Article 384

(Repealed, SG No. 103/2005)

Unintentional incorrect declaration

Article 385

(Repealed, SG No. 103/2005)

Declaration of newly occurred circumstances

Article 386

(Repealed, SG No. 103/2005)

Insurance premium

Article 387

(Repealed, SG No. 103/2005)

Prevention of damages

Article 388

(Repealed, SG No. 103/2005)

Obligation for notification

Article 389

(Repealed, SG No. 103/2005)

Insurance payment

Article 390

(Repealed, SG No. 103/2005)

Insurance interest

Article 391

(Repealed, SG No. 103/2005)

Limitation

Article 392

(Repealed, SG No. 103/2005)

Compulsory execution

Article 393

(Repealed, SG No. 103/2005)

Section II

Property insurance

Subject of contract

Article 394

(Repealed, SG No. 103/2005)

Conclusion of contract without authorization

Article 395

(Repealed, SG No. 103/2005)

Sum insured

Article 396

(Repealed, SG No. 103/2005)

Over insurance

Article 397

(Repealed, SG No. 103/2005)

Under insurance

Article 398

(Repealed, SG No. 103/2005)

Insurance indemnity

Article 399

(Repealed, SG No. 103/2005)

Partial destruction

Article 400

(Repealed, SG No. 103/2005)

Transfer of insured property

Article 401

(Repealed, SG No. 103/2005)

Subrogation into the rights of the assured

Article 402

(Repealed, SG No. 103/2005)

Insurance against transportation risks

Article 403

(Repealed, SG No. 103/2005)

Subscription insurance

Article 404

(Repealed, SG No. 103/2005)

Section III

"Liability" insurance

Definition

Article 405

(Repealed, SG No. 103/2005)

Notification

Article 406

(Repealed, SG No. 103/2005)

Direct claim

Article 407

(Repealed, SG No. 103/2005)

Settlement

Article 408

(Repealed, SG No. 103/2005)

Right of the assured

Article 409

(Repealed, SG No. 103/2005)

Section IV

"Life" and "accident" insurances

Subject of contract

Article 410

(Repealed, SG No. 103/2005)

Sum insured

Article 411

(Repealed, SG No. 103/2005)

Insurance on the life of a third party

Article 412

(Repealed, SG No. 103/2005)

Mutual insurances

Article 413

(Repealed, SG No. 103/2005)

"Life" and "accident" insurance in favour of a third party

Article 414

(Repealed, SG No. 103/2005)

Right of the third party beneficiary

Article 415

(Repealed, SG No. 103/2005)

Risks excluded

Article 416

(Repealed, SG No. 103/2005)

Payment of premium

Article 417

(Repealed, SG No. 103/2005)

Right to buy off

Article 418

(Repealed, SG No. 103/2005)

CHAPTER TWENTY-EIGHT

CONTRACT FOR CURRENT ACCOUNT

Contents

Article 419

(1) Under a contract for current account two persons, where at least one of them is a merchant, may agree the amounts receivable and payable ensuing from their mutual relations to be kept under one account, which shall be periodically settled. The party to the benefit of which a balance exists at the time of settlement, may demand it together with interest from the date of settlement of the account even though interest may have already been included therein.

(2) The settlement of the account shall be effected at the end of the calendar year, unless otherwise agreed, and shall be confirmed by the parties in writing. Should a declaration of any of the parties be invalid, the action may be brought within one year thereafter.

(3) A contract for current account may be terminated by a one-month advance notice in writing even before settlement of the account, unless otherwise agreed, whereas the party with a balance to his benefit may demand its payment.

CHAPTER TWENTY-NINE

BANKING TRANSACTIONS

Section I

Contract of bank deposit

Ordinary deposit

Article 420

(1) Under a contract of bank deposit a bank shall undertake to keep for consideration the submitted thereto bank notes, securities or other movable items.

(2) The depositor may at any time demand the return of a deposited item, even where it has been agreed that the deposit shall continue for a certain period of time. In such a case the depositor shall owe payment only for the duration of time of keeping the article, but he should pay the bank the expenses incurred thereby in view of the agreed duration of the deposit.

Monetary deposit

Article 421

(1) In the case of a monetary deposit the bank shall owe the sum of money to the depositor in the same currency and to the same amount, as well as the agreed interest.

(2) In the case of early withdrawal of sums from a time cash deposit, interest shall be due as for demand deposit, unless otherwise agreed.

Documents for deposit

Article 422

(1) In the case of a monetary deposit the bank shall issue to the depositor documents for all contributions to and payments from the deposit.

(2) In the case of a difference between the data under the bank batch and the document issued by the bank to the depositor, the data in the issued document shall be assumed to be true, until proven to the contrary.

(3) If the deposit document issued is lost, destroyed or stolen, the depositor shall be obliged to notify forthwith the bank in writing. The bank shall not be liable if before the receipt of such notification it has paid in good faith a sum to a person, who appeared authorized to receive such sum on the grounds of indisputable circumstances.

Authorization

Article 423

A proxy may draw sums from a monetary deposit, provided the power of attorney bears a signature certified by the notary public.

Management of securities

Article 424

A bank may undertake to manage deposited securities by exercising the rights thereon, unless otherwise agreed.

Conditioned deposit and deposit in favour of a third party

Article 425

In the case of a conditioned deposit or in favour of a third party, if the condition does not occur or the third party dies, the deposited monies, securities or other movable articles shall be returned to the depositor.

Section II

(Repealed, SG 23/2009, effective 1.11.2009)

Article 426

(Repealed, SG 23/2009, effective 1.11.2009)

Article 427

(Repealed, SG 23/2009, effective 1.11.2009)

Article 428

(Repealed, SG 23/2009, effective 1.11.2009)

Article 429

(Repealed, SG 23/2009, effective 1.11.2009)

Section III

Contract for bank credit

Definition and form

Article 430

(1) Under a contract for bank credit a bank shall be obliged to provide to a borrower a sum of money for a certain purpose and under agreed conditions and term, and the borrower undertakes to use the sum as agreed and to return it upon expiration of the term.

(2) The borrower shall pay interest on the credit, as agreed with the bank.

(3) The contract for bank credit shall be concluded in writing.

Necessary information

Article 431

The borrower shall be obliged to provide the bank with the necessary information relevant to the conclusion and performance of the contract.

Early claim

Article 432

(1) Further to the cases provided for in the contract, the bank may request early return of the sum under the credit, where:

1. the credit is not used for the purpose for which it has been received;
2. the borrower provides untrue information;
3. the security becomes insufficient and is not supplemented within a term set by request therefore;
4. the borrower fails to return other loans to the bank due to serious aggravation of his financial status.

(2) In the case under para 1, Item 4, the bank shall provide a sufficient time period before exercising its right for early return of the sum.

Section IV

Letter of credit

(Repealed, SG No. 59/2006)

Definition

Article 433

(Repealed, SG No. 59/2006)

Rights and obligations

Article 434

(Repealed, SG No. 59/2006)

Section V

Documentary letter of credit

Definition and form

Article 435

(1) A documentary letter of credit shall be a unilateral declaration in writing by a bank, by which it undertakes to pay to the person indicated in the documentary letter of credit the sum of the documentary letter of credit, provided he submits to the bank within the term specified in the

documentary letter of credit the documents listed therein, and fulfils its other conditions. A documentary letter of credit shall come into force after notification of the person.

(2) A bank may assign to another bank the receipt of documents, their verification, the compliance with other conditions under the documentary letter of credit and the payment of the amount.

(3) The verification of the documents shall be prima facie.

(4) Only the conditions specified in the documentary letter of credit shall be of importance for payment of the sum under the documentary letter of credit.

(5) The obligations under the documentary letter of credit shall cease upon expiration of the term.

Irrevocability of the documentary letter of credit

Article 436

Unless anything else ensues from the documentary letter of credit, it shall be considered irrevocable and may be revoked or modified only with the consent of the third party.

Revocable documentary letter of credit

Article 437

A revocable documentary letter of credit may be revoked unilaterally by the bank, as long as it is not carried out.

Divisibility and non-transferability of a documentary letter of credit

Article 438

A documentary letter of credit shall be divisible and non-transferable, unless otherwise ensues therefrom.

Confirmed documentary letter of credit

Article 439

Where an irrevocable documentary letter of credit is confirmed by another bank, it shall undertake to pay on its own and directly the sum under the letter of credit.

Mandate and documentary letter of credit

Article 440

The provisions for contract of mandate shall apply to the relations between the principal and the bank which has opened the documentary letter of credit, as well as between the banks under the documentary letter of credit.

Remuneration

Article 441

The principal shall owe a fee to the bank.

Section VI Bank guarantee

Definition and form

Article 442

Under a bank guarantee a bank undertakes in writing to pay to the person specified in the guarantee a certain sum of money in compliance with the conditions provided therein.

Section VII Bank collection. Bank documentary collection

Definition of bank collection

Article 443

Under a contract for bank collection a bank undertakes, for a fee, to collect by mandate from the principal his cash receivable or to effect another action for collection.

Definition of bank documentary collection

Article 444

Under a contract for bank documentary collection the bank by mandate from the principal undertakes to deliver, in return for remuneration, to another person documents entitling him to dispose with goods, or other documents against payment of an amount which the bank undertakes to collect, or against effect of other actions for collection.

Rights and obligations

Article 445

(1) The principal should pay to the bank the agreed expenses.

(2) Upon performance of bank collection and of bank documentary collection the bank shall be liable only for incorrect performance of the instructions provided. It shall not be obliged to verify the form and compliance of documents.

(3) A bank which uses the services of another bank in view of performing the orders of the principal, shall do so on his account.

Subsidiary applicable provisions

Article 466

Unless the circumstances indicate otherwise the provisions for contract of mandate shall apply mutatis mutandis to the bank collection and the bank documentary collection.

Special provision

Article 447

Contracts for bank collection and for bank documentary collection shall not be terminated upon the death of the principal.

Section VIII **(Repealed, SG 23/2009, effective 1.11.2009)**

Article 448

(Repealed, SG 23/2009, effective 1.11.2009)

Article 449

(Repealed, SG 23/2009, effective 1.11.2009)

Article 450

(Repealed, SG 23/2009, effective 1.11.2009)

Section IX **Contract for bank safe deposit box**

(Repealed, SG No. 59/2006) **Definition**

Article 451

(Repealed, SG No. 59/2006)

Prohibited items

Article 452

(Repealed, SG No. 59/2006)

Rights of the bank on default of payment

Article 453

(Repealed, SG No. 59/2006)

Liability in the case of force majeure

Article 454

(Repealed, SG No. 59/2006)

CHAPTER THIRTY BILL OF EXCHANGE

Section I General Provisions

Contents

Article 455

A bill of exchange shall contain:

1. the title "bill of exchange" in the text of the document in the language in which the document has been written;
2. unconditional order to pay a certain sum of money;
3. name of the person who must pay (drawee);
4. maturity;

5. place of payment;

6. name of the person to whom or to whose order the sum must be paid (payee);

7. date and place of issue;

8. signature of the drawer.

Incomplete contents

Article 456

(1) A document which does not contain any of the requisites listed in Article 455, shall not be a bill of exchange, except for the cases specified in the paragraphs below.

(2) A bill of exchange in which no maturity has been specified, shall be deemed payable on demand.

(3) A bill of exchange in which no place of payment has been specified, shall be deemed payable at the place indicated next to the name of the drawee, which shall be assumed to be the place of residence of the drawee.

(4) A bill of exchange in which no place of issue has been indicated, shall be considered to be issued at the place indicated next to the name of the drawer.

Bill of exchange to the order of the drawer and against the drawer

Article 457

A bill of exchange may be issued to the order of the drawer himself, as well as against the drawer.

Place of payment

Article 458

(1) A bill of exchange may be payable at the place of residence of a third party, at the place of residence of the drawee, or at another place.

(2) Where the drawer has specified in the bill of exchange a place of payment other than the place of residence of the drawee, without indicating a third party with whom the payment is to be effected, the drawee may determine this third party upon acceptance. It shall be assumed, unless otherwise agreed, that the drawee has undertaken to pay personally at the place of payment specified in the bill of exchange.

(3) Where a bill of exchange is payable at the place of residence of the drawee, he may indicate upon acceptance an address within the same locality where the payment is to be effected.

Obligation for interest

Article 459

(1) In a bill of exchange payable on demand or within a certain term after presentation, the drawer may undertake an obligation for interest on the amount. In the case of any other bill of exchange such an obligation shall be considered null and void.

(2) The amount of the interest must be indicated in the bill of exchange.

(3) Interest shall be charged as from the date of issue of the bill of exchange, unless another date has been specified.

Differences in the sum

Article 460

(1) Where the sum has been written in the bill of exchange in figures and in words, in the case of difference the sum written in words shall be valid.

(2) Where the sum has been written in the bill of exchange several times in words or in figures, in the case of difference the smallest sum shall be valid.

Validity of signatures

Article 461

Should a bill of exchange bear signatures of persons who may not undertake obligations under a bill of exchange, false signatures, signatures of non-existent persons or signatures which, for some other reason, may not bind the persons who have signed or on behalf of whom the bill of exchange has been signed, the obligations of the other persons who have signed shall be valid.

Signature without authorization

Article 462

A person who signs a bill of exchange as an agent without having such authority, or who exceeds his authority by doing so, shall be personally liable under the bill of exchange, and should he pay, he shall have the same rights as would have the represented person.

Liability of the drawer

Article 463

(1) The drawer shall be liable for the acceptance and payment of a bill of exchange.

(2) The drawer may be relieved of liability for acceptance, but he may not be relieved from liability for payment.

Blank bill of exchange

Article 464

If a bill of exchange, which has not been filled in at issue, is filled in not as agreed, the default on the agreed may not be counterposed against the bearer unless he has acquired the bill of exchange through abuse of authority or gross negligence.

Objections of debtors

Article 465

Debtors under a bill of exchange may not use against the bearer objections based on their personal relationship with the drawer or with some of the former bearers, unless the bearer did not act in good faith in acquiring the bill of exchange.

Section II Endorsement

Transfer of a bill of exchange

Article 466

(1) Any bill of exchange, even where not explicitly issued to order, may be transferred by endorsement.

(2) Where the drawer has written in the bill of exchange the words "not to order" or another phrase of equivalent meaning, the bill of exchange shall be transferred under the procedure for transfer of receivables.

(3) A bill of exchange may be endorsed to the drawee, the drawer or any other person who has undertaken obligations under the bill of exchange. Such persons may again endorse the bill of exchange.

Qualifications

Article 467

(1) An endorsement may not be conditional.

(2) A partial endorsement shall be null and void.

(3) An endorsement to the bearer shall have the same effect as a blank endorsement.

Form

Article 468

(1) The endorsement must be written on the bill of exchange or on a sheet of paper attached thereto (allonge). It must be signed by the endorser.

(2) The endorsement need not specify the person in whose favour it was made, or it may contain only the signature of the endorser (blank endorsement). In order to be valid, a blank endorsement must be written on the back of the bill of exchange or the allonge.

Effect

Article 469

(1) An endorsement shall transfer all the rights under a bill of exchange.

(2) In the case of a blank endorsement, the bearer may:

1. fill in the blank space with his own name or the name of another person;
2. make a blank endorsement on the bill of exchange;
3. deliver the bill of exchange to another person, without filling in the blank space and without endorsing it.

Liability of the endorser

Article 470

(1) The endorser shall be liable for the acceptance and payment of the bill of exchange, unless otherwise agreed.

(2) An endorser may prohibit further endorsement. In such case he shall not be liable before the persons to whom the bill of exchange has been endorsed subsequently.

Bearer

Article 471

(1) The holder of a bill of exchange shall be deemed the legitimate bearer, provided his right ensues from the continuous order of endorsements, even where the last endorsement has been a blank endorsement. Crossed out endorsements shall be considered non-existent. Where a blank endorsement is followed by another endorsement, it shall be deemed that the signatory has acquired the bill of exchange by the blank endorsement.

(2) Where a person has been deprived of possession of the bill of exchange in any way, the bearer, who shall ascertain his right pursuant to para 1, shall not be obliged to deliver it, unless where it was acquired in bad faith or by gross negligence.

Endorsement by authorization

Article 472

(1) In the case of endorsement with provision "to be received", "for collection", "by authorization" or another phrase to the meaning of authorization, the bearer may exercise all the rights on the bill of exchange, but he may transfer it only with endorsement by authorization. In such case the persons liable may use against the bearer only the objections they could counterpose against the endorser.

(2) The authorization contained in an endorsement by authorization shall not be terminated upon the death or the legal disability of the authorizing person.

Endorsement for security

Article 473

(1) In the case of endorsement with provision "for guarantee", "for pledge" or another phrase with the meaning of security, the bearer may exercise all the rights on the bill of exchange, but he may transfer it only with endorsement by authorization.

(2) Debtors may not put against the bearer objections based on their personal relationship with the endorser, unless the bearer has acted in bad faith in acquiring the bill of exchange.

Endorsement after maturity or protest

Article 474

(1) An endorsement made after maturity shall have the same effect as an endorsement made before that. An endorsement made after the protest, due to default of payment or after expiration of the term for protest, shall have the effect of the transfer of a receivable.

(2) It shall be assumed, until proven to the contrary, that an endorsement without a date has been made before expiration of the term for protest.

Section III

Acceptance

Presentation for acceptance

Article 475

A bill of exchange may be presented to the drawee for acceptance at his place of residence by the bearer or the holder before maturity.

Instruction or prohibition for presentation

Article 476

(1) The drawer may prescribe in the bill of exchange that it should be presented for acceptance, and also to specify a term for that. He may prescribe that the bill of exchange should not be presented for acceptance before a specified term.

(2) The drawer may prohibit in the bill of exchange its presentation for acceptance, unless it is payable by a third party or at a place other than the place of residence of the drawee, or if it is payable within a specified term after the presentation.

(3) Each endorser may prescribe that the bill of exchange be presented for acceptance, as well as to specify a term therefore, unless the drawer has prohibited presentation for acceptance.

Deadline for Claims

Article 477

(1) A bill of exchange payable within a certain period after presentation must be presented for acceptance within one year of its issue. The drawer may reduce or extend that term.

(2) The terms under para 1 may be reduced by the endorsers.

Secondary presentation

Article 478

(1) Upon presentation, the drawee may request that the bill of exchange be presented to him again on the next day. The interested parties may not object that such a request has not been satisfied, unless it has been indicated in the protest.

(2) The bearer shall not be obliged to deliver to the drawee the bill of exchange which was presented for acceptance.

Form of acceptance

Article 479

(1) The acceptance shall be written on the bill of exchange with the word "accepted", or with another word of equivalent meaning, and shall be signed by the drawee. The signature of the drawee on the face of the bill of exchange shall be considered acceptance.

(2) Where the bill of exchange is payable within a certain term following the presentation, or if it should be presented for acceptance within a specified term by virtue of a special provision, the acceptance must indicate the date on which this was done, unless the bearer requires the date of presentation to be indicated. If there is no date indicated, in order to preserve his recourse actions against the endorsers and the drawer, the bearer must ascertain the lack of date by protest.

Unconditional acceptance

Article 480

(1) Acceptance may not be effected under condition.

(2) The drawee may limit the acceptance to part of the sum.

(3) Any other modification of the contents of the bill of exchange upon its acceptance shall be considered rejection of acceptance, but the drawee shall be liable in compliance with the conditions of his acceptance.

Effect of acceptance

Article 481

(1) Upon acceptance the drawee undertakes to pay the bill on maturity.

(2) In case of default of payment the bearer, even where he is the drawer, shall have an action against the drawee pursuant to Articles 505 and 506.

Repeal of acceptance

Article 482

(1) If the drawee who has accepted the bill of exchange has crossed out the acceptance before return of the bill, the acceptance shall be considered repealed. It shall be assumed, until proven to the contrary, that the crossing out has been effected before the return of the bill of exchange.

(2) Where the drawee has notified in writing the bearer or some of the persons who have signed the bill of exchange of the acceptance, he shall be liable before them in accordance with the conditions of acceptance.

Section IV

Bill of exchange guarantee

Definition

Article 483

The payment of a bill of exchange may be secured entirely or in part through a guarantee. The guarantee may be given by a third party or by a person whose signature has already been put on the bill of exchange.

Form

Article 484

(1) The guarantee shall be put on the bill of exchange or on the allonge. It shall be expressed by the words "as guarantee" or another phrase of equivalent meaning, and must be signed by the guarantor.

(2) The signature on the face of the bill of exchange shall be considered a guarantee, unless it is the signature of the drawee or the drawer.

(3) Where the guarantor has not indicated for whom he guarantees, it shall be considered that the guarantee is for the drawer.

Liability of the guarantor

Article 485

(1) The guarantor shall be liable in the same way as the person for whom he has guaranteed.

(2) The obligation of the guarantor shall be valid also where the obligation for which it has been undertaken is not valid for any reason whatsoever, except for defect in the form.

(3) The guarantor who has paid the bill of exchange shall assume the rights under it against the person for whom he has provided the guarantee, and against all persons liable to that person under the bill of exchange.

Section V

Maturity

Manner of determination

Article 486

(1) The maturity of a bill of exchange may be:

1. upon presentation;

2. after a certain term after the presentation;
3. after a certain term after the issue;
4. on a certain date.

(2) A bill of exchange issued with maturity specified in some other way or by subsequent maturity, shall be null and void.

Sight bill of exchange

Article 487

(1) A sight bill of exchange shall be payable upon presentation. It must be presented for payment within one year following its issue. The drawer may specify a shorter or a longer term. The endorsers may reduce the terms for presentation.

(2) If the drawer notes down that the sight bill of exchange should not be presented for payment before a specified date, the term for presentation shall commence as from that date.

Usance bill of exchange

Article 488

(1) Maturity of a usance bill of exchange shall be determined as from the date of acceptance or as from the date of protest.

(2) Where no protest exists, it shall be considered that the acceptance without indication of date has been made by the drawee on the last date of the term for presentation for acceptance.

Interpretation of terms

Article 489

(1) Maturity of a bill of exchange payable one or several months after its issue or presentation, shall be on the respective day of the month for effect of the payment. If there is no such day of that month, maturity shall fall on the last day of the month.

(2) Where maturity has been set in the beginning, in the middle or at the end of the month, these phrases shall be understood to mean the first, the fifteenth or the last day of the month.

(3) The phrase "half month" shall be understood to mean a term of fifteen days.

Applicable calendar

Article 490

(1) Where the bill of exchange is payable on a specific date at a place where the calendar is different from that at the place of issue, maturity shall be determined in accordance with the calendar at the place of payment.

(2) Where a bill of exchange, issued and payable at places with different calendars, is payable within a set term after the issue, the date of issue and maturity shall be determined by the calendar at the place of payment.

(3) The terms for presentation of the bill of exchange shall be calculated pursuant to the rules of paras 1 and 2.

(4) Paras 1, 2 and 3 shall not apply if something else follows from a provision in the bill of exchange or from its contents.

Section VI

Payment

Term for presentation for payment

Article 491

A bill of exchange payable on a certain day or within a specified term after its issue or presentation, must be presented for payment on maturity or on one the next two working days.

Indication of payment

Article 492

(1) Upon payment the drawee may request the bearer to surrender to him the bill of exchange and to indicate thereon that it has been paid.

(2) The bearer may not reject partial payment.

(3) In the case of partial payment the drawee may request the payment to be indicated on the bill of exchange and receipt to that effect to be issued to him.

Payment before and on maturity date

Article 493

(1) The bearer shall not be obliged to accept payment of the bill of exchange before maturity date.

(2) A drawee who pays before maturity date shall pay on his own risk.

(3) A person who pays on maturity date shall be relieved from his obligation, unless he has acted with gross negligence. He shall be obliged to verify the correct order of endorsements, but not the signatures of the endorsers.

Currency of payment

Article 494

(1) Where the sum of the bill of exchange has been quoted in currency which has no exchange rate at the place of payment, the amount may be paid in local currency according to its value as on maturity. Where the debtor is in delay, the bearer may by his own choice request the sum under the bill of exchange to be paid in local currency at the exchange rate on maturity or as of the date of payment.

(2) The exchange rate of the foreign currency shall be determined in accordance with commercial custom at the place of payment. However, the drawer may set in the bill of exchange the rate at which the amount should be calculated.

(3) Paras 1 and 2 shall not apply if the drawer has stipulated that payment should be effected in a specified currency.

(4) Where a bill of exchange is payable in a currency which has the same name but different values in the country of issue and the country of payment, the bill of exchange shall be assumed to be paid in the currency of the country of payment.

Deposit of the amount

Article 495

Where the bill of exchange is not presented for payment within the term under Article 491, the debtor may deposit the amount with a bank, at the risk and the expenses of the bearer.

Section VII

Protest

Types of protest

Article 496

A refusal of acceptance or payment must be ascertained by protest due to default on acceptance or default on payment.

Protest to default on acceptance

Article 497

(1) A protest due to default on acceptance must be made within the terms specified for presentation for acceptance. If in the case stipulated under Article 478, para 1, the first presentation has been effected on the last date of the term, the protest may be effected on the next date.

(2) The protest on default of acceptance shall relieve the bearer from presentation of the bill of exchange for payment, and also from protest due to default on payment.

Protest to default on payment

Article 498

A protest to default on payment of a bill of exchange payable on a certain date or within a certain term after the issue or after the presentation, must be made on one of the two business days after the date specified for payment. If the bill of exchange is payable upon presentation, the protest must be made within the terms under Article 497, para (1).

Notification for default on acceptance or default on payment

Article 499

(1) The bearer should notify his immediate endorser and the drawer for the default on acceptance and the default on payment within four business days following the date of protest, and in the case of provision "sans frais" - after the date of presentation. Each endorser shall be obliged within two business days following the date of receipt of notification to notify his immediate endorser thereof, indicating the names and addresses of those who have made the preceding notifications, up to the drawer. Time periods shall run from the date of receipt of the preceding notification.

(2) Where pursuant to para 1 notification was made to a person who signed the bill of exchange, it must be made within the same term also to his guarantor.

(3) Where an endorser has not indicated his address or has done so illegibly, the notification must be made to the endorser preceding him.

(4) A notification may also be effected by return of the bill of exchange. The person obliged to make notification must prove that he has done so within the specified term.

(5) A person who fails to make the notification within the time periods specified in paras 1 - 4, shall be liable for damages to the amount of the sum under the bill of exchange.

Relief from protest

Article 500

(1) The drawer, as well as any endorser or guarantor through a provision "sans frais", "sans protest" or a phrase of equivalent meaning signed on the bill of exchange, may relieve the bearer from making a protest to default on acceptance or default on payment, in order to lodge his recourse actions.

(2) The provision of para 1 shall not relieve the bearer from the obligation to present the bill of exchange in due time and to make the relevant notifications. The burden of proof that the above time periods have not been observed shall be on the person referring to such a circumstance.

(3) The provision stipulated by the drawer shall have effect in respect of all persons who have signed the bill of exchange. A provision written by an endorser or a guarantor shall have effect only in respect of himself. Where despite the provision written by the drawer the bearer lodges a protest, the expenses shall be on his account, and where the provision has been written by an endorser or a guarantor, all persons who have signed shall be liable for the expenses.

Making a protest

Article 501

A protest shall be made upon a request in writing from the bearer by the notary public at the place of payment or acceptance.

Contents of the protest

Article 502

(1) A protest shall contain:

1. a full transcript of the document with all endorsements and notes;
2. the names of the persons in favour of whom and against whom the protest is being made;
3. the inquiry to the person against whom the protest is made, the response given or a note that the person has not responded or could not be found;
4. in the case of acceptance or payment through an intermediary - indication of by whom, for whom and how it has been given;
5. place and date of the protest;
6. signature and stamp of the notary public.

(2) The making of the protest shall be indicated on the document.

Protest against several persons

Article 503

Where acceptance or payment of a bill of exchange, a promissory note or a cheque are to be requested from several persons, one protest against all persons may be made.

Entry of protest

Article 504

(1) The notary public must enter in the register the contents of the protest thus made and issue transcripts to the interested parties.

(2) The original of the protest shall be delivered to the bearer.

Section VIII

Recourse actions

Grounds

Article 505

(1) Where a bill of exchange has not been paid on maturity, the bearer may bring recourse actions against the endorsers, the drawer and the other liable persons.

(2) additionally recourse actions may be brought before maturity, provided:

1. the drawee rejects acceptance of the bill of exchange, entirely or in part;
2. bankruptcy proceedings have been instigated against the drawee, notwithstanding whether he has accepted the bill of exchange or not;
3. the drawee has discontinued his payments or the compulsory execution on his property has provided no result;
4. bankruptcy proceedings have been instigated against the drawer of the bill of exchange whose acceptance was refused.

Subject of the recourse action

Article 506

(1) The bearer shall be entitled to claim from the persons against whom he has brought the recourse action:

1. the sum under the bill of exchange which has not been accepted or has not been paid,

together with interest if so agreed;

2. interest due by operation of law as from maturity date;

3. expenses related to the protest, the notifications made and other expenses;

4. commission which, unless otherwise agreed, shall amount to one third of one percent of the sum under the bill of exchange, and which may not exceed that amount.

(2) Where the recourse action has been brought before maturity, the interest from the date of bringing the recourse action to maturity to the amount of the official discount rate of the central bank at the place of residence of the bearer shall be deducted from the sum of the bill of exchange.

Action of the debtor who has paid

Article 507

A person who has paid the bill of exchange may claim from the persons obliged before him:

1. the amount he has paid;

2. interest due by operation of law on the amount paid as from the date of payment;

3. the costs incurred;

4. commission pursuant to Article 506, para 1, Item 4.

Delivery of the bill of exchange against payment

Article 508

(1) Each of the persons liable under the bill of exchange, against whom a recourse action has been brought or may be brought, shall be entitled to request that upon payment the bill of exchange be delivered to him together with the protest, and that a receipt be issued.

(2) Each endorser who has paid the bill of exchange may cross out his endorsement and the endorsements of the subsequent endorsers.

Recourse action after partial acceptance

Article 509

If a recourse action has been brought after partial acceptance, the person who has paid the amount for which the bill of exchange has not been accepted, may request the payment made to be noted on the bill and a receipt to be issued to him. The bearer must also deliver to him a

certified transcript of the bill of exchange and the protest, so that the person who has paid may bring subsequent recourse actions.

Recourse action upon discontinuance of payments

Article 510

If a drawee has discontinued his payments, notwithstanding whether he has accepted the bill of exchange, as well as if a compulsory execution against him proves without result, the bearer shall be entitled to bring a recourse action after presentation of the bill of exchange for payment to the drawer and after making a protest.

Recourse action in the case of bankruptcy

Article 511

(1) If bankruptcy proceedings have been instigated against the drawee, notwithstanding whether he has accepted the bill of exchange, as well as in cases of instigated bankruptcy proceedings against the drawer of a bill of exchange which is not subject to acceptance, the decision for instigating bankruptcy proceedings shall be sufficient grounds for the bearer to bring his recourse action.

(2) If bankruptcy proceedings have been instigated against a drawee, notwithstanding whether he has accepted the bill of exchange, or against the drawer of the bill of exchange whose acceptance has been refused, a court decision shall be required additionally.

Recourse bill of exchange

Article 512

(1) Whoever is entitled to a recourse action may exercise it by issuing against some of the persons liable before him a new bill of exchange (recourse bill of exchange), which shall be a sight bill of exchange and shall be payable at the place of residence of that person, unless otherwise agreed.

(2) The recourse bill of exchange shall cover further to the amounts under Articles 506 and 507 also other expenses.

(3) Where the recourse bill of exchange has been issued to bearer, the amount shall be determined according to the rate of the sight bill of exchange issued at the place of payment of the initial bill of exchange, and payable at the place of residence of the preceding endorser.

(4) If the recourse bill of exchange has been issued by an endorser, its sum shall be determined according to the rate of the sight bill of exchange, issued at the place of residence of the drawer of the recourse bill of exchange, and payable at the place of residence of the preceding endorser.

Joint and several liability

Article 513

(1) The persons who have issued, accepted and endorsed the bill of exchange, or who have provided a guarantee, shall be liable jointly and severally before the bearer.

(2) The bearer may bring his actions against all persons liable under the bill of exchange, jointly or severally, without taking in consideration the order in which they have become liable. Entitled to the same right shall be any liable person who has paid the bill of exchange, in respect of persons who have become liable before him.

(3) The bearer who has brought an action against one of the debtors under the bill of exchange, shall not forfeit his rights against the other debtors, including those who have signed after the one against whom he has brought the action.

Omission of terms

Article 514

(1) The bearer shall forfeit his rights against the endorsers, the drawer and the other liable persons, with the exception of the drawee, if he misses the terms:

1. for presentation of the sight bill of exchange or the usance bill of exchange;
2. for making a protest due to default on acceptance or on payment;
3. for presentation for payment under a "sans frais" provision.

(2) If the bearer misses the term specified by the drawer for presentation of the bill of exchange for acceptance, he shall forfeit his right to recourse for default on acceptance and on payment, unless it ensues from the contents of the bill of exchange that the drawer wanted to exclude only the liability for acceptance.

(3) Where the provision with a term for presentation is included in an endorsement, only the endorser may refer to it.

Force majeure

Article 515

(1) Where the presentation of the bill of exchange or the lodging of a protest within the specified time periods are prevented by force majeure, the time periods shall be extended, respectively.

(2) The bearer shall be obliged to notify forthwith his immediate endorser of the force majeure, and to note that notification on the bill of exchange or the allonge, indicating the place,

date and signing thereunder, as well as to meet his obligations pursuant to Article 499.

(3) After termination of the force majeure, the bearer must immediately present the bill of exchange for acceptance or payment, and lodge a protest, if necessary.

(4) If the force majeure continues for more than thirty days after maturity, a recourse action may be brought without need for presentation or protest.

(5) For a sight bill of exchange or a usance bill of exchange, the thirty day period shall commence from the date on which the bearer has informed his immediate endorser. This notification may be effected before expiration of the period for presentation. In the case of a usance bill of exchange, the thirty day time period shall be extended by the time period specified in the bill of exchange after presentation.

(6) Circumstances relevant to the person of the bearer, or to the person to whom he has assigned the presentation of the bill of exchange or the effecting of the protest, shall not be deemed force majeure.

Section IX

Brokerage

Broker

Article 516

(1) The drawer, the endorser or the guarantor may appoint one person - a broker - who where necessary may accept the bill of exchange or pay.

(2) A broker may be any third party and any person liable under the bill of exchange, except the drawee who has already accepted it.

(3) The broker shall be obliged to notify within two business days the person for whom he has been operating. If the broker fails to meet this term he shall be held liable for damages to the amount of the sum of the bill of exchange.

(4) In the cases under paras 2 and 3 the bill of exchange may be accepted or paid for honour by a broker acting for some of the debtors under the bill of exchange against whom a recourse action could be brought.

Acceptance

Article 517

(1) Acceptance through a broker shall be allowed in all cases where before maturity the bearer may bring his recourse action, except where the presentation of the bill of exchange for

acceptance has been prohibited.

(2) Where a person has been indicated in the bill of exchange for the purpose of acceptance or payment in case of necessity, the bearer may bring his recourse action before maturity against the person who has added the address, as well as against the persons who have signed after him, only if he has presented the bill of exchange to the person indicated at that address, and has ascertained the rejection by that person by means of a protest.

(3) Except for the cases under para 2 the bearer may refuse acceptance through a broker. If he accepts the brokerage, he shall forfeit the recourse he had before maturity against the person for whom acceptance has been effected, and against those who have signed after him.

Form

Article 518

The acceptance through a broker shall be noted on the bill of exchange and shall be signed by the broker. If the broker does not indicate for whom the acceptance was made, it shall be assumed to be for the drawer.

Liability of the broker

Article 519

(1) A broker who has accepted the bill of exchange shall be liable in respect of the bearer and the persons who have signed after the person for whom the brokerage has been effected, in the same way as him.

(2) Notwithstanding the acceptance through a broker, the person for whom it has been effected, and the persons liable before him, may request from the bearer, against payment of the amount under Article 506, delivery of the bill of exchange, the protest and the receipt.

Payment

Article 520

(1) Payment through broker shall be allowed where the bearer may lodge his recourse on maturity date or before maturity.

(2) The payment should be for the whole sum owed by the person for whom the brokerage has been effected, and should be done not later than on the date after expiration of the term for protest due to default on payment.

Presentation and protest

Article 521

(1) If the bill of exchange has been accepted for honour by a person with a place of residence at the place of payment, or if a person with a place of residence at the same place has been specified for payment in case of necessity, the bearer should present the bill of exchange to those persons not later than on the date following the date of expiration of the term for protest due to default on payment, and if necessary - to make such protest.

(2) If the protest has not been made in due time, the person who has specified the address for payment in case of necessity, or for whom the bill of exchange has been accepted for honour, as well as those who have signed after him, shall be relieved of their obligation.

Consequences from refusal of the bearer

Article 522

A bearer who refuses to accept payment through a broker shall forfeit his recourse action against those who would be relieved from their obligation due to the brokerage.

Ascertainment of payment

Article 523

(1) Payment through a broker shall be ascertained by a receipt on the bill of exchange, indicating for whom it has been paid, and if there is no such indication it shall be assumed that payment has been effected for the drawer.

(2) The bill of exchange and the protest shall be delivered to the broker who has paid.

Rights of the broker

Article 524

(1) The broker who has paid shall acquire the rights under the bill of exchange against the person for whom he has paid, and against the persons liable to him under the bill of exchange. He may not endorse the bill of exchange.

(2) The persons who have signed the bill of exchange after the person for whom it has been paid, shall be relieved of their obligation.

(3) Where several persons have offered payment through a broker, priority should be given to the broker whose payment would relieve the highest number of debtors under the bill of exchange. The person who has paid contrary to the preceding sentence, being of knowledge of the circumstances, shall forfeit his recourse action against the persons who would have been relieved.

Section X

Set of copies and transcripts

Issue of equivalent copies

Article 525

(1) The bill of exchange may be issued in several equivalent copies. They should be numbered in the text, and where this has not been done each copy shall be considered a separate bill of exchange.

(2) Where it has not been stated in the bill of exchange that it has been issued in one copy, each bearer may request the issue of more copies on his own account, up to the drawer. The endorsers must reproduce their endorsements on the new copies.

Payment under one of the copies

Article 526

(1) The payment under one of the copies shall relieve all liable persons even without special provision therefore. However, the drawee shall be liable under all accepted copies which have not been returned to him.

(2) An endorser who has transferred the copies to different persons, as well as the subsequent endorsers, shall be liable under all copies signed by them, if they have not been returned to them.

Forwarding of a copy for acceptance

Article 527

(1) A person who has forwarded one of the copies for acceptance must indicate in the remaining copies the name of the person who holds the forwarded copy. This person shall be obliged to deliver it to the bearer of another copy who has established himself as such.

(2) Should delivery be rejected, the bearer may bring his recourse action, ascertaining by protest that:

1. the copy forwarded for acceptance has not been delivered to him upon request;
2. the acceptance or payment could not have been effected on the basis of another copy.

Transcripts

Article 528

(1) All bearers of a bill of exchange shall be entitled to make transcripts.

(2) A transcript should reproduce exactly the original with the endorsements and all other notes thereon, and to indicate the end of the transcript.

(3) A guarantee may be given on a transcript and it may be endorsed. A transcript shall have effect against persons who have put their signatures on the bill of exchange before the transcript, only if presented together with the original.

Original and transcripts

Article 529

(1) A transcript shall indicate the holder of the original, who shall be obliged to deliver it to the bearer of the transcript who has established himself as such.

(2) Should the holder refuse to deliver the original, the bearer may exercise his recourse rights against the endorsers and the guarantors under the transcript, after ascertaining by protest that the original has not been delivered to him.

(3) If the original contains the provision "valid hereafter shall be only endorsements on the transcript" after the last endorsement before making of the transcript, or a phrase of equivalent meaning, any endorsement written thereafter on the original shall be invalid.

Section XI Amendments

Effect of amendments

Article 530

In case of amendments to the text of the bill of exchange, the persons who have signed after the amendments shall be liable under the provisions of the text amended, and those who have signed before the amendments shall be liable pursuant to the initial text.

Section XII Limitation

Limitation periods

Article 531

(1) Actions against the drawee under the bill of exchange shall expire by limitation after three years following maturity.

(2) Actions of the bearer against the endorsers and against the drawer shall expire by limitation after one year from the date of the duly made protest or from maturity, provided the bill of exchange contains the provision "sans frais".

(3) Actions of the endorsers Among themselves and against the drawer shall expire by limitation after six months from the date on which the endorser has paid the bill of exchange, or from the date on which an action was brought against him.

Interruption of limitation

Article 532

The limitation shall be interrupted only with respect of the person against whom an act has been carried out.

Prohibition for extension of time periods

Article 533

The time periods established under this Act for obligations under bills of exchange may not be extended.

Section XIII Unmerited gain

Action on grounds of unmerited gain

Article 534

(1) Where the bearer of a bill of exchange, a promissory note or a cheque forfeits the right to an action under them due to expiration by limitation or non-performance of the necessary acts for retaining the rights thereunder, he may claim from the drawer or the drawee the sum which they have gained to his detriment.

(2) The action under para 1 shall expire by limitation after three years. This term shall commence from the date of forfeiture of the actions under the bill of exchange, the promissory note or the cheque.

CHAPTER THIRTY-ONE PROMISSORY NOTE

Contents

Article 535

A promissory note shall contain:

1. the title "promissory note" in the text of the document in the language in which the document has been written;
2. unconditional promise for payment of a certain sum of money;
3. maturity;
4. place of payment;
5. name of the person to whom or to whose order the sum must be paid;
6. date and place of issue;
7. signature of the drawer.

Incomplete contents

Article 536

(1) A document which does not contain some of the requisites listed under Article 535, shall not be promissory note, except for the cases specified under paras 2, 3 and 4.

(2) A promissory note in which no maturity date has been indicated shall be considered payable upon presentation.

(3) The place of issue shall be assumed to be the place of payment and place of residence of the drawer, unless otherwise agreed.

(4) A promissory note in which no place of issue has been indicated, shall be assumed issued at the place indicated next to the name of the drawer.

Reference to the provisions on the bill of exchange

Article 537

The provisions on the bill of exchange shall apply *mutatis mutandis*, inasmuch as compatible to its nature, to the promissory note.

Obligations of the drawer

Article 538

(1) The drawer of a promissory note shall be liable in the same way as the drawee of the

bill of exchange.

(2) A promissory note payable within a certain time period following the presentation, must be presented to the drawer pursuant to the terms under Article 477. The drawer shall certify on the document its presentation, write the date and put his signature. The time period after the presentation shall commence from the date certified by the drawer on the note. The refusal of the drawer to certify the presentation or to write the date shall be ascertained by protest pursuant to Article 496, the date of which shall be considered the beginning of the time period after presentation.

CHAPTER THIRTY-TWO CHEQUE

Section I Issue and form

Contents

Article 539

A cheque shall contain:

1. the title "cheque" in the text of the document in the language in which the document has been written;
2. unconditional order for payment of a certain sum of money;
3. name of the person, who should pay (drawee);
4. date and place of issue;
5. place of payment;
6. signature of the drawer.

Incomplete contents

Article 540

(1) A document which does not contain some of the requisites indicated under Article 539, shall not be a cheque, except in the cases, specified in paras 2, 3 and 4.

(2) A cheque in which no place of payment has been indicated, shall be considered payable at the place indicated next to the name of the drawee. Where there are several places indicated,

the cheque shall be payable only at the first place indicated.

(3) If no other place has been indicated, a cheque shall be paid at the place of domicile of the drawee.

(4) A cheque in which the place of issue has not been indicated, shall be considered issued at the place indicated next to the name of the drawer.

Issue

Article 541

(1) A cheque payable in the Republic of Bulgaria may be issued only against a bank.

(2) The drawer of the cheque must have coverage with the drawee.

(3) The drawee shall be obliged to pay the cheque to the amount of coverage, if he has explicit or tacit agreement with the drawer.

(4) A cheque shall be valid even where the provisions of paras 2 and 3 have not been complied to.

Invalidity of acceptance

Article 542

A cheque shall not be subject to acceptance. A note of acceptance on the cheque shall be invalid.

Types of cheques

Article 543

(1) A cheque may be issued:

1. to a certain person with or without explicit provision "to order";
2. to a certain person with provision "not to order" or another equivalent provision;
3. to bearer.

(2) A cheque in favour of a certain person with provision "or to bearer" or another phrase of equivalent meaning, shall have the same effect as a cheque to bearer.

(3) A cheque in which the name of the person in whose favour it has been issued is not indicated, shall be deemed a cheque to bearer.

Cheque to the order of the drawer or against the drawer

Article 544

(1) A cheque may be issued to the drawer or to his order.

(2) A cheque may not be drawn on the drawer, except where issued between different branches of a merchant.

Inapplicability of interest

Article 545

A provision for interest included in a cheque shall be invalid.

Cheque payable with a third party

Article 546

A cheque may be payable with a third party at the domicile of the drawee or at another place only if the third party is a bank.

Liability of the drawer

Article 547

The drawer shall be liable for payment of the cheque. Any provision relieving him from liability shall be invalid.

Section II Endorsement

Requirements to the endorsement

Article 548

The provisions on endorsement of bills of exchange shall apply to the cheque, with the following exceptions:

1. the endorsement of the drawee shall be invalid;
2. the endorsement in favour of the drawee shall only have the effect of a receipt, except where the endorsement has been made between different branches of a merchant.

Endorsement on a cheque to bearer

Article 549

The endorsement on a cheque to bearer shall make the endorser liable pursuant to the rules for recourse. Such an endorsement shall not transform the cheque into a cheque to order.

Prohibition for guarantee by the drawee

Article 550

The drawee may not be guarantor on a cheque.

Section III Payment

Payment on demand

Article 551

(1) A cheque shall be payable always on demand. Any provision to the contrary shall be invalid.

(2) A cheque presented for payment before the date indicated as date of issue, shall be payable on the date of presentation.

Deadline for Claims

Article 552

A cheque must be presented for payment within eight days following the date of its issue.

Withdrawal

Article 553

(1) A cheque may be withdrawn by the drawer after expiration of the term for presentation.

(2) Where a cheque has not been withdrawn, the drawee may pay it after the expiration of the term for presentation as well.

Death or legal disability of the drawer

Article 554

The death or legal disability of the drawer occurring after the issue, shall not affect the

effect of the cheque.

Section IV

Crossed cheque and cheque directed to account

Crossed cheque

Article 555

(1) The drawer and the bearer of a cheque may cross it with the effect described in Article 556.

(2) The crossing shall be done with two parallel lines on the face.

(3) The crossing may be general or special. The crossing shall be general where it does not contain any provision between the two lines, or contains the provision "bank" or another phrase of equivalent meaning. The crossing shall be special if the name of a bank is written between the two lines.

(4) A general crossing may be transformed into special, but a special crossing may not be transformed into general.

Effect of a crossed cheque

Article 556

(1) A cheque with general crossing may be paid only to a bank or to a customer of the drawee.

(2) A cheque with special crossing may be paid only to the bank indicated or should that bank be the drawee to its customer. The bank indicated may assign the receiving of the sum under the cheque to another bank.

(3) A cheque may have only one special crossing. Two special crossing are allowed only where one of them is for payment through a clearing house. A cheque which is not in compliance with this provision, may not be paid.

(4) A drawee who violates the requirements of paras 1, 2 and 3 shall be liable for damages to the amount of the sum under the cheque.

Cheque directed to an account

Article 557

(1) The drawer and the bearer of a cheque may prohibit its payment in cash by writing on

the face of the cheque the provision "account payee" or another phrase of equivalent meaning.

(2) In the case under para (1) the payment can be effected only to an account. In the case where the account has been indicated as well, the drawee may transfer the sum only to the indicated account. The indication of the account may be done by the drawer and by any holder of the cheque who has established his identity as such.

(3) The crossing out of the provision "account payee" shall be null and void.

(4) A drawee who has paid in violation of paras 1, 2 and 3 shall be liable for damages to the amount of the sum under the cheque.

Section V

Recourse due to default on payment

Grounds

Article 558

The bearer may bring his recourse actions against the endorsers, the drawer and the other liable persons, where the refusal to pay has been ascertained by:

1. protest;

2. declaration of the drawee written on the cheque with indication of the date of presentation;

3. dated declaration of the clearing house that the cheque has been presented in due time and has not been paid.

Term for protest

Article 559

(1) The protest must be made before expiration of the term for presentation.

(2) If presentation is made on the last date of the term, the protest must be done on the next business day.

Section VI

Set of copies

Issue of equivalent copies

Article 560

In addition to the cheques to bearer, each cheque issued in one country and payable in another may be issued in several equivalent copies. Where a cheque has been issued in several copies, they should be numbered in the text itself, and where this has not been done each copy shall be considered a separate cheque.

Section VII Limitation

Limitation periods

Article 561

(1) Recourse actions of the bearer against the endorsers, the drawer and the guarantors on the cheque shall expire by limitation after six months from the date of presentation or from the date of expiration of the term for presentation.

(2) Recourse actions of the endorser against all persons liable before him shall expire by limitation after six months from the date on which he has paid the cheque, or from the date where a claim has been lodged against him.

Section VIII Special provision

Reference

Article 562

The provisions on the bill of exchange shall apply, inasmuch as compatible to its nature, to the cheque.

CHAPTER THIRTY-THREE APPLICABLE LAW ON BILL OF EXCHANGE, PROMISSORY NOTE AND CHEQUE

Capacity

Article 563

(1) The capacity of a person to undertake obligations under a bill of exchange, a promissory note or a cheque, shall be determined by its national law. Where this law declares the law of another country to be applicable law, the law of that country shall apply.

(2) A person who does not possess the capacity referred to in para 1, shall be considered liable if his signature has been put in a country the law of which recognizes him as capable person.

Form and contents

Article 564

(1) The form and contents of a bill of exchange, a promissory note and a cheque shall be determined pursuant to the law of the place of their signature. For a cheque the observance of the form and contents pursuant to the law of the place of payment shall be sufficient.

(2) Where a bill of exchange, a promissory note or a cheque are not valid, but are in compliance with the law of the country where a subsequent obligation has been undertaken, they shall be valid.

Obligation

Article 565

(1) The obligation of the drawee under a bill of exchange and of the drawer of a promissory note shall be determined by the law of the place of payment.

(2) The obligation of the other persons who have signed shall be determined by the law of the place where the signatures have been put.

Time periods for bringing recourse actions

Article 566

The time periods for recourse for persons who have signed shall be determined by the law of the place of issue of the document.

Acquisition of receivable by the bearer

Article 567

The law of the place of issue of a bill of exchange or a promissory note shall determine whether the bearer acquires the receivable in view of which they have been issued.

Partial acceptance

Article 568

The right of the drawee to effect partial acceptance of a bill of exchange or a promissory note and the obligation of the bearer to accept partial payment shall be determined by the law of the place of payment.

Protest

Article 569

The form and terms for protest, as well as of other acts necessary for the exercise or retaining of rights under a bill of exchange, a promissory note and a cheque, shall be determined by the law of the place where the respective acts must be undertaken.

Loss and theft

Article 570

The acts that must be undertaken in the case of loss or theft of a bill of exchange, a promissory note or a cheque, shall be determined by the law of the place of payment.

Payer of a cheque

Article 571

Persons on whom a cheque may be drawn shall be determined by the law of the place of payment. Where pursuant to that law a cheque is not valid in view of the capacity of the person on whom it has been drawn, the obligations ensuing from signatures put in other countries, the laws of which contain such provisions, shall be valid.

Application of the law of the place of payment

Article 572

Determined pursuant to the law of the place of payment of a cheque shall be:

1. whether it should be issued to presentation, or it could also be within a certain term after presentation, as well as what shall be the consequences of presentation on a later date;
2. time limit for presentation;
3. the possibility a cheque to be accepted, confirmed or advised, as well as the effect of such notes;
4. the possibility a cheque to be crossed or with provision "account payee" or another phrase of equivalent meaning, and the consequences thereof;

5. the right of the drawer to cancel a cheque or to object to its payment.

CHAPTER THIRTY-FOUR DEPOSIT IN PUBLIC WAREHOUSE

Definition

Article 573

Under a contract for deposit in a public warehouse the depositary accepts goods, in return for consideration, with an obligation to keep and return them to the depositor or the person authorized to receive them.

Form

Article 574

(1) A contract for deposit in a public warehouse shall be concluded in writing and shall be entered in warehouse register.

(2) The depositary shall keep a warehouse register where he shall enter the contract. An entry shall be made pursuant to a procedure specified in Regulation to be approved by the Minister of Justice.

Obligations of the depositary

Article 575

(1) A depositary shall be obliged to provide access of the depositor to the goods during the working hours of the warehouse, in order to inspect them, to take samples from them and, with the permission of the depositary, to undertake acts for the maintenance, packing, sorting, separating of the goods and other similar acts.

(2) The depositary may combine fungibles deposited in the warehouse with other of the same type and quality, unless otherwise agreed.

(3) Where obvious transformations have occurred in the goods, which give grounds for fears that the goods may be damaged, the depositary must immediately notify the person authorized to receive them, and where no such person is known, the depositor.

(4) The depositary shall be obliged to insure the deposited goods on behalf of and on the account of the depositor for the value declared thereby, against fire, flood and earthquake, unless they have already been insured or the depositor objects to the insurance. Upon request from the depositor the depositary shall be obliged to insure the deposited goods against other risks as well.

Obligations of the depositor

Article 576

(1) Upon conclusion of the contract the depositor shall be obliged to provide the information required for the safekeeping of the goods.

(2) The consideration shall be paid at the end of each calendar quarter or upon return of the goods, unless otherwise agreed.

Warehouse warrant

Article 577

(1) The depositary shall issue a warehouse warrant upon request from the depositor.

(2) The warehouse warrant shall be issued on the basis of the warehouse register and shall comprise a goods note and a pledge note. The two parts of the warehouse warrant shall contain:

1. indication of the public warehouse and the sequence number under the warehouse register;
2. name and address of the depositor;
3. type and quantity of goods and whether they may be mixed with other goods;
4. time period for keeping the goods;
5. statement by the depositary that he shall deliver the goods as agreed;
6. acts to be undertaken by the depositary for preservation of the goods;
7. information whether the goods are insured, with whom, for what sum insured, against what risks and for what premium;
8. amount of remuneration due and unpaid expenses prior to the issue of the warrant;
9. amount of ullage, except where the goods have been accepted by numbers;
10. place and date of issue of the warrant;
11. signatures of the depositor and the depositary.

(3) The depositor, as well as any legitimate holder of the warehouse warrant, ascertained by a continuous sequence of the endorsements, shall be entitled to request the issuing of warehouse warrants for separate parts of the goods in return for the warehouse warrant for the total. Such warehouse warrants shall have the date of the initial warehouse warrant.

(4) The depositary may refuse to issue warehouse warrant on the grounds of good reasons or if the depositor is in default on payment of due remunerations and expenses.

Transfer of warehouse warrant

Article 578

(1) The warehouse warrant may be transferred by dated endorsement on the back of the goods note and the pledge note.

(2) The rules of Articles 466 - 470 and of Article 474 shall also apply to the warehouse warrant.

(3) An endorsement on the pledge note only shall constitute a right of pledge on the goods deposited in favour of the endorsee. The first endorsement should contain the amount of the loan secured, the interest and maturity, as well as the name and address of the creditor. The pledge may be counterposed against the endorsers of the goods note and shall be entered in the warehouse register. The first endorsee shall be obliged to request those data to be entered in the goods note and in the warehouse register.

(4) The transfer of only the goods note or only the pledge note shall be effected by dated endorsement on the respective part of the warehouse warrant.

(5) The legitimate holder only of the goods note, ascertained by the continuous sequence of endorsements, shall be entitled to receive the deposited goods even before maturity of the loan secured by pledge of the goods. In such case he shall be obliged to pay to the depositary the amount of the loan with interest as of the date of payment, to an amount specified in the warehouse register. Where the interest has been prepaid, it shall be deducted for the period from the date of payment to maturity.

Presentation of the pledge note

Article 579

The holder of the pledge note who is established through the continuous sequence of endorsements shall present it upon maturity to the debtor for payment, or where the debtor is not known, to the depositor. The note shall be presented for payment at the public warehouse. In such cases the provisions of Articles 505 and 507 shall apply.

Protest, compulsory execution and indemnification

Article 580

(1) The default on payment of the amount under the note shall be ascertained by protest against the debtor under the pledge note, and where he is not known, against the depositor. In such case Articles 496 and 498 shall apply mutatis mutandis.

(2) If his claim is not satisfied from the sale of the goods, the creditor under the pledge note may direct the execution against the debtor, the endorsers and the persons who have endorsed the goods note after establishment of the pledge, who shall be liable jointly and severally.

(3) (Amended, SG No. 70/1998) Where the creditor under the pledge note fails to make the protest within the specified time period, or if he fails to sell the goods within twenty days from the date of protest, he shall forfeit the recourse action against the endorsers under the pledge note, but shall retain his action against the debtor and the endorsers of the goods note.

(4) The endorser of the goods note who has paid under the pledge note shall be entitled to an action for the sum paid, the interest and the expenses, against the debtor and the preceding endorsers under the goods note, who shall be liable jointly and severally. The action against the endorsers shall expire by limitation after six months from the date of payment of the debt, and that against the debtor, after three years.

Invalidation of destroyed or lost warehouse warrant

Article 581

(1) (Amended, SG No. 59/2007) A destroyed or lost warehouse warrant shall be invalidated pursuant to Article 560 et seq. of the Code of Civil Procedure .

(2) Following the institution of proceedings for invalidation, the owner of the destroyed or lost warehouse warrant may request from the depositary the issue of a duplicate copy, by providing sufficient guarantee. Where the depositary does not agree with the amount of the guarantee, it shall be determined by the court of first instance.

(3) Should the destroyed or lost warrant be invalidated, the guarantee deposited pursuant to para 2 shall be returned.

Return of deposited goods

Article 582

(1) The goods deposited shall be returned to the depositor, or where a warehouse warrant has been issued, to the holder of the warrant who is established through the continuous sequence of endorsements, against submission of the warrant. The return of the goods shall be effected at the warehouse where they have been deposited, and shall be noted down on the warehouse warrant. The warrant shall be signed by the person receiving.

(2) Where several persons have been authorized to receive the goods and it has not been ascertained what part of the goods should be received by whom, or where the goods are indivisible, in the case of disagreement between the above the depositary shall be entitled, upon expiration of the term, to sell the goods and to deposit the amount received in a bank in their name.

(3) Where fungibles have been deposited, the holder of a goods note may receive part of them by paying to the creditor or depositing to his account the respective part of the amount receivable for which the pledge note was issued, together with interest and expenses.

(4) Ullage of the goods shall be deducted to the amount agreed or provided by operation of law.

Right to pledge

Article 583

The depositary shall be entitled to a pledge for the goods deposited in order to secure his claims.

Termination

Article 584

The depositary may request the depositor to take part of the goods after the expiration of the agreed term, or where no term has been agreed, three months following the deposit of the goods.

Early termination

Article 585

(1) Where the goods deposited are threatened by damage or where they may damage other goods, as well as where there are other good reasons for termination of the contract, the depositary may terminate the contract and demand that the goods are received immediately by the last endorsee, and where he is not known - by the depositor.

(2) If the goods are not received, the depositary shall be entitled to sell them under the procedure set forth under Article 328, para 1, Item 2, after written notification to the legitimate holder to receive them, or where he is not known, to the depositor, and satisfy himself from the sale price for his claim under the contract for deposit. The depositary shall deposit the difference to the account of the creditor under the pledge note.

(3) If the goods are perishable, the provision of Article 328, para 1, Item 3, shall apply.

Limitation

Article 586

(1) An action for damages against the depositary shall expire by a one-year limitation. The limitation period shall commence from the date of return of the deposited item. Where the deposited item has not been returned, the limitation period shall commence from the date on which it should have been returned, and if the item has been destroyed - from the date of coming

of knowledge thereof.

(2) Where the loss, damage, destruction or delayed return of the item have been caused intentionally by the depositary, the limitation period shall be three years.

CHAPTER THIRTY-FIVE LICENCE CONTRACT

Definition and form

Article 587

(1) (Amended and supplemented, SG No. 81/1999) Under a licence contract the owner of a right over an invention, utility model, industrial design, mark, topology of integrate circuits or know-how, who shall be termed licensor, shall grant for compensation, entirely or in part, the use thereof to the licensee.

(2) The licence contract shall be made out in writing.

Ceding of right to application

Article 588

(Repealed, SG No. 81/1999)

Territorial coverage of licence

Article 589

It shall be assumed, unless otherwise agreed under the licence contract, that the licence has been granted for use on the territory of the Republic of Bulgaria.

Registration of the contract

Article 590

The licence contract shall be entered in a register of the Patent Office. It shall be effective vis-a-vis third parties after the registration.

Providing use

Article 591

The licensor shall be bound to ensure to the licensee peaceful and undisturbed use of the rights granted, as well as protection against claims by third parties.

Information and assistance

Article 592

The licensor shall be bound to provide the licensee with the information as agreed and to render assistance for use of the subject of the licence.

Obligation for confidentiality

Article 593

The licensee shall be bound to keep in secret the information about an unpatented invention, utility model or know-how, which he has been granted the right to use.

License of a mark

(Title amended, SG 81/1999)

Article 594

(1) (Amended, SG No. 81/1999) In the case of licence of a mark the licensee shall be bound to ensure the quality of goods in compliance with the trade mark which has become known to users before conclusion of the contract.

(2) (Amended, SG No. 81/1999) The licensee shall be bound to put the mark on the goods for which the licence has been granted thereto.

Remuneration

Article 595

(1) Where the compensation has been agreed to be in accordance with the magnitude of use of the subject of a licence, the licensee shall be bound to inform the licensor about that magnitude of use within the agreed time periods.

(2) Compensation shall be due for the expired calendar year, unless otherwise agreed.

Contract for sub-licence

Article 596

(1) Under a contract for sub-licence the licensee of an exclusive licence may grant to another person the right to use the subject of the licence.

(2) The right for granting pursuant to para 1 may be excluded by the licence contract, or a provision requiring the consent of the licensor may be stipulated. The consent may be refused

only on the grounds of good reasons.

Rights of the licensor in respect of a of sub-licencee

Article 597

The licensor may demand from the sub-licencee the compensation which at the time of demand he owes to his licensor.

Termination with advance notice

Article 598

(1) A licence contract concluded for an unlimited term may be terminated by one of the parties with advance notice.

(2) Where the term for advance notice has not been specified in the contract, it shall be deemed to be six months, but the licensor may not terminate the contract before the expiration of the first year of its validity.

Extension of the contract by tacit agreement

Article 599

Where after the expiration of the contract term the licensee continues to use the subject of licence with the knowledge of the licensor and without objections therefrom, the contract shall be deemed extended to the term provided by law for its protection.

CHAPTER THIRTY-SIX CONTRACT FOR COMMODITY CONTROL

Definition

Article 600

Under a contract for commodity control the controller shall undertake, for compensation and by use of special knowledge, to make unbiased comparison between the required and the actual state, or to establish only the state of a commodity or service. The controller shall issue a certificate for his findings.

Obligations of the controller

Article 601

(1) The control should be effected of a magnitude and manner provided by a law or in the

contract, and where nothing has been specified of the ordinary magnitude and manner at the location of the subject of control.

(2) Where the contract provides for keeping a sample, the controller shall be obliged to keep it at his seat for not less than six months after receipt thereof.

Invalid provision

Article 602

Invalid shall be a provision for obligations of the controller which could affect his impartiality.

Obligations of the principal

Article 603

(1) The principal shall be obliged to provide the controller with access to the subject of control and to render him assistance in carrying out his duties.

(2) Where the amount of compensation has not been specified, the principal shall owe the ordinary compensation.

Limitation

Article 604

The right to an action for claims under a contract for commodity control shall expire by limitation after one year.

CHAPTER THIRTY-SEVEN CONTRACT FOR RENT OF SAFE DEPOSIT BOX (New, SG No. 59/2006)

Definition

Article 605

(Repealed, SG No. 19/2003, new, SG No. 59/2006)

(1) By the contract of rent of safe deposit box the lessor grants to the lessee for a fixed term against a fee the use of a safe deposit box in secured premises. The safe deposit box shall be used for safeguarding of valuables and securities, other items and documents. Only the lessee shall have access to the safe deposit box.

(2) The contract for rent of safe deposit box may be with declared or undeclared content of the deposited items before the lessor.

(3) The lessor shall not have the right to possess a copy of the key of the safe deposit box delivered to the lessee.

Forbidden items

Article 606

(Repealed, SG No. 19/2003, new, SG No. 59/2006)

(1) No items threatening the security of the safe deposit box and the lessor as well as items the acceptance of which is prohibited by law may be put in the safe deposit box.

(2) The lessor shall control in appropriate manner compliance with the requirements of paragraph 1 without detecting the content of the deposited items where it is not declared.

(3) On failure to fulfill the obligation under paragraph 1 the lessor may break the contract immediately.

Rights of the lessor upon non-payment

Article 606a

(Repealed, SG No. 19/2003, new, SG No. 59/2006)

(1) Upon breaking of a contract due to non-payment of the agreed fee, the lessor may demand opening and ascertainment of the content of the safe deposit box in the presence of a notary public. Items found in the safe shall remain with the lessor for safeguarding and compensation for the expenses and a fee shall be due to the latter.

(2) For its receivables under the contract the lessor shall have the right to retain the deposited items in the safe deposit box.

Special provision

Article 606b

(Repealed, SG No. 19/2003)

Validity of contract

Article 606c

(Repealed, SG No. 19/2003)

Form of contract

Article 606d

(Repealed, SG No. 19/2003)

Mandatory provisions of Bulgarian law

Article 606e

(Repealed, SG No. 19/2003)

Subsidiary provision

Article 606f

(Repealed, SG No. 19/2003)

**PART FOUR
BANKRUPTCY
(New, SG No. 63/1994)**

**CHAPTER THIRTY-EIGHT
GENERAL**

(Previous Chapter 34, SG No. 83/1996)

**Section I
General Provisions**

Objective of Proceedings

Article 607

(1) Bankruptcy proceedings shall be aimed at providing fair satisfaction of creditors and opportunities for reorganisation of debtor's enterprise.

(2) Bankruptcy proceedings shall take into consideration the interests of the creditors, the debtor and his employees.

Grounds for Initiating Bankruptcy Proceedings

Article 607a

(New, SG, No. 70/1998)

(1) Bankruptcy proceedings shall be instituted for merchants who are insolvent.

(2) In addition to cases of insolvency, bankruptcy proceedings shall be instituted also in the case of an over-indebtedness of a limited liability company, a joint-stock company, or a public partnership limited by shares.

Insolvency

Article 608

(Amended and supplemented, SG, No. 70/1998; amended, SG

No. 84/2000, No. 58/2003, No. 38/2006)

(1) Insolvent shall be deemed a merchant which is unable to meet a money obligation due under a commercial transaction, or a public law obligation to the state or municipalities related to its commercial activity.

(2) Insolvency shall be presumed where the debtor has failed to perform.

(3) Insolvency may also be in evidence in cases where the debtor has paid up or is in a position to pay up, wholly or in part, only the claims of certain creditors.

Concealed Partnership

Article 609

Bankruptcy proceedings shall be instituted also for persons who conceal commercial activity through insolvent debtors.

Instituting Bankruptcy Proceedings for Partner with Unlimited Liability

Article 610

(Amended, SG No. 70/1998)

Concurrently with instituting bankruptcy proceedings for a commercial company, bankruptcy proceedings shall be considered instituted also for any unlimited liability partners therein.

Instituting Bankruptcy Proceedings Upon Death or Deletion of Sole

Proprietor or for a Company in Liquidation

(Title amended, SG 70/1998)

Article 611

(1) (Amended, SG 70/1998) Bankruptcy proceedings shall also be instituted for deceased sole proprietors or sole proprietors deleted from the Commercial Register provided prior to the death or the deletion thereof, respectively, they have been insolvent.

(2) (New, SG No. 70/1998) Bankruptcy proceedings shall also be instituted for deceased partners with unlimited liability, or for unlimited liability partners deleted from the Commercial Register.

(3) (Renumbered from Paragraph 2, SG No 70/1998) Bankruptcy proceedings shall also be instituted for insolvent companies in liquidation.

(4) (Renumbered from Paragraph 3, SG No 70/1998) For cases such as under paras 1 and 2 the request to institute bankruptcy proceedings may be submitted within one year following the death, or the deletion from the Commercial Register, respectively.

Inapplicability of Bankruptcy

Article 612

(1) (Previous Article 612, amended, SG No 42/1996, amended, SG Nos. 70/1998, 84/2000) No bankruptcy proceedings shall be instituted for public enterprise merchants exercising a state monopoly or established by a special law.

(2) (New, SG No. 42/1996, amended and supplemented, SG No. 70/1998) The bankruptcy proceedings for banks and insurers shall be performed under terms and procedures settled by a separate act. The provisions of this section shall apply to the extent that the separate act does not provide otherwise.

(3) (New, SG No. 70/1998) Relations pertaining to the insolvency of a public enterprise merchant exercising a state monopoly or established under a separate act shall be regulated by a separate act.

Court of Jurisdiction

Article 613

(Amended, SG, No. 38/2006)

The court of jurisdiction over bankruptcy shall be the district courts where the seat of the merchant was located towards the time of filing the motion of institution of bankruptcy

proceedings.

Appealing Regional Court Decisions and Determinations

Article 613a

(New, SG, No. 70/1998; amended SG, No. 64 1999, No. 84/2000,
No. 58/2003)

(1) (Amended, SG, No. 38/2006, amended, SG No. 59/2007) Decisions ruled by regional courts and determinations pursuant to Article 630, paragraphs (1) and (2), Articles 631, 632 and 701, Article 705, paragraph (2), Article 709, paragraph (1), Articles 710, 735, 744 and Article 755, paragraph (2) shall be subject to appeal according to the standard procedure established by of the Code of Civil Procedure.

(2) (Amended, SG No. 38/2006, amended SG No. 101/2010) Judgments under Articles 630 and 632 shall also be appealable by third parties who hold claims arising from an effective court judgment or an effective act establishing a public-law obligation, as well as by third parties which have a receivable secured by pledge or mortgage, registered in a public register before the date of filing the application for institution of bankruptcy proceedings.

(3) (New, SG No. 38/2006, amended, SG No. 59/2007, amended, SG No.101/2010) Outside the cases referred to in Paragraph (1), the acts rendered by district courts in bankruptcy proceedings shall be appealable only before the competent appellate court according to the relevant procedure of the Code of Civil Procedure.

(4) (Renumbered from paragraph 3, SG, No. 38/2006) The court shall institute the case on the date of serving the petition or not later than the following working day and rule within 14 days from the date of the session at which hearings on the case are completed.

Cassation Appeal

Article 613b

(New, SG No. 84/2000; Repealed, SG No. 58/2003)

Bankruptcy Estate

Article 614

(1) The bankruptcy estate shall comprise:

1. property rights of the debtor as of the date of the ruling to institute bankruptcy proceedings;

2. property rights of the debtor acquired after the date of ruling to institute bankruptcy

proceedings.

(2) (Amended, SG No. 70/1998, SG No. 58/2003) The property of the sole proprietor debtor shall also include one half of the rights on chattels and money deposits that are joint matrimonial property.

(3) (New, SG No. 70/1998) The property of the partner with unlimited liability shall also include one half of the chattels, rights on chattels and money deposits that are joint matrimonial property.

(4) (Renumbered from Paragraph 3, supplemented, SG No. 70/1998) Properties of the debtor and the unlimited liability partner not subject to forfeit shall not be included in the bankruptcy estate.

(5) (New, SG No. 70/2008) The bankruptcy estate shall not comprise of the financial security under Article 22h and Article 63a (2) of the Subsurface Resources Act.

(6) (New, SG No. 47/2009, effective 23.06.2009) The bankruptcy estate shall not include the assets of a provider of water supply and sewerage services which are necessary to carry out the provider's main operation until a new provider of water supply and sewerage services is appointed in the relevant self-contained territory.

(7) (New, SG No. 41/2010) The bankruptcy estate shall not include the funds in the bank account under Article 71a (1) of the Waste Management Act.

Nullity of Termination of Joint Matrimonial Property

Article 615

(Amended, SG, No. 70/1998)

Termination or division of joint matrimonial property, as well as settlement for a larger share, shall be null and void in respect to the bankruptcy estate, should they have been effected within six months prior to the initial date of the insolvency, till the termination of bankruptcy proceedings.

Bankruptcy Creditors

Article 616

(1) (Amended, SG, No. 38/2006) The bankruptcy estate shall be used to satisfy all creditors of the debtor for commercial and non-commercial receivables.

(2) Satisfied only after the full satisfaction of the other creditors shall be claims ensuing from:

1. interest determined by operation of law or by the contract on unsecured claims, due after

the date of ruling to institute bankruptcy proceedings;

2. (supplemented, SG, No. 38/2006) credits extended to the debtor by partners or shareholders;

3. gratuitous transaction.

4. (new, SG, No. 38/2006) expenses accrued by creditors in pertinence to their participation in bankruptcy proceedings, except for expenses under Article 629b.

(3) Foreign creditors shall have equal rights with domestic creditors in bankruptcy proceedings.

Due Obligations

Article 617

(1) All obligations of the debtor in cash or in kind shall be considered due as from the date of ruling for declaration of bankruptcy.

(2) (Amended, SG No. 84/2000) Obligations in kind shall be transformed into obligations in cash at the respective market value as of the date of ruling for institution of bankruptcy proceedings.

Retention of Securities

Article 618

(1) In the course of bankruptcy proceedings creditors shall retain their rights on securities provided.

(2) (Repealed, SG No. 70/1998).

Summons and notices in bankruptcy proceedings

(Heading amended, SG, No. 38/2006)

Article 619

(1) (Amended, SG No. 84/2000) During the bankruptcy proceedings, the debtor shall be summoned at its management address, and the creditors - party to the proceedings, at registered addresses in the country. Where they have changed address without informing thereof the court of jurisdiction over the bankruptcy, all summonses and papers shall be attached to the case file and considered duly delivered.

(2) (Amended, SG, No. 38/2006) Creditors with registered address abroad and without address in Bulgaria shall supply a legal address within this country. If no such has been supplied,

the summons shall be submitted for posting in the Commercial register.

(3) (New, SG No. 84/2000; amended, SG, No. 38/2006) After instituting bankruptcy proceedings, in the case of acts which are not subject to promulgation in the State Gazette pursuant to this Act or announcement according to the Code of Civil Procedure and which are not subject to appeal, the creditors shall be considered informed thereof with the entering of an announcement of the respective act in the book referred to in article 634c, paragraph 1.

(4) (New, SG No. 58/2003; amended, SG, No. 38/2006) In cases where this Act provides for summoning through the Commercial Register, the invitation, announcement or summons must be posted therein not later than 7 days prior to the meeting or session, as the case may be.

Fees and Expenses

Article 620

(1) (Amended and supplemented, SG No. 70/1998) No preliminary state fees shall be collected upon filing the application to institute bankruptcy proceedings by the debtor. Such fees shall be collected from the bankruptcy estate prior to distribution of the assets.

(2) (New, SG No. 70/1998; supplemented, SG No. 84/2000) Where the application to institute bankruptcy proceedings has been filed by a creditor and in adding a creditor, the state fee shall be collected from the creditor, respectively the added creditor.

(3) (New, SG No. 70/1998) Upon the institution of bankruptcy proceedings, any expenses shall be collected from the bankruptcy estate. For this purpose, the court may allow the trustee in bankruptcy to perform a disposal under Article 658, para 1, Item 8.

(4) (New, SG No. 70/1998) Unless the reorganisation plan approved by the court under Article 705 provides otherwise, with its decision under Article 707 the court shall sentence the debtor to pay the state fee due and any expenses incurred.

(5) (Renumbered from Paragraph 2, SG No. 70/1998, amended, No. 84/2000) For court actions instituted to complement the bankruptcy estate and actions to repeal, state fees shall not be collected in advance.

(6) (Renumbered from Paragraph 3, supplemented, SG No. 70/1998; amended, SG, No. 38/2006) No stamp duties shall be collected for entry in the Commercial Register of circumstances related to bankruptcy, as well as for entry and deletion of an attachment under Article 630, para 1, Item 4 and of a general attachment.

(7) (New, SG No.101/2010) In case of rejection of a claim under Articles 645, 646 or Article 647, lodged by the receiver in bankruptcy, the costs for the proceeding incurred by a third party shall be collected from the bankruptcy estate.

Subsidiary Application

Article 621

Inasmuch as this Part contains no special provisions, the respective provisions of the Code of Civil Procedure shall apply.

Special rules governing bankruptcy proceedings

Article 621a

(New, SG, No. 38/2006)

(1) In addition to the rules set forth in this section, the following special procedural rules shall also apply in bankruptcy proceedings:

1. The jurisdiction as defined by law for bankruptcy proceedings cannot be amended through an agreement between the participating parties;

2. The court cannot, of its own accord, establish facts or gather evidence as may be of significance for its judgments or rulings.

(2) In addition to the claims defined as per this section, the following shall also be subject to the jurisdiction of the bankruptcy court, without the possibility for its jurisdiction to be amended through an agreement between the participating parties:

1. claims against the trustee in bankruptcy as per Article 663, paragraphs (2) & (3), regardless of whether towards the time of filing of the claim such bankruptcy proceedings are pending or completed.

2. claims defined as per Article 646 or Article 647.

(3) The provisions of the Code of Civil Procedure regarding the following shall not apply to bankruptcy proceedings:

1. suspension of proceedings by mutual consent of the parties;

2. withdrawal or cancellation of a creditor's motion for initiation of bankruptcy proceedings after a judgment is passed as per art. 630, paragraph (1) or (2), or Article 632;

3. withdrawal or cancellation of a claim filed by a trustee in bankruptcy or creditor in accordance with Article 645, paragraph (3), Article 646 or Article 647.

Section II

Recordation and announcement

(Title amended, SG 38/2006)

Recordation of court judgments

Article 622

(Supplemented, SG. No. 70/1998, No. 84/2000;

amended, SG, No. 38/2006)

Court rulings pursuant to Article 272a, para 1, Articles 630, 632, 641, Article 705 para 2, Article 707, Article 709, para 1, Article 710, Article 713, para 2, Article 735 and Article 744, para 1, shall be recorded in the Commercial Register.

Recordation of data about the trustee in bankruptcy and the
supervisory body

Article 623

(1) (Supplemented, SG No. 70/1998, previous Article 623, amended, SG No. 58/2003; amended, SG, No. 38/2006) The name, telephone number, the address and the e-mail address of the nominated trustee in bankruptcy or the temporary trustee in bankruptcy, and, in cases under Article 707, para 1, of the appointed members of the supervisory body, shall be recorded in the Commercial Register.

(2) Also subject to recordation in the Commercial Register shall be any changes in circumstances as per paragraph (1).

Submission of court rulings for recordation

Article 624

(Amended, SG, No. 70/1998, No. 38/2006)

The court shall be obliged to submit for recordation in the Commercial Register transcripts of the court acts pursuant to Articles 622 and 623 on the day of the ruling thereof, or on the following business day at the latest.

CHAPTER THIRTY-NINE INSTITUTING BANKRUPTCY PROCEEDINGS

(Previous Chapter 35, SG No. 83/1996)

Section I

Start of Proceedings

Instituting Proceedings

Article 625

(Supplemented, SG, No. 70/1998; amended, SG, No. 84/2000; amended and supplemented, SG No. 58/2003, supplemented, SG, No. 38/2006, amended, SG No. 12/2009, effective 1.05.2009) Bankruptcy proceedings shall be instituted pursuant to a petition in writing submitted to the court by the debtor or, respectively, by the liquidator or by a creditor of the debtor under a commercial transaction, as well as by the National Revenue Agency, for a public-law obligation to the State or municipalities related to the commercial activity of the debtor or an obligation under a private state receivable.

Obligation for Declaration

Article 626

(1) (Supplemented, SG No. 84/2000; amended, SG, No. 38/2006) Any debtor who becomes insolvent or excessively indebted shall be obliged to request within 30 days institution of bankruptcy proceedings.

(2) (Supplemented, SG No. 84/2000; amended, SG, No. 38/2006) The application pursuant to para 1 shall be submitted by the debtor, his heir, the managing body, respectively liquidator, of a company or a partner with unlimited liability.

(3) Procurators shall be obliged to inform merchants in writing within 7 days about the insolvency.

(4) Should the application be submitted by an agent, explicit power of attorney shall be required.

Liability

Article 627

Should persons fail observe their obligation for declaration pursuant to Article 626, para 2, they shall be liable jointly and severally before creditors for damages caused by such delay.

Attachments to the Petition

Article 628

(1) (Supplemented, SG No. 84/2000) Debtors, respectively liquidators, shall attach to the application:

1. (amended, SG No. 67/2008) a duplicate copy of the most recent annual financial statement and balance sheet at the date of submission of the petition, audited by a registered auditor, provided the merchant is obliged by the law to prepare such documents;

2. inventory and evaluation of assets and liabilities as of the date of submission of application;

3. list of creditors, indicating the addresses, types, amounts and securities for claims thereof;

4. inventory of personal properties and properties that are joint matrimonial property - for sole proprietors and partners with unlimited liability.

(2) Creditors shall present with their application the evidence in writing and indicate any other evidence for the debtor's insolvency.

(3) (New, SG No. 103/1999, amended, SG No. 105/2005) With their applications, debtors or creditors must attach evidence under Article 78, para 2 of the Tax and Social Insurance Procedure Code .

(4) (Renumbered from Paragraph 3, SG No. 103/1999, supplemented, No. 84/2000) With their applications, debtors or creditors may also propose a plan pursuant to Article 696, or specify a person meeting the requirements under article 655, para2, which the court shall appoint as an temporary trustee in bankruptcy in the case of institution of bankruptcy proceedings.

Limitation in the submission of the application

Article 628a

(New, SG, No. 38/2006)

(1) The filing by a creditor of an application (motion) for instituting bankruptcy proceedings constitutes an interruption of the statues of limitation of the claim in respect of which the applicant filed the application as per Article 625. Such limitation shall not expire for the duration of the bankruptcy proceedings.

(2) For added creditors in accordance with Article 629, the rules as per paragraph (1) shall apply from the moment of submission of the application for adding a creditor.

(3) If an application for instituting bankruptcy proceedings is rejected by an effective court ruling, the statute of limitation shall not be deemed to be interrupted. The validity of the suspension of limitation shall remain.

Consideration of Petition

Article 629

(1) (Amended, SG No. 84/2000, supplemented, SG No. 101/2010) A petition for institution of bankruptcy proceedings, submitted by a debtor or, respectively, by a liquidator, shall be examined immediately by the court in camera. The petition shall be announced to the Commercial Register and Article 624 shall apply *mutatis mutandis*.

(2) (Supplemented, SG No. 70/1998) A petition for institution of bankruptcy proceedings, submitted by a creditors, shall be examined by the court in camera summoning the debtor and the petitioner, within fourteen days after submission of the petition.

(3) (New, SG No. 101/2010) The court shall stay the proceedings under Paragraph (1), if by the date of issuing a ruling thereon a creditor files a petition for the institution of bankruptcy proceedings.

(4) (New, SG No. 70/1998, repealed, new, SG No. 84/2000, renumbered from Paragraph (3), SG No. 101/2010) Until the close of the first hearing of the case initiated on a petition by a creditor, other creditors may join the proceedings, objections may be raised, and written evidence may be presented.

(5) (New, SG No. 103/1999, renumbered from Paragraph (4), SG No. 101/2010) The court must apply the rules of the foregoing paragraphs provided the petition for institution of bankruptcy proceedings as submitted meets all requirements set out in Article 628.

(6) (New, SG No. 84/2000, renumbered from Paragraph (5), SG No. 101/2010) The court shall institute the case on the day of submission of the petition and shall declare the case for adjudication within three months after its institution.

Preliminary Security Measures

Article 629a

(New, SG, No. 70/1998)

(1) (Supplemented, SG, No. 38/2006) Prior to the ruling on the application to institute bankruptcy proceedings, if so required for the purposes of protecting the debtor property, upon a creditor's request, or *ex officio*, the bankruptcy court may:

1. appoint a temporary trustee in bankruptcy having the authorities under Article 635, para 1;
2. allow the measures under Article 630, para 1, Item 4;
3. (amended, SG No. 12/2009, effective 1.05.2009) decree a stay of the enforcement cases against the property of the debtor, with the exception of enforcement cases instituted under the Tax and Social Insurance Procedure Code;
4. allow the measures under Article 642;

5. impose the measures stipulated in Article 650.

(2) Where the request to impose the measures under para 1 is filed by a creditor, the court shall impose those if:

1. the creditor's request is supported by convincing written evidence; or

2. a surety, in the amount established by the court, is provided to compensate the debtor for any damages incurred, in case it is not found to be insolvent, or over-indebted, respectively.

(3) The court may obligate the creditor to provide surety also in the cases under para 2 Item 1.

(4) Security measures imposed shall benefit all creditors in the bankruptcy.

(5) The court may rescind the security measures imposed if the continuance thereof is not required for the purposes of achieving the goals of the surety.

(6) The determination as to ruling the measures under para 1 shall be announced to the person with respect to which the measures are imposed, and to the person that has requested the imposition thereof. The determination may be appealed within 7 days following receipt of the notification.

(7) The determination regarding an adjudication of measures under para 1 shall be subject to immediate execution. Its appeal shall not suspend its execution.

(8) Security measures shall be presumed rescinded when, under a decision which has become effective, the application to institute bankruptcy proceedings is rejected.

(9) Security measures imposed shall be effective until the date of the decision to institute bankruptcy proceedings. As of that date, their effect shall be replaced by the effect of the decision to institute bankruptcy proceedings, and by the effect of the measures ruled pursuant to Article 630, para 1, subpara 4. The court may rule new security measures and continue the effectiveness of measures imposed pursuant to this Article.

Institution of bankruptcy proceedings in the absence of property

as may be used for covering the initial expenses

Article 629b

(New, SG, No. 38/2006)

(1) When the available property of the debtor does not suffice to cover the initial expenses, the court may determine the amount that shall be prepaid within a time limit set by the court by the persons as per Article 625 or by another creditor, for the purpose of instituting the bankruptcy

procedure. The court ruling shall not be subject to appeal or enforcement, but it shall define the consequences as per Article 632, par. (1), in case where the amount is not prepaid within the set time limit.

(2) The initial expenses shall be determined by the court depending on the current compensation of the temporary trustee in bankruptcy, and the estimated expenses pertinent to the bankruptcy proceedings.

(3) Where the debtor is a personal company, the court shall rule on the prepayment as per par. (1), after taking into consideration also the property of the partners of unlimited liability.

Section II

Issue of a Ruling

Ruling on Institution of Bankruptcy Proceedings

Article 630

(1) (Supplemented, SG No. 70/1998) Where the court has established insolvency or over-indebtedness, as the case may be, by its ruling it shall:

1. (supplemented, SG No. 70/1998) declare the insolvency or over-indebtedness, as the case may be, and determine the initial date thereof;

2. institute bankruptcy proceedings;

3. appoint a temporary trustee in bankruptcy;

4. allow for provision of security by means of imposing attachment or other security measures.

5. fix a date for the first meeting of creditors, not later than one month following the issue of the ruling.

(2) (Amended, SG Nos. 70/1998, 84/2000, supplemented, SG No. 58/2003, amended, SG No. 12/2009, effective 1.05.2009) Where it is obvious that further continuance of the activity could damage the bankruptcy estate, the court may, upon request by the debtor, respectively the liquidator, the trustee in bankruptcy, the National Revenue Agency or creditor, declare the debtor bankrupt and terminate his activity concurrently with the ruling to institute bankruptcy proceedings or later but before the time period for proposing a plan as referred to in Article 696 has expired.

(3) The ruling on instituting bankruptcy proceedings shall be effective in respect of all.

(4) (New, SG No. 47/2009, effective 23.06.2009) When delivering a judgment on

institution of bankruptcy proceedings in respect of a provider of water supply and sewerage services, the court shall not order termination of the provider's operation until a new provider of water supply and sewerage services is appointed in the relevant self-contained territory.

Ruling to Reject the Application

Article 631

The court shall reject the application, should it establish that the debtor's distress is temporary and that he disposes of sufficient assets to cover the obligations, safeguarding the creditors' interests.

Indemnity

Article 631a

(New, SG, No. 58/2003)

(1) Where, under a decision that has come into force, a creditor's petition to institute bankruptcy proceedings has been rejected, the debtor, be they a natural or a legal person, shall be entitled to indemnification if the creditor has acted with intent or grave negligence.

(2) Indemnity shall be due for all property and non-property damages which are the direct and immediate consequence of the harm. It can be payable as a one-time payment or in periodic installments.

(3) If the debtor has contributed for the occurrence of damages, the indemnity can be reduced.

(4) Indemnity for non-property damages shall be determined by the court by an equity judgment.

(5) If the petition to institute bankruptcy proceedings has been filed by several creditors, they shall be held liable jointly and severally.

Ruling to Terminate Proceedings

Article 632

(Amended, SG, No. 38/2006)

(1) Where the available property is not sufficient for covering the initial expenses and/or such expenses are not prepaid in accordance with the procedure as per Article 629b, the court shall declare the insolvency, resp. the over-indebtedness; shall set its initial date, shall institute bankruptcy proceedings, shall allow securing of the debt through the imposition of distraint or prohibition or other security measures; shall decree the termination of activities of the enterprise, shall declare the debtor bankrupt and shall close proceedings. In such a case, the court shall not

decree the deletion of the merchant from the Commercial Register.

(2) Suspended bankruptcy proceedings can be resumed within one year from the recordation of the court ruling as per par. (1), upon the request of the debtor or a creditor. Resumption of proceedings shall be allowed if the requesting party can prove that sufficient property is available or if said party would deposit the required amount for prepayment of the initial expenses as per Article 629b.

(3) In case of a resumption of proceedings, the period for presentation of claims shall commence as from the moment of recordation of the ruling as per par. (2).

(4) If within the time limit as per par. (2) no resumption of proceedings is requested, the court shall terminate the bankruptcy proceedings and shall order the deletion of the debtor from the Commercial Register.

(5) The provisions of pars. (1) through (4) shall also apply in cases where it is established, in the course of bankruptcy proceedings, that the available property of the debtor does not suffice to cover all expenses pertinent to the bankruptcy proceedings.

(6) (New, SG No. 18/2011) Within one month after the decision under Paragraph (1) is registered, the debtor shall terminate its employment relations with its employees, send notifications to that effect to the relevant territorial directorate of the National Revenue Agency, issue the required documents evidencing the employees' length of service, contributory service and contributory income, perform the employee notification procedure, draft the statements of persons entitled to guaranteed claims under the Act on Employees' Claims Guaranteed in the Event of their Employer's Bankruptcy and the regulations on its implementation, and deliver the payrolls to the relevant territorial unit of the National Social Security Institute.

Refunding of prepaid sums

Article 632a

(New, SG, No. 38/2006)

The prepaid amounts as per Article 629b and 632 shall be refunded to the respective payer provided that the bankruptcy estate has increased sufficiently.

Appeal of Rulings

Article 633

(Amended, SG, No. 38/2006)

(1) Rulings as per Articles 630 and 632 may be appealed within 7 days as from the date of recordation thereof in the Commercial Register.

(2) The decision whereby the request as per art. 625 is rejected shall be subject to appeal

within 7 days from the date of the announcement in accordance with the Code of Civil Procedure.

Immediate Execution

Article 634

Rulings pursuant to Article 630 shall be implemented immediately.

CHAPTER FORTY EFFECT OF RULING ON INSTITUTION OF BANKRUPTCY PROCEEDINGS

(Previous Chapter 36, SG No. 83/1996) Date of Institution of Bankruptcy Proceedings

Article 634a

(New, SG, No. 70/1998)

Bankruptcy proceedings shall be deemed instituted as of the date of the decision under Article 630. In case actions under Article 635, Article 636, para 1, Articles 637, 638 and 646 have been performed prior to this date, they shall be presumed as effected upon the institution of the bankruptcy proceedings.

Court Rulings on Petitions in Bankruptcy Proceedings

Article 634b

(1) (New, SG, No. 84/2000) (1) The court shall make its ruling within 3 days upon the application of a party in the proceedings, unless another period is provided for in this part. Should the act of the court's ruling be subject to appeal, the appellate court shall make a ruling within 7 days of receiving the appeal and shall give obligatory instructions.

(2) In case of absence of the judge hearing the case, the president of the court of jurisdiction over bankruptcy shall nominate another judge to hear the case during the absence.

(3) The judge hearing the case shall immediately rule on a request for challenge. A resolution rejecting the challenge shall be subject to appeal before the president of the appellate court, who shall make a ruling within 3 days of receiving the appeal.

Announcement of the Court Acts

Article 634c

(New, SG, No. 84/2000)

(1) (Supplemented, SG, No. 38/2006) The actions of the debtor, the creditors, the committee of creditors, the meeting of creditors, the trustee in bankruptcy and the court acts on bankruptcy shall be entered in a separate book which shall be public and available in the chancery of the court of jurisdiction over bankruptcy. The rulings and resolutions of the first instance court of appeal and the cassation court on appeals against the acts of the court of jurisdiction over bankruptcy shall also be entered in the same book. The book may be kept and stored in electronic format.

(2) (Amended, SG No. 104/2007) Communications of the appealable court judgments, with the exception of the ruling referred to in Article 729 (1), shall be transmitted to the interested parties according to the procedure established by the Code of Civil Procedure.

(3) (New, SG No. 31/2005) If the debtor is an operator or participant in a payment system recorded in a register of the Bulgarian National Bank, simultaneously with the rendition of the judgment on institution of bankruptcy proceedings under Article 630 herein, the court shall notify the Bulgarian National Bank of the institution of bankruptcy proceedings by means of transmitting the judgment to the Bulgarian National Bank.

(4) (New, SG No 31/2005) If the debtor is an operator or participant in a securities settlement system, the court shall notify the Central Depository of the institution of bankruptcy proceedings by means of transmitting the judgment to the Central Depository of securities.

(5) (New, SG 23/2009, effective 1.11.2009) If the debtor is a participant in the government securities settlement system, together with the ruling on initiating the bankruptcy proceedings under Article 630, the court of law shall notify the Bulgarian National Bank of having initiated a bankruptcy proceeding by forwarding the ruling to the Bulgarian National Bank.

Notice of the Bankruptcy Proceedings to the Company

Case of the Debtor

Article 634d

(New, SG No. 84/2000; supplemented, SG, No. 58/2003; repealed,

SG No. 38/2006)

Restriction of Rights of Insolvent Debtor

Article 635

(1) (Supplemented, SG No. 84/2000) Upon institution of bankruptcy proceedings, or in the cases under article 629a, the debtor shall continue his activities under the supervision of the trustee in bankruptcy. He may conclude new transactions with preliminary approval of the trustee in bankruptcy only, and in compliance with the measures, determined by the ruling on institution

of bankruptcy proceedings or by the determination pursuant to article 629a.

(2) The court may deprive the debtor of the right to manage and dispose of his assets and to grant this right to the trustee in bankruptcy, should it establish that by his actions the debtor jeopardises the interests of creditors.

(3) (New, SG, No. 38/2006) In bankruptcy proceedings, as well as in proceedings as per Article 621a, par. (2), Arts. 649 & 694, the debtor, resp. its bodies where such debtor is a legal entity, can perform, whether personally or through an authorized representative, any and all procedural actions not explicitly delegated to the trustee in bankruptcy.

Performance of Money Obligations

Article 636

(1) (Amended, SG, No. 38/2006) The performance of obligations to the debtor shall be taken over by the trustee in bankruptcy as from the date of recordation of the ruling on institution of bankruptcy proceedings.

(2) (Amended, SG No. 70/1998, No. 38/2006) The performance made to the debtor after the initial date of institution of the bankruptcy proceedings but prior to the recordation shall be deemed valid, if the performer was unaware of the initiation of proceedings, or even where the performer was aware thereof, provided the given has been included into the bankruptcy estate. Bona fide action shall be presumed unless proven otherwise.

Suspension of Court Proceedings

Article 637

(1) (Supplemented, SG Nos. 84/2000, 58/2003) Upon institution of bankruptcy proceedings, court and arbitration proceedings under civil and commercial cases against the debtor, with the exception of labour disputes on money claims shall be suspended. This provision shall not apply if as of the date of institution of bankruptcy proceedings on another case, where the debtor is a defendant, the court has accepted for joint consideration a counterclaim or an objection for offset submitted by the debtor.

(2) (Amended, SG No. 70/1998, No. 38/2006) Suspended proceedings shall be terminated, provided the claim is allowed, under the terms of Article 693.

(3) (New, SG No. 70/1998) Proceedings suspended pursuant to para 1 shall be resumed and continue with the participation of

1. the trustee in bankruptcy and the creditor, should the claim be not included in the list of dues received by the trustee in bankruptcy, or in the list approved by the court under Article 692;

2. (amended, SG, No. 38/2006) the trustee in bankruptcy, the creditor and the person having filed a protestation, should the claim be included in the list of dues received by the trustee

in bankruptcy but a protestation against it has been made under the terms of Article 692, para 3.

(4) (New, SG No. 70/1998) The decision ruled under para 3 be legally binding in establishing the relations among the debtor, the trustee in bankruptcy and all creditors in the bankruptcy.

(5) (New, SG No. 101/2010) Proceedings against the debtor for monetary receivables secured by third party property shall not be stayed.

(6) (New, SG No. 58/2003, amended, SG No. 38/2006, renumbered from (5), amended, SG No. 101/2010) After bankruptcy proceedings have been instituted, it shall be inadmissible to institute new court or arbitration proceedings on civil or commercial cases for ownership against the debtor, except in respect of actions for:

1. protection of the rights of third parties owning any things included in the bankruptcy estate;
2. labour disputes.
3. (new, SG No. 101/2010) monetary receivables secured by third party property.

Suspension of Execution Proceedings

Article 638

(1) (Supplemented SG No. 103/1999, amended, SG No. 105/2005) Upon institution of bankruptcy proceedings any execution proceedings against assets included in the bankruptcy estate shall be suspended, with the exception of properties under Article 193 of the Tax and Social Security Procedure Code.

(2) (Amended, SG, No. 38/2006) Where within the period as from the suspension pursuant to para 1 through the date of recordation of the ruling on institution of bankruptcy proceedings payments have been effected to claimants, the moneys paid shall be returned to the bankruptcy estate.

(3) (Amended and supplemented, SG No. 70/1998) Where actions have been undertaken in favour of secured creditors for implementing the surety, the court may allow the proceedings to continue, should there exist a danger of jeopardising the creditor's interests. Any surplus amount received over and above the amount of the surety shall be added to the bankruptcy estate.

(4) (New, SG No. 58/2003, amended, SG No. 105/2005) Suspended proceedings shall be terminated if the claim has been filed and allowed under the terms of Article 693. Any imposed attachments and garnishments shall not be opposable to creditors in the bankruptcy. It shall not be allowable to impose security measures following the procedure of the Code of Civil Procedure or the Tax and Social Insurance Procedure Code with respect to the debtor's property after bankruptcy proceedings have been instituted.

Claims having emerged following on institution
of Bankruptcy Proceedings

(Title amended, SG 38/2006)

Article 639

(1) (Amended, SG No. 38/2006) Creditors of claims that have occurred after the date of the ruling on institution of bankruptcy proceedings shall receive payment on maturity, and where they have not received payment on maturity, shall be satisfied pursuant to the procedure under Article 722, para 1.

(2) (Repealed, SG No. 38/2006) .

Special Cases of Sale

Article 639a

(New SG No 70/1998, repealed, SG No. 84/2000)

Special Cases of Sale

(Heading new, SG No. 38/2006, amended, SG No. 101/2010)

Article 639b

(1) (Redesignated from Article 639b, SG No. 38/2006, amended, SG No. 101/2010) The court may allow the trustee in bankruptcy to sell, prior to decreeing conversion of the property into cash, any perishable movables.

(2) (New, SG No. 101/2010) The court may allow the trustee in bankruptcy to sell, prior to decreeing conversion of the property into cash, items whose value does not cover the costs for their storage for the period of conversion of the property into cash under the general procedure, subject to a consent of the meeting of creditors or the committee of creditors.

(3) (New, SG No. 38/2006, renumbered from Paragraph (2), SG No. 101/2010) The sale under Paragraph (1) and (2) shall be effected by the trustee in bankruptcy through direct negotiations.

(4) (New, SG No. 101/2010) Other property from the bankruptcy estate may be sold under the terms and procedure of Paragraph (1) subject to a consent of the meeting of creditors or the committee of creditors, if so necessary for covering the cost of the bankruptcy proceedings and if after an invitation under Article 629b none of the creditors prepays the costs.

Cooperation of Debtors

Article 640

(1) (Previous Article 640, SG No. 84/2000) Within 14 days of institution of bankruptcy proceedings, debtors shall be obliged to provide to the court and the trustee in bankruptcy:

1. Adequate information related to the activities of their enterprises and their properties;

2. (amended, SG No. 90/1999, No. 38/2006) list of payments in cash or by means of bank transfer that exceed BGN 1,200 and that have been effected within six months prior to the initial date of insolvency;

3. list of payments effected by the debtor to persons related thereto, for a period of one year prior to the initial date of insolvency;

4. (new, SG No. 38/2006) a list of creditors in accordance with the debtor's books, indicating also the amounts of their claims;

(2) (New, SG No. 58/2003) The debtor shall provide the court or the trustee in bankruptcy information concerning the condition of its property and its commercial activity as of the date of the request, and all documents of relevance to that. Such information and documents shall be provided within 7 days following the written request.

(3) (New, SG No. 84/2000; renumbered from Paragraph 2, supplemented, SG No. 58/2003) Should the debtor fail to fulfill its obligation under paragraph 1, the court shall impose a fine of at least BGN 500 but not exceeding BGN 1000 on the guilty person, while under paragraph 2 the court shall impose a fine ranging from BGN 1000 to 5000 on the guilty person.

Effect of Repeal of Ruling on Institution of Bankruptcy Proceedings

Article 641

(Amended, SG No. 84/2000, SG No. 58/2003, SG No. 38/2006, amended, SG No. 101/2010)

Upon reversal of the judgment on institution of bankruptcy proceedings, any preventive attachment and garnishment imposed shall be considered lifted, the powers of the debtor shall be considered restored, and the powers of the trustee in bankruptcy shall be considered terminated as from the moment of recordation of the effective judgment.

Security Measures

Article 642

(Supplemented, SG No. 38/2006)

Upon request of the trustee in bankruptcy, the debtor or any creditor, the bankruptcy court may allow measures provided by law, securing the available assets of the debtor.

CHAPTER FORTY-ONE COMPLEMENTING OF BANKRUPTCY ESTATE. SAFEGUARDING MEASURES

(Previous Chapter 37, SG No. 83/1996)

Section I Complementing of bankruptcy estate

Collection of Capital not Paid In

Article 643

Shares or contributions not paid in or not deposited by limited liability partners, shall be collected by the trustee in bankruptcy to complement the bankruptcy estate.

Termination of Contract

Article 644

(1) The trustee in bankruptcy may terminate any contract to which the debtor is a party, provided it has not been performed wholly or in part.

(2) The trustee in bankruptcy shall send a 15 days advance notice for termination of contract.

(3) Upon request of the other party the trustee in bankruptcy shall respond within 15 days whether he shall keep the contract in effect or terminate it. Should there be no response, the contract shall be considered terminated.

(4) Upon termination of contract the other party shall be entitled to compensation for damages incurred.

(5) Keeping a contract under which the debtor is to effect regular payments shall not bind the trustee in bankruptcy to effect payments that have been overdue prior to the date of ruling on institution of bankruptcy proceedings.

Set-off

Article 645

(1) Creditors may set off their obligations to debtors, provided prior to the date of the ruling on institution of bankruptcy proceedings both obligations existed and were reversibly directed to each other and of the same type and the receivable was due. Where the receivable has become due in the course of bankruptcy proceedings or as result of a ruling to declare bankruptcy, and also where both obligations have become of same type as a result of such ruling, creditors may set off only after the receivable becomes due or the receivables become of the same type.

(2) The statement of a set-off shall be sent to the trustee in bankruptcy.

(3) (Amended and supplemented, SG No. 70/1998) The set-off may be declared invalid with respect to the bankruptcy creditors, provided the creditor has acquired the receivable and the obligation to the debtor prior to the date of the ruling on institution of bankruptcy proceedings, but he knew as of the time of acquiring the receivable or obligation that insolvency or over-indebtedness, as the case may be, has occurred or that an application to institute bankruptcy proceedings has been filed.

(4) (Amended and supplemented, SG No. 70/1998) A set-off effected by the debtor after the initial date of insolvency or over-indebtedness, as the case may be, shall be invalid with respect to the bankruptcy creditors, except for the part that the creditor may have acquired from distribution of assets converted into money, regardless of the time of occurrence of both reversibly directed obligations.

Nullity of Actions and Transactions

Article 646

(1) (Amended, SG No. 70/1998) The following shall be considered null and void with respect to the bankruptcy creditors, if effected after the date of the ruling on institution of bankruptcy proceedings and not in compliance with the procedure established thereby:

1. performance of an obligation that has occurred prior to the date of the ruling on institution of bankruptcy proceedings;

2. pledging or mortgaging rights or chattels included in the bankruptcy estate;

3. transactions with rights or chattels included in the bankruptcy estate.

(2) (Amended, SG No. 70/1998) Performance of the following actions and transactions made by the debtor after the initial date of insolvency or over-indebtedness, as the case may be, shall be null and void with respect to the bankruptcy creditors:

1. performance of a monetary obligation regardless of the manner of performance;

2. gratuitous transactions involving a property right from the bankruptcy estate;

3. setting up a pledge, mortgage or other surety on a property right from the bankruptcy estate;

4. transactions against payment involving a property right from the bankruptcy estate, in which what is given significantly exceeds what is received.

(3) (New, SG No. 103/1999) The preceding paragraphs shall not apply in cases of execution, by the debtor, of public collection claims or of private state claims where the foreclosure is enforceable in the procedure applicable to public claims.

Actions to Repeal

Article 647

(Amended, SG No. 70/1998)

In addition to the cases provided by law, the following acts and transactions effected by the debtor may be declared invalid with respect to the bankruptcy creditors:

1. (amended, SG No. 38/2006) gratuitous transactions, with the exception of an ordinary donation, to the benefit of a party related to the debtor, effected within 3 years prior to the institution of bankruptcy proceedings;

2. gratuitous transactions in favour of third parties, effected within 2 years prior to the institution of bankruptcy proceedings;

3. (amended, SG No. 84/2000) transactions against payment, where the items given exceed considerably in value the items received, effected within 2 years prior to the institution of bankruptcy proceedings;

4. repayment of money obligation by transfer of property, effected within 3 months prior to the initial date of insolvency, where the return of the property could result in increase of the amount to be received by creditors;

5. (amended, SG No. 84/2000) mortgaging, pledging or providing another security in favour of a claim not secured till that time, effected within 1 year prior to the institution of bankruptcy proceedings;

6. (amended, SG No. 84/2000) mortgaging, pledging or providing another security in favour of a claim of a partner or shareholder not secured till that time, effected within 2 years prior to the institution of bankruptcy proceedings;

7. (amended, SG No. 84/2000, No. 38/2006) a transaction effected within two years prior to the institution of bankruptcy proceedings which jeopardized the creditors, with a party related to the debtor being a party thereto;

Return of Items Given to Third Parties

Article 648

Where the provisions of Articles 646 or 647 have been applied to transactions, the items given to third parties shall be returned, and where the items given are not found in the bankruptcy estate or moneys are owed, the third party shall become creditor.

Bringing Actions to Repeal

Article 649

(1) Actions pursuant to Article 645, para 3, and Article 647 may be brought by the trustee in bankruptcy, and should he fail to do so - by any bankruptcy creditor within one year following the institution of proceedings.

(2) (New, SG No. 70/1998, amended, SG No. 84/2000) In the event of action brought under a claim by the trustee in bankruptcy, no preliminary state fee shall be collected. Should the claim be honoured, the state fee due shall be collected from the sentenced party, and should the claim be rejected, the state fee shall be collected from the bankruptcy estate.

(3) (Renumbered from Paragraph 2, SG No. 70/1998) Actions pursuant to Articles 645, 646 and 647 of this Act, as well as actions pursuant to Article 135 of the Obligations and Contracts Act, related to the bankruptcy proceedings, shall be brought before the bankruptcy court.

Section II

Sealing

Order for Sealing

Article 650

(1) Should there exist danger of dissipation, destruction or concealment of property, the court of jurisdiction over bankruptcy may order the sealing of premises, equipment, transport vehicles, etc., where chattels of the debtor are stored.

(2) Inhabitable housing facilities and premises needed to continue the activities of the debtor or to store perishable goods, shall not be sealed.

Execution of Sealing

Article 651

(Amended, SG No. 43/2005)

Seals shall be fixed by a bailiff. A protocol of the acts performed shall be forwarded to the court.

Section III Inventory of Property

Removal of Seals

Article 652

Within 3 days following his entry into office, the trustee in bankruptcy must request removal of seals and preparing of inventory of real properties and chattels, moneys, valuables, securities, contracts, etc., of debtor's claims and chattels in possession of third parties.

Preparation of Inventory

Article 653

(Amended, SG No. 43/2005)

(1) The inventory shall be prepared by the trustee in bankruptcy.

(2) The trustee in bankruptcy shall inform the debtor of the acts under para 1.

(3) Should other properties be found after preparation of the inventory, supplementary inventory shall be prepared.

Liability for Inventory Property

Article 654

The trustee in bankruptcy shall be liable for the property included in the inventory as from the time of preparation of the inventory, provided it has not been delivered to the debtor or to third parties for safe-keeping.

CHAPTER FORTY-TWO AUTHORITIES AND MANAGEMENT OF THE BANKRUPTCY ESTATE

(Previous Chapter 38, SG No. 83/1996)

Section I Trustee

Qualifications

Article 655

(1) (Amended, SG No. 70/1998) Natural persons may become trustees.

(2) (Amended, SG No. 70/1998) Trustees shall conform with the following requirements:

1. not to have been convicted as a citizen of lawful age for general offence, except for the cases of exoneration;

2. not to be spouse of the debtor or creditor and not to be in kinship relations with any of them in direct descent and lateral branch to the sixth degree, and in-law lineage up to the third degree;

3. not to be a creditor in the bankruptcy procedure;

4. not to be a bankrupt debtor whose rights have not been reinstated;

5. not to be in any relations with the debtor or creditor, which may generate substantiated doubts as to his impartiality;

6. (new, SG No. 70/1998) have completed his university education in economics or law, and have no less than 3 years experience in the respective profession;

7. (new, SG No. 70/1998; amended, SG No. 58/2003) have successfully passed a qualification examination following a procedure established under the regulation referred to in Article 655a, paragraph 1, and be included in the list of persons eligible for the position of trustee in bankruptcy approved by the Minister of Justice and promulgated in the State Gazette.

8. (new, SG No. 84/2000; amended SG, No. 38/2006, supplemented, SG No. 59/2006) if the trustee in bankruptcy has not been dismissed as such on grounds as per Article 657 (2) of this Act or Article 29 (1) subparagraphs 6 or 7 of the Bank Bankruptcy Act ;

9. (new, SG No. 84/2000, amended SG. No. 38/2006, SG No. 59/2006) the measure under Article 65 (2) subparagraph 11 of the Banking Act or under Article 103 (2) subparagraph 14 of the Credit Institutions Act shall not have been applied to him.

(3) (Amended, SG No. 70/1998, supplemented, SG No. 84/2000, amended, SG No. 38/2006) The Minister of Justice and Legal European Integration shall exclude from the list under para 2 any persons who have been found in violation with regard to their activities as trustees in bankruptcy, regardless of whether this circumstance is established by the court of jurisdiction over bankruptcy. These changes shall be promulgated in the State Gazette.

(4) (Supplemented, SG No. 84/2000) The powers of the trustee in bankruptcy may be exercised by several persons. In such cases, decisions shall be made unanimously and actions

shall be undertaken jointly, unless the meeting of creditors or the court in case of a disagreement between the persons exercising the powers of the trustee in bankruptcy decides otherwise.

(5) When The powers of the trustee in bankruptcy are exercised by several persons, making decisions unanimously and acting jointly, they shall be liable jointly and severally under Article 663, paras 2 and 3.

Contribution for Professional Training

Article 655a

(New, SG, No. 58/2003)

(1) The trustee in bankruptcy shall make an obligatory annual contribution for professional training, in an amount as determined in a regulation concerning the procedure for selection, training and control over trustees in bankruptcy, which shall be issued jointly by the Minister of Justice, the Minister of Economy and the Minister of Finance.

(2) Failure to make the contributions referred to in paragraph (1) in a timely manner shall serve as grounds for the exclusion of the person from the list referred to in Article 655, paragraph (2), subparagraph (7).

(3) The Minister of Justice, in cooperation with the Minister of Economy, shall be obliged to organize training course for trustees in bankruptcy on an annual basis.

Appointment of Trustees in Bankruptcy

Article 656

(Amended, SG, No. 84/2000)

(1) The bankruptcy court shall appoint the trustee in bankruptcy elected by the first meeting of creditors, provided he complies with the requirements under Article 655 and has preliminarily given his consent in writing with a notarized signature. In the same resolution the court of jurisdiction over bankruptcy shall determine the date on which the trustee in bankruptcy shall come into office.

(2) At his appointment, the trustee in bankruptcy shall declare in writing and with a notarized signature the existence of prerequisites and the lack of obstacles pursuant to this Act, the participation in companies as a partner, shareholder, the execution of duties as a liquidator, trustee in bankruptcy and other paid functions.

(3) Should a change occur in any of the circumstances under paragraph 2, the trustee in bankruptcy shall immediately notify the court of jurisdiction over bankruptcy in writing.

(4) The trustee in bankruptcy shall come into office on the date determined by the court. If the trustee in bankruptcy fails to fulfill this obligation, the court of jurisdiction over bankruptcy

shall, within 7 days, replace the appointed trustee in bankruptcy with another person among those specified by the first meeting of creditors. If there are no such persons, the trustee in bankruptcy shall be replaced with another person from the respective list and a new meeting of creditors shall be convened.

Discharge of Trustees in Bankruptcy

Article 657

(1) The court shall discharge a trustee in bankruptcy in the following cases:

1. his request in writing sent to the court;

2. legal disability;

3. (new, SG No. 70/1998) if the appointed trustee in bankruptcy no longer meets the requirements under Article 655, para 2;

4. (renumbered from Item 3, SG No. 70/1998, amended No. 58/2003) request by the creditors entitled to more than half of the claims;

5. (new, SG No. 84/2000) decision of the meeting of creditors;

6. (renumbered from Item 4, SG No. 70/1998, renumbered from Item 5, SG No. 84/2000) actual inability to exercise his powers;

7. (renumbered from Item 5, SG No 70/1998, renumbered from Item 6, SG No. 84/2000) death.

(2) The court may discharge the trustee in bankruptcy at any time, in the course of the fulfilment of its judicial obligations or at the proposal of the debtor, the committee of creditors or a creditor, when such trustee in bankruptcy fails to fulfil his obligations or his actions jeopardise the interests of the creditor or the debtor.

(3) (Amended, SG Nos. 70/1998, 80/2000, 58/2003) A trustee in bankruptcy discharged under para 1, Item 1, shall continue to perform his duties until a new trustee in bankruptcy is appointed.

(4) (New, SG No. 84/2000) Subject to appeal before the appellate court shall be:

1. a resolution of the court of jurisdiction over bankruptcy rejecting a request under paragraph 1, Items 1 - 6 and paragraph 2;

2. a resolution of the court of jurisdiction over bankruptcy honouring a request paragraph 2;

(5) (New, SG No. 84/2000) The resolution on discharge of the trustee in bankruptcy shall be executed immediately. An appeal submitted against the resolution on the discharge of the

trustee in bankruptcy, shall not suspend its execution. The repeal of the resolution on the discharge of the trustee in bankruptcy shall not restore the person as a trustee in bankruptcy in the same bankruptcy proceedings. When a resolution of the court on the discharge of the trustee in bankruptcy is appealed pursuant to paragraph 4, Item 2, the appeal may be made only by the trustee in bankruptcy.

(6) (New, SG No. 84/2000; supplemented , SG No. 58/2003) In the cases under paragraph 1, Items 1, 2, 3, 5, 6, 7, and paragraph 2 the court shall convene a meeting of creditors for the election of a new trustee in bankruptcy.

(7) (New, SG No. 84/2000) In the cases under paragraph 1, Items 2, 3, 5 and 6 and under paragraph 2, the court shall appoint ex officio a trustee in bankruptcy to fulfill the trustee in bankruptcy functions until the election of a new trustee in bankruptcy.

(8) (New, SG No. 58/2003) In the cases referred to in paragraph 1, subparagraph 4, creditors shall be obliged to indicate a trustee in bankruptcy in their request.

Powers of Trustees in Bankruptcy

Article 658

(1) The trustee in bankruptcy shall:

1. represent the enterprise;

2. manage its current affairs;

3. (new, SG No. 84/2000) supervise the debtor's activity in the cases under article 635, paragraph 1;

4. (renumbered from Item 3, SG No. 84/2000) receive the inventory, keep and maintain the books and business correspondence of the enterprise;

5. (renumbered from Item 4, SG No. 84/2000) identify and establish the debtor's property;

6. (renumbered from Item 5, SG No 84/2000) file requests for terminating or avoiding agreements to which the debtor is a party under the terms and conditions set forth by law;

7. (renumbered from Item 6, SG No. 84/2000) participate in the court proceedings of the debtor's enterprise and bring lawsuits on his behalf;

8. (renumbered from Item 7, SG No. 84/2000) collect the cash receivables of the debtor and deposit them in a special bank account;

9. (renumbered from Item 8, SG No. 84/2000) dispose of the funds in the debtor's bank accounts with the permission of the court when this becomes necessary in connection with the management of the property and its preservation;

10. (renumbered from Item 9, SG No. 84/2000) identify and establish the debtor's creditors;

11. (renumbered from Item 10, SG No. 84/2000) convene and organise the meetings of creditors in conformity with a court ruling;

12. (renumbered from Item 11, SG No. 84/2000) offer a plan under Article 696;

13. (renumbered from Item 12, SG No. 84/2000) undertake actions to terminate the debtor's participation in companies;

14. (renumbered from Item 13, SG No. 84/2000) cash in the property from the bankruptcy estate;

15. (renumbered from Item 14, SG No 84/2000) undertake other actions prescribed by law or assigned by court.

(2) The trustee in bankruptcy shall exercise his powers in conformity with the development of the insolvency proceedings and the court rulings.

(3) (New, SG No. 38/2006) Any and all government bodies and organizations shall be obligated to provide assistance to the trustee in the discharge of his/her duties.

Accountability

Article 659

(1) (Amended, SG No. 84/2000) The trustee in bankruptcy shall enter each action on his part relative to the management of and the disposal with objects and rights of the debtor's property or the bankruptcy estate in a specially bound by him journal with numbered pages and certified by the court.

(2) (Supplemented, SG No. 58/2003) The trustee in bankruptcy shall submit performance reports to the court and the committee of creditors on a monthly basis or immediately, at request.

(3) (New, SG No. 84/2000) At the request of a creditor, the trustee in bankruptcy shall present the journal referred to in paragraph 1, the report referred to in paragraph 2, as well as a report on the specifically raised issues if they are not dealt with in the report under paragraph 2 for the respective period.

Due Care Requirement

Article 660

(1) (Amended, SG No. 70/1998) The trustee in bankruptcy shall exercise his powers with due care.

(2) Trustees in bankruptcy may not delegate their powers to other persons, except in case of an explicit permission by court.

Remuneration

Article 661

(Amended, SG No. 84/2000)

(1) Trustees in bankruptcy shall get a remuneration for their work - current and final, in an amount determined by the meeting of creditors. The way of determining the final remuneration of the trustee in bankruptcy may be taken prior to the conclusion of the work of the trustee in bankruptcy.

(2) The court shall determine a current remuneration for the temporary trustee in bankruptcy, as well as for the trustee in bankruptcy in the cases under article 657, paragraph 6, at his appointment.

(3) The current remuneration shall be paid on a monthly basis.

(4) (Amended, SG No. 58/2003) The final remuneration of the trustee in bankruptcy may be determined also during the adoption of a reorganisation plan, or when an out-of-court settlement is achieved between the debtor and its creditors, as the case may be, and it shall depend on the following circumstances:

1. compliance with the proceedings terms;
2. whether the list of the claims allowed by the trustee in bankruptcy is approved by the court without making changes to it;
3. the actions taken and the honoured claims for replenishing the bankruptcy estate;
4. termination of the bankruptcy proceedings due to approval of a reorganisation plan;
5. the conversion of assets into cash upon declaration of bankruptcy;
6. other circumstances relevant to the term of the proceedings and the bankruptcy estate.

(5) The final remuneration may be determined as a percentage of the property with which the bankruptcy estate has been replenished, an/or as percentage of the value of the assets converted into cash.

(6) Where the meeting of creditors has not been able to decide on the election of a trustee in bankruptcy or on determining the remuneration of the trustee in bankruptcy, it shall be determined by the court.

Restrictions

Article 662

(1) (Amended, SG No. 84/2000) The trustee in bankruptcy may not negotiate on behalf of the debtor either with himself or with a person related to him.

(2) Trustees in bankruptcy may not acquire in any way, directly or through another person, any chattel or right from the bankruptcy estate. This restriction applies also to the their spouses, relatives in direct descent and lateral branch to the sixth degree and in-law lineage up to the third degree.

(3) Trustees in bankruptcy shall not disclose any information, data or facts which have become known to them in the course of exercising of their powers.

(4) (Repealed, SG No. 70/1998).

Liability

Article 663

(1) Where the trustee in bankruptcy fails to perform his duties or performs them poorly, the court may impose a fine which, for each individual case, may not exceed the amount of his monthly remuneration.

(2) The trustee in bankruptcy is liable to pay a compensation equal to the interest determined by operation of law for any delay on his part to deposit the funds received in the bank.

(3) The trustee in bankruptcy is liable to compensate the debtor and creditors for the damage inflicted by him to them in the course of the exercising of his powers.

Insurance

Article 663a

(New, SG, No. 58/2003)

(1) The trustee in bankruptcy shall obtain insurance for the time for which he is appointed to serve as trustee in bankruptcy in those particular proceedings, for damages that might occur as a result of guilty non-performance of his duties. The minimum amount of the insurance amount shall be determined in the regulation referred to in Article 655a, paragraph (1).

(2) The obligation referred to in paragraph (1) shall be fulfilled within three days of the election and prior to assuming the office.

Final Report of the Trustee in Bankruptcy

Article 664

(1) Trustees in bankruptcy shall submit a report in writing upon the termination of their work within a term prescribed by the court.

(2) The newly appointed trustee in bankruptcy, the debtor, the creditors' committee or a creditor may raise objections to the report within seven days after its submission.

(3) (Supplemented, SG No. 84/2000) Within fourteen days of receiving the objections, the court shall issue a ruling on the objections, which will be final and not subject to appeal.

(4) Should no objection be raised within seven days, the report will be considered accepted.

Submission of Books and Property

Article 665

(Amended, SG No. 84/2000)

Upon termination of his activities, the trustee in bankruptcy shall immediately submit with an inventory the books, the journal and the reports under Article 659, as well as the property at his disposal to the newly appointed trustee in bankruptcy or a person designated by the court or to the debtor in the cases set forth in Article 707, para 1.

Section II

Temporary Trustee in Bankruptcy

Appointment of Temporary Trustee in Bankruptcy

Article 666

(Supplemented, SG No. 84/2000)

The court shall appoint the temporary trustee in bankruptcy with the ruling to start bankruptcy proceedings or in the cases under article 657, provided he meets the requirements under Article 655 and has given his consent.

Discharge of Temporary Trustee in Bankruptcy

Article 667

(Amended, SG No. 84/2000)

The temporary trustee in bankruptcy shall be discharged under the terms and conditions set forth in Article 657 and upon the appointment of the trustee in bankruptcy elected by the meeting

of creditors.

Powers of the Temporary Trustee in Bankruptcy

Article 668

Temporary trustee in bankruptcy shall enjoy the powers under Article 658. In addition, within 14 days after the date of the ruling on bankruptcy proceedings, the temporary trustee in bankruptcy shall prepare:

1. (supplemented, SG No. 84/2000) a list of creditors on the basis of the debtor's books, indicating also the amounts of their claims;
2. (new, SG No. 84/2000) an excerpt of the books, certified by him;
3. (renumbered from Item 2, SG No 84/2000) a report in writing on the reasons for the insolvency, the condition of the property and the measures taken to protect it as well as the possibilities for reorganisation of the enterprise.

Section III

First Meeting of Creditors

Holding the First Meeting of Creditors

Article 669

(1) (Supplemented, SG No. 70/1998, previous Article 669, amended, SG No. 84/2000) The first meeting of creditors shall be convened on the date scheduled by the court with the ruling to institute bankruptcy proceedings, and shall be chaired by the judge considering the petition for instituting bankruptcy proceedings.

(2) (New, SG No. 84/2000) In the first meeting of creditors shall take part the creditors included in the list referred to in article 668, Item 1 and in the excerpts of the debtor's books, which the temporary trustee in bankruptcy shall submit to the first meeting.

Decision-Making at the First Meeting of Creditors

Article 670

(Amended, SG No. 84/2000, No. 38/2006)

(1) A creditor shall be allowed to participate in the first general meeting either in person or by proxy, subject to an explicit authorization in writing. Where the creditor is a natural person, such authorization shall bear the creditor's notarised signature.

(2) Decisions of shall be adopted by a simple majority vote in terms of the amounts of the claims listed as per Article 668, Item 1.

(3) The decisions of the first meeting of creditors can be annulled in accordance with the procedure as per Article 679.

Participation of the Temporary Trustee in Bankruptcy and the Debtor

Article 671

The participation of the temporary trustee in bankruptcy at the first meeting of creditors is mandatory, whereas the debtor may attend it if he deems it necessary.

Powers of the First Meeting of Creditors

Article 672

(1) (Previous Article 672, SG No. 84/2000) The first meeting of creditors shall:

1. listen to the report of the temporary trustee in bankruptcy under Article 668, Item 2;
2. (amended, SG No. 84/2000) nominate a permanent trustee in bankruptcy and submit the nomination to the court for approval;
3. elect a creditors' committee.

(2) (New, SG No. 84/2000) At the meeting the creditors may nominate and rank according to their preference several persons for trustees in bankruptcy, of which the court shall appoint a trustee in bankruptcy should the approved trustee in bankruptcy does not come into office within the specified term, in case of discharging him until the meeting referred to in article 673 is held, or when he does not meet any of the requirements under article 655, paragraph 2.

Section IV Meeting of Creditors

Holding the Meeting of Creditors and Voting Rights

Article 673

(1) The meeting of creditors shall be convened after the approval of the list under Article 692 by the court.

(2) After claims are allowed, voting rights at the meeting of creditors shall be granted only to creditors holding claims allowed.

(3) (Amended and supplemented, SG No. 70/1998, amended, SG No. 58/2003) The court may grant voting rights also to a creditor under Article 637, para 3, provided his claim is supported by the presentation of convincing evidence in writing, and to a creditor with an unacknowledged claim which has filed a claim as stipulated in Article 694, and to creditor whose claim has been acknowledged against whom a claim under Article 694 has been filed requesting the establishment of the non-existence of such creditor's claim.

(4) No voting rights under para 3 shall be granted to a creditor under Article 616, para 2.

Convening of the Meeting of Creditors

Article 674

(Amended, SG, No. 84/2000)

(1) The court shall convene the meeting of creditors at the request of the debtor, trustee in bankruptcy, creditors' committee or creditors holding one-fifth of the amount of claims allowed within maximum 7 days after the submission of the request.

(2) (Amended, SG, No. 38/2006) The meeting of creditors shall be convened immediately after approval by the court of the list of claims allowed pursuant to article 692, paragraph 4, or when no objections have been made - pursuant to article 692, paragraph 2, with an agenda pursuant to article 677, Item 8.

Invitation for the Meeting of Creditors

Article 675

(1) (Supplemented, SG No. 84/2000, No. 38/2006) The invitation for the meeting of creditors shall contain the debtor's trade name, standard identification code and seat, the agenda, date, hour and venue of the meeting.

(2) (Amended, SG, No. 38/2006) The invitation shall be posted in the Commercial Register, such posting being considered due notification of all creditors.

Decision-Making

Article 676

(1) (Amended, SG No. 84/2000) The meeting of creditors shall be held, regardless of the number of persons present and its chairman shall be the judge hearing the case.

(2) During the decision-making process, each creditor shall be entitled to a number of votes representing the proportional share of his claim in the total amount of claims allowed and the claims with voting rights under Article 673, para 3.

(3) Decisions shall be made by simple majority vote, unless the law prescribes otherwise.

(4) (New, SG No. 84/2000) The participation of the creditors in the meeting of creditors shall be in accordance with the procedure of article 670, paragraph 1.

Powers of the Meeting of Creditors

Article 677

(1) The meeting of creditors shall:

1. listen to the report of the trustee in bankruptcy on his activities;
2. hear the report of the creditors' committee;
3. (amended, SG No. 84/2000) nominate a trustee in bankruptcy, if none has been nominated; in this case article 672, paragraph 2 shall be applied;
4. (amended, SG No. 84/2000) decides on the discharge of the trustee in bankruptcy and his replacement;
5. (amended, SG No. 58/2003) determine the amount of the current-basis remuneration of the trustee in bankruptcy, any alteration thereof, and the amount of the final remuneration;
6. appoint the creditors' committee, if none has been appointed, or change its membership;
7. propose to the court the amount of the subsistence for the debtor and his family.
8. (new, SG No. 84/2000; amended, SG No. 58/2003) determine the procedure and the method of cashing the debtor's property, the method and terms and conditions for property evaluation, the choice of evaluators and the determination of their remuneration.

(2) If the meeting of creditors fails to make a decision under para 1, Item 3, the trustee in bankruptcy shall be appointed by the court. The court ruling shall not be subject to appeal.

(3) Minutes shall be taken at the meeting of creditors and signed by the chairing person and the secretary of the meeting.

(4) (New, SG No. 84/2000) If the meeting of creditors fails to make a decision under paragraph 1, Item 8, the decision shall be made by the trustee in bankruptcy.

Effect of the Decisions Made by the Meeting of Creditors

Article 678

The decisions made by the meeting of creditors shall be binding on all creditors, including those absent.

Repeal of a Decision of the Meeting of Creditors by the Court

Article 679

(1) The bankruptcy court may repeal a decision of the meeting of creditors, at the request of the debtor or a creditor, where such decision is unlawful or causes substantial damage to a part of the creditors.

(2) (Amended, SG No. 84/2000; supplemented, SG, No. 38/2006) The request shall be filed within seven days after the meeting is held and it shall be examined by an alternative panel of judges of the court of jurisdiction over bankruptcy with the debtor and creditors being summoned to the court session. The court session on considering the request shall be held not later than 14 days after its submission.

(3) Creditors under para 2 shall be summoned through advertisement in the State Gazette.

(4) (Amended, SG No. 84/2000) The court shall issue a resolution.

Section V

Creditors' Committee

Options

Article 680

(1) The meeting of creditors may appoint a creditors' committee consisting of not less than three and not more than nine members.

(2) The creditors' committee shall include persons representing both secured and unsecured creditors, except for those under Article 616, para 2.

Powers

Article 681

(1) (Amended and supplemented, SG No. 84/2000) The creditors' committee shall assist and check the activities of the trustee in bankruptcy with respect to the property management, inspect the books and cash availabilities, and notify the court in the cases under article 657.

(2) Cash availabilities shall be inspected at least once a month and the findings shall be communicated to the court of jurisdiction over bankruptcy.

(3) (New, SG No. 58/2003) The committee of creditors may, at its own initiative or at the request of the court, provide an opinion concerning the extension of the operation of the debtor's enterprise, the remuneration of the temporary and ex officio trustee in bankruptcy, actions related

to cashing, the responsibility of the trustee in bankruptcy under Article 663, paragraph (1), and on other matters.

Remuneration

Article 682

(1) The members of the creditors' committee shall be entitled to remuneration which is determined at the time of their appointment at the expense of creditors.

(2) The unpaid remuneration shall be deducted, at the request of the creditors' committee, when the property converted into cash is distributed according to the size of receivables on a pro rata basis.

Property Acquisition Ban

Article 683

Members of the creditors' committee shall not acquire in any way either directly or through another person chattels or rights from the Bankruptcy Estate. This restriction applies also to the their spouses, relatives of direct lineage, relatives of collateral lineage up to six times removed and in-laws up to three times removed.

Subsidiary Application of the Obligations and Contracts Act

Article 684

As far as the relations between the creditors' committee and creditors are not settled with the provisions of this Part or with an agreement, the provisions of Arts. 280-292 of the Obligations and Contracts Act shall apply.

CHAPTER FORTY-THREE CLAIMING RECEIVABLES

(Previous Chapter thirty nine, SG No. 83/1996) Deadline for Claims

Article 685

(1) (Amended, SG No. 84/2000, No. 38/2006) Creditors shall claim their receivables in writing before the bankruptcy court within one month following the posting in the commercial Register of the announcement on the start of bankruptcy proceedings.

(2) (Amended, SG No. 84/2000) Each creditor shall indicate the grounds and amount of the

receivables, privileges and security, the legal address and submit evidence in writing.

Statute of Limitation on Claims in Bankruptcy Proceedings

Article 685a

(New, SG, No. 38/2006)

(1) The act of making a claim in bankruptcy proceedings shall be deemed to constitute an interruption of the statute of limitation. The statute of limitation shall be suspended for the duration of the bankruptcy proceedings.

(2) Where a presented claim is not accepted into the bankruptcy proceedings and a supporting claim to establish the facts is required by the court in support thereof, the statute of limitation shall be interrupted. If the claim is overruled, the statute of limitation shall not be deemed to have been interrupted.

(3) Where a presented claim is not accepted, and the creditor has failed to present a supporting claim to establish the facts within the time limit as per Article 694, the statute of limitation shall not be deemed to have been interrupted.

(4) With the termination of bankruptcy proceedings in accordance with Article 632 par. (5), the statute of limitation as per Article 110 of the Obligations and Contracts Act shall be resumed, whereas in cases as per Article 740 par. (2) the provisions as per 707b shall apply. In case where a resumption of bankruptcy proceedings is requested, the statute of limitation shall be suspended for the accepted claims for the duration of the resumed proceedings.

List of Presented Claims

Article 686

(Amended, SG, No. 84/2000, No. 58/2003)

(1) Within 7 days after the expiration of the term under Article 685, para 1, the trustee in bankruptcy shall compile:

1. a list of the acknowledged claims that have been presented, by order of their presentation, indicating the creditor, the amount and the grounds of the claim, the privileges and security, the date of presenting the claim;

2. a list of the claims pursuant to article 687;

3. (amended, SG, No. 38/2006) a list of claims presented but not acknowledged; annual financial statements for the preceding calendar year and for the last month before the date of the institution of bankruptcy proceedings.

(2) The documents under paragraph 1 shall be made available to the creditors and the

debtor at the court chancery.

Proprio Motu Entry

Article 687

(1) (Previous Article 687, SG No. 84/2000, amended SG No. 38/2006) The claims of a worker or employee arising from a labour relationship with the debtor shall be entered proprio motu by the trustee in bankruptcy in the list of accepted claims.

(2) (New, SG No. 84/2000) The trustee in bankruptcy shall enter proprio motu in the list of presented claims any government claim established by an act which has come into effect.

Additional Claims

Article 688

(1) (Supplemented, SG No. 84/2000, amended, No. 58/2003, No. 38/2006) Any claim made after the expiration of the term under Article 685, para 1, but not later than two months therefrom, shall be entered on the list of presented claims and acknowledged in accordance with the terms and procedures set forth by law. After the expiration of this period, no claims which have occurred prior to the date of institution of bankruptcy proceedings may be presented.

(2) A creditor with claims under para 1 may not challenge claims already acknowledged or a distribution which has been made and he shall be satisfied with the balance if the property cashed in has been distributed. The additional expenses for the acceptance of his claim shall be borne by him.

(3) (New, SG No. 84/2000; amended, SG, No. 38/2006) Claims not paid on the maturity date and occurred after the date of the institution of bankruptcy proceedings and until the approval of a reorganisation plan, respectively the date of declaring the debtor in bankruptcy, shall be presented according to the procedure of this Chapter. The trustee in bankruptcy shall make a separate list of such claims.

(4) (New, SG No. 84/2000, repealed, SG No. 38/2006) .

List of the Claims Acknowledged by the Trustee in Bankruptcy

Article 689

(Amended, SG Nos. 84/2000, 58/2003, No. 38/2006)

The trustee in bankruptcy shall submit for posting in the Commercial Register the lists and financial statements immediately after they have been compiled, and shall make them available for creditors and the debtor at the court chancery.

Challenge of the List

Article 690

(Amended and supplemented, SG, No. 84/2000;

amended, SG No. 58/2003)

(1) (Amended, SG, No. 38/2006) The debtor or any creditor may challenge a claim, whether allowed or not by the trustee in bankruptcy, by filing an objection in writing within 7 days from the posting as per Article 689.

(2) The trustee in bankruptcy shall be obliged to present to the court an opinion on each objection within three days of its receipt but not later than the date of holding the court hearing of objections.

Unchallengeable Claim

Article 691

Claims which have been established by a court ruling which has entered into force and was issued after the date of the decision to start bankruptcy proceedings, where the trustee in bankruptcy was a party, cannot be challenged.

Approval by the Trustee in Bankruptcy of the List

of the Claims Allowed

Article 692

(Supplemented, SG, No. 70/1998; amended, SG No. 84/2000)

(1) (Amended, SG No. 58/2003, No. 38/2006) Where no objections have been filed in respect of the lists as per Article 686 par (1), the court shall approve in a closed session the list of allowed claims that have been entered proprio motu immediately after expiry of the term as per Article 690 par. (1). The court shall rule in a determination.

(2) (New, SG No. 38/2006) In case of objections filed against the lists as per Article 686 par. (1) in accordance with Article 690 par. (1), the court shall rule on such lists after the objections have been heard.

(3) (Amended, SG No. 58/2003; renumbered from par. 2, SG No. 38/2006) The court shall examine any objections made in a public session summoning the trustee in bankruptcy, the debtor, the creditor the inclusion or non-inclusion of whose claim in the list is being challenged, and the creditor which has challenged it. Where possible, all objections shall be considered in one court session.

(4) (Renumbered from par. 3, SG No. 38/2006) Upon finding the objections reasonable, the

court shall approve the list with the due amendment made. Otherwise, the court shall reject the objections. The court shall make a determination within 14 days of the session referred to in paragraph 2.

(5) (Renumbered from par. 4; amended, SG No. 38/2006) The court ruling on approval of the list shall be posted in the Commercial Register.

(6) (New, SG No. 58/2003; renumbered from par. 5, amended, SG No. 38/2006) The determinations as per pars. 1 & 4 shall not be subject to appeal.

Claim Allowed

Article 693

(Amended, SG, No. 70/1998, No. 84/2000)

An allowed claim in the bankruptcy proceedings shall be a receivable included in the list of allowed claims approved by the court under Article 692 except for claims under article 694, paragraph 1.

Submission of a claim to establish a right

(Title new, SG No. 38/2006)

Article 694

(Repealed, SG, No. 70/1998; new, SG, No. 84/2000; amended,

SG, No. 58/2003)

(1) (Amended and supplemented, SG, No. 38/2006) A creditor or the debtor who has made an objection under article 690, paragraph 1, may submit a claim for establishing the existence of a claim allowed or the non-existence of an allowed claim within 7 days of the date of posting in the Commercial Register of the court determination concerning the approval of the list under article 692, paragraph 4. The claim shall be submitted to the court of jurisdiction over bankruptcy and shall be heard by other court members.

(2) Upon submission of a claim to establish a right, no state fee shall be charged in advance. If the claim is rejected, the costs shall be at the expense of the claimant.

(3) (New, SG, No. 38/2006) The rights as per pars. (1) & (2) above shall also be conferred upon a creditor whose claim has been removed from the list of allowed claims by force of the determination as per Article 692 par. (4), as well as the creditor and the debtor to a claim included in the list of allowed claims by force of the determination as per Article 692 par. (4).

(4) (New, SG No. 38/2006) The effective court decision under par. (1) shall be legally binding in establishing the relations among the debtor, the trustee in bankruptcy and all creditors

in the bankruptcy proceedings.

(5) (New, SG No. 38/2006) In the rehabilitation plan, resp. in the distribution of cashed property, provisions shall mandatorily be made for disallowed claims that are subject to a claim for establishing rights as per par. (1).

Expansion of the List

Article 695

The list approved by the court shall be expanded with claims presented and approved subsequently under terms and procedures set forth by law.

CHAPTER FORTY-FOUR REORGANISATION OF THE ENTERPRISE

(Previous Chapter 40, SG No. 83/1996) Reorganisation Plan

Article 696

(Amended, SG No. 84/2000)

A reorganisation plan may provide for a deferment or rescheduling of payments, a remission of the debts in full or in part, a reorganisation of the enterprise, or undertaking other acts or making other transactions.

Proposal of a Plan

Article 697

(1) The right to propose a plan shall belong to:

1. The debtor;
2. The trustee in bankruptcy;
3. The creditors holding at least one-third of the secured claims;
4. The creditors holding at least one-third of the unsecured claims;

5. The partners, the shareholders respectively, who hold at least one-third of the capital of the debtor company;

6 An unlimited liability partner;

7. Twenty per cent of the total number of the debtor's employees.

(2) The creditors with the claims specified under Article 616, para 2, are not entitled to propose a plan.

(3) (New, SG No. 84/2000) A reorganisation plan may not be proposed in the cases under article 630, paragraph 2.

Deadline for Proposing a Plan

Article 698

(1) (Amended, SG No. 70/1998, No. 84/2000, No. 38/2006) A plan may be proposed not later than one month following the date of the announcement in the Commercial Register of the court ruling on approval of the list of claims allowed under Article 692.

(2) More than one plan may be proposed in the bankruptcy proceedings.

Costs on the Preparation of the Plan

Article 699

The costs on the preparation of a plan proposed by the debtor or by the trustee in bankruptcy shall be at the expense of the bankruptcy estate, and in the rest of the cases they shall be at the expense of the proposer.

Content of the Plan

Article 700

(1) The plan shall contain:

1. (amended, SG No. 84/2000, supplemented, SG No. 101/2010) the extent of satisfaction of the claims included in the lists approved by the court at the time of submitting the plan, the manner and time for payment to the creditors of each class, as well as guarantees for performance of the contested disallowed claims which are subject to pending court proceedings at the date of proposing the plan;

2. The terms and conditions under which the partners in a general or limited partnership are relieved from their commitments in full or in part;

3. The extent of satisfaction received by each class of creditors as compared with what it would have received in the event of distributing the assets under the terms and procedures provided by law;

4. The guarantees provided to each class of creditors in relation to the implementation of the plan;

5. The managerial, organisational, legal, financial, technical, and other actions for the implementation of the plan;

6. The influence of the plan on the employment of the debtor's employees.

(2) (Amended, SG No. 84/2000, supplemented, SG No. 47/2009, effective 23.06.2009) The plan may envisage the sale of the entire enterprise or a self-contained part of it, the manner and the terms of the sale, the buyer, a debt-for-equity swap, novation, or performing other steps or effecting other transactions. The plan shall not envisage the sale of the assets of a provider of water supply and sewerage services which are necessary to carry out the provider's main operation until a new provider of water supply and sewerage services is appointed in the relevant self-contained territory.

(3) (New, SG No. 84/2000; amended, SG No. 38/2006) In the cases as per par. (2), enclosed with the rehabilitation plan shall be a market evaluation of the property subject to the transaction.

(4) (New, SG No. 84/2000) If the reorganisation plan envisages the sale of the entire enterprise or a separate part of it, a draft agreement signed by the buyer shall be attached to the plan.

(5) (New, SG No. 58/2003) The reorganization plan may envisage the appointment of a supervisory body to exercise control over the debtor's activity for the period when the reorganization plan is in effect, or for a shorter time period.

(6) (New, SG No. 58/2003) Where the reorganization plan envisages the conversion of claims into equity, the plan shall enclose a list of names of creditors which have stated their agreement to subscribe interest stakes or shares of the equity, as the case may be, a full description of in-kind contributions - claims, their cash evaluation under Article 72 paragraph 2, the grounds of the proposer's rights and the number, type and nominal value of stakes or shares, as the case may be, which are being acquired. In these cases, Article 72 paragraph 2 shall not apply. Where the company's property is not sufficient to cover its money obligations, the conversion of the claim into equity shall be made at the nominal value of stakes or shares, as the case may be. Where the company's property is sufficient to cover its money obligations, the conversion of the claim into equity shall be made at the balance sheet value of stakes or shares, as the case may be. Where the reorganization plan envisages the conversion of a claim into equity, the decision to endorse the reorganization plan shall have the force of a decision of the general meeting of shareholders, or partners, as the case may be, to increase capital by in-kind contributions.

Supervisory Body

Article 700a

(New, SG No. 58/2003)

(1) The supervisory body referred to in Article 700, paragraph (5) may be a single member or a collegiate one.

(2) A collegiate supervisory body shall consist of 3 to 7 people, including a chairman and a deputy chairman.

(3) The chairman shall convene meetings of the supervisory body at his initiative as well as at the request of the members of the supervisory body or at the debtor's request.

(4) The convocation procedure for the collegiate supervisory body, its quorum and method of decision-making shall be regulated in the reorganization plan.

(5) The debtor shall present a report on its activity and on measures undertaken to implement the reorganization plan at least once every three months to the supervisory body.

(6) The debtor shall notify the supervisory body immediately of the occurrence of any circumstances which are of material significance for the implementation of the reorganization plan.

(7) The supervisory body is entitled at any time to require that the debtor present a summary information statement or a report on any matter concerning the activity of the debtor and the implementation of the reorganization plan.

(8) The bodies of the debtor may make decisions only upon the agreement of the supervisory body on the following:

1. transformation of the debtor;
2. winding down or transfer of enterprises or of considerable parts thereof;
3. property transactions beyond the customary actions or transactions related to the normal business operations of the debtor;
4. any material change in the business activity of the debtor;
5. any material organizational change;
6. long-term cooperation of material significance for the implementation of the reorganization plan or the termination of such a cooperation;
7. setting up or closing down a branch.

(9) The circumstances referred to in paragraph (8) shall be recorded in the commercial register.

(10) Any objections that such actions have been performed in violation of paragraph (9) shall not be opposable to third parties.

Admittance of the Plan

Article 701

(1) (Amended, SG No. 84/2000) By a ruling, given in camera within 7 days after expiration of the period under article 698, the court shall admit the plan to be considered by the creditors' meeting, provided the plan meets the requirements under Article 700, para 1. The court shall specify the date of holding the meeting, not later than 45 days after the date of the ruling.

(2) (Supplemented, SG No. 84/2000) In the event that the plan proposed does not meet the requirements under Article 700, para 1, the court shall send a notice to the proposer to remove the instances of non-compliance within 7 days. This provision shall not apply if the ruling of the court of jurisdiction over bankruptcy on approval of the reorganisation plan is repealed and the case is returned by the court of second instance for continuation of the proceedings.

(3) The ruling on non-admittance of the plan is subject to appeal within 7 days.

Announcement of the Plan and Convention of the Creditors' Meeting

Article 702

(1) (Amended, SG No. 84/2000, No. 38/2006) The court shall submit for entry in the Commercial Register an announcement of the date of holding the creditors' meeting for adoption of the plan admitted for consideration.

(2) (Amended and supplemented, SG No. 38/2006) The debtor and the trustee in bankruptcy shall be summoned to the meeting, and the creditors shall be deemed to be summoned by the posting of the announcement in the Commercial Register.

Adoption of the Plan

Article 703

(1) The right to vote on the plan shall belong only to a creditor whose claim has been allowed or whose right to vote under Article 673, para 1 has been recognised.

(2) The creditors shall vote separately in the following classes:

1. Creditors with secured claims and creditors with a foreclosure right;
2. Creditors under Article 722, para 1, Item 4;
3. (amended, SG No. 70/1998) Creditors under Article 722, para 1, Item 6;

4. Creditors with unsecured claims;

5. Creditors under Article 616, para 2,

(3) A creditor may also vote in absentia, by a letter with a signature authenticated by the notary public.

(4) (Amended, SG No. 84/2000) The plan shall be accepted by each class by a simple majority of the size of the claims of such class.

(5) (Supplemented, SG No. 38/2006) An objection to the approved plan may be filed with the bankruptcy court within 7 days after the date of the voting. An objection can also be filed by a creditor with a disallowed claim in respect of which said creditor has filed a claim under Article 694.

(6) (New, SG No. 84/2000) A plan voted against by creditors with more than half of the claims allowed regardless of the classes in which they are distributed, shall not be considered adopted.

(7) (New, SG No. 58/2003) The meeting of creditors may take a decision to appoint a supervisory body under Article 700a also in cases where this is not envisaged in the reorganization plan for the enterprise.

(8) (New, SG No. 38/2006) An announcement of the acceptance of the plan shall be posted in the Commercial Register.

Approval of the Plan by the Court

Article 704

(1) The bankruptcy court shall approve the approved plan if the requirements of the law have been observed.

(2) (Amended, SG No. 84/2000) In the event that several plans have been accepted, the plan for which creditors holding more than half of the total size of the allowed claims voted shall be approved. If this plan can not be approved, approved shall be that plan which has been accepted by the creditor classes whose interests have been most injured.

(3) (Supplemented, SG No. 84/2000) The plan is approved in camera. In case objections have been entered to the plan accepted by the creditors' meeting, the court shall consider the objections in camera, summoning the debtor, the trustee in bankruptcy and the party which has entered the objection. All objections shall be considered in one session, if possible, and shall make a ruling on the objections within a period 14 days after the session.

Terms and Conditions for the Approval of the Plan

Article 705

(1) (Previous Article 705, SG No. 70/1998) The court approves the plan, provided:

1. The requirements of the law for the acceptance of the plan by the different creditor classes have been observed;

2. (amended, SG No. 84/2000, No. 38/2006) The plan has been approved by a majority of creditors holding more than half of the claims allowed included in the lists under article 692, paragraph 1 and article 692, paragraph 4, approved by the court; in the event that the plan envisages partial payment, at least one of the creditor classes which have approved it, shall receive partial payment;

3. All creditors of the class are put on an equal footing, unless the injured creditors give their consent in writing;

4. The plan ensures that a dissenting creditor and a dissenting debtor receive the same payment which they would have received if the assets were allocated under the terms and procedures provided by law;

5. No creditor receives more than is due under this creditor's allowed claim;

6. No income is envisaged to be received by a partner or shareholder until the final payment of the obligations to the class of creditors whose interests are affected by the plan;

7. No support of a sole proprietor, unlimited liability partner or their families, greater than the support ruled by the court is envisaged up to the final fulfilment of the obligations to the class of creditors whose interests are affected by the plan.

(2) (New, SG No. 70/1998) The court shall rule a decision on endorsing the plan for reorganising the enterprise or on rejecting it.

Effect of the Plan Approved

Article 706

(1) The plan approved by the court is mandatory for the debtor and the creditors whose claims have occurred before the date of the ruling to institute bankruptcy proceedings.

(2) (New, SG No. 70/1998) Guarantors and persons who have established a pledge or a mortgage to secure an obligation of the debtor, and any persons liable jointly and severally with the debtor except for persons under Article 610 may not avail of any privileges envisaged in the plan.

(3) (Renumbered from Paragraph 2, SG No. 70/1998) The claims of the creditors under para 1 shall be transformed in accordance with what is envisaged in the plan.

(4) (Renumbered from Paragraph 3, SG No. 70/1998) The debtor is obliged immediately to

carry out the structural changes envisaged by the plan.

(5) (New, SG No. 70/1998) In the event of a sale of the whole enterprise or a part thereof, any disposal actions performed by the buyer prior to the final payment of the price shall be null and void with respect to creditors in bankruptcy.

Term for Concluding an Agreement

Article 706a

(New, SG No. 84/2000)

(1) The agreement for sale of the whole enterprise or an autonomous part of it, according to the approved reorganisation plan, shall be concluded within one month of the entry into force of the decision on approving the plan.

(2) If no agreement for sale is concluded within the term referred to in paragraph 1 in accordance with the draft attached to the approved reorganisation plan, each of the parties, within one month after the expiration of the term referred to in paragraph 1, may request the court of jurisdiction over bankruptcy to declare the agreement concluded according to the draft under article 700, paragraph 4, adopted at the meeting of creditors.

(3) If, within the period under paragraph 2, none of the parties requests the agreement to be declared concluded, and if there is a request submitted by a creditor, the court of jurisdiction over bankruptcy shall resume the proceedings and shall declare the debtor bankrupt.

Termination of Bankruptcy Proceedings

Article 707

(1) (Supplemented, SG No. 58/2003) By the ruling to approve the plan, the court terminates the bankruptcy proceedings and appoints the supervisory body under Article 700a, in cases where this is not envisaged in the reorganization plan for the enterprise.

(2) (Repealed, SG No. 84/2000).

(3) (New, SG No. 58/2003) At the request of a creditor, the supervisory body or the debtor, or at a later stage for the purposes of retaining the property and to ensure the implementation of the plan, the court may:

1. define the property with which the debtor may dispose only upon the permission of the supervisory body, and if the latter does not exist, with that of the court;

2. replace one or more members of the supervisory body by other persons.

(4) (New, SG No. 101/2010) If the court approved reorganisation plan under Article 705 does not provide for otherwise, by its decision under Paragraph (1) the court shall sentence the

debtor to pay the claims of the creditors under Article 688(3), included in the additional list.

Appeal

Article 707a

(1) (New, SG No. 70/1998, previous Article 707a, amended, SG No. 84/2000, No. 38/2006) The decision under Article 707 and the decision rejecting the endorsement of a reorganisation plan for the enterprise which has been approved by the creditors' meeting may be appealed within 7 days following its entry in the Commercial Register.

(2) (New, SG No. 84/2000) After repeal of the court decision, no reorganisation proceedings shall be performed.

Statute of limitation in conditions of an approved reorganization plan

Article 707b

(New, SG No. 38/2006)

(1) For claims as per Article 706, par. (1), a new statute of limitation in accordance with Article 110 of the Obligations and Contracts Act shall commence from the date of entry into force of the decision on the approval of the reorganization plan, where such claims are subject to immediate satisfaction, and in cases where the plan provides for deferment or rescheduling of satisfaction of such claims, from the date when such claims will become due.

(2) In case where a resumption of bankruptcy proceedings is requested, the statute of limitations shall not apply to allowed claims for the duration of the resumed proceedings.

Collection of Transformed Claim

Article 708

(Amended, SG No. 59/2007, amended, SG No. 101/2010)

On the basis of the plan as endorsed by the court, the creditor shall have the option to move for the issuance of a writ of execution under Article 405 of the Code of Civil Procedure for performance of the transformed claim regardless of the amount of the said claim.

Resumption of the Bankruptcy Proceedings

Article 709

(1) (Supplemented, SG No. 70/1998, amended, SG Nos. 84/2000, 58/2003) In the event that the debtor does not fulfil his obligations under the plan or under Article 700a, paragraphs (5), (6), (7) and (8), the creditors whose claims have been transformed under the plan and account for at least 15 per cent of the total size of the claims, or the supervisory body under the terms and

conditions of Article 700a, may request a resumption of the bankruptcy proceedings, without new insolvency or over-indebtedness, as the case may be, having to be proved.

(2) In the cases under para 1, the transforming effect of the plan with regard to the creditors' rights and the security remains.

(3) (New, SG No. 70/1998) In the renewed bankruptcy proceedings, no reorganisation proceedings shall be performed.

(4) (New, SG No. 84/2000; supplemented, SG No. 38/2006) The request under paragraph 1 shall be considered by the bankruptcy court within 14 days of its submission, in an open session to which the creditor who has submitted the request and the debtor have been summoned.

CHAPTER FORTY-FIVE DECLARATION OF BANKRUPTCY

(Previous Chapter 40, SG No. 83/1996) Ruling on Declaration of Bankruptcy

Article 710

The court declares the debtor to be bankrupt, in the event that a plan under Article 696 has not been proposed within the period provided by law or the plan proposed has not been accepted and approved, as well as in the cases under Article 630, para 2, Article 632, para 1, and Article 709, para 1.

Contents of the Ruling on Declaration of Bankruptcy

Article 711

(1) By the ruling on declaration of bankruptcy, the court:

1. (supplemented, SG No. 70/1998) Declares the debtor to be bankrupt and rules termination of the activity of the enterprise;

2. Decrees a general attachment on the debtor's assets;

3. Terminates the powers of the debtor's organs when he is a legal person;

4. Deprives the debtor of the right to manage and dispose of the assets, the bankruptcy estate included;

5. Institutes the start of the conversion of the bankruptcy estate assets into cash, and of the distribution of the cash.

(2) (Repealed, SG No. 70/1998).

Effect of the ruling

(Title amended, SG 38/2006)

Article 712

(1) The ruling on declaration of bankruptcy shall be effective towards all persons.

(2) (Amended, SG No. 38/2006) The decision to declare bankruptcy shall be entered in the Commercial Register.

Appeal against the Ruling on Declaration of Bankruptcy

Article 713

(1) (Previous Article 713, SG No. 70/1998; amended, SG No. 38/2006) The ruling on declaration of bankruptcy is subject to an appeal within 7 days from the date of entry into the Commercial Register.

(2) (New, SG No. 70/1998; amended, SG No. 38/2006) The decision repealing, partially or in full, or overruling the decision ruled by the district court for declaring bankruptcy shall be entered into the Commercial Register.

Immediate Execution

Article 714

The ruling on declaration of bankruptcy is subject to immediate execution.

Decreeing a general Attachment and Entering It

Article 715

(1) (Amended, SG, No. 38/2006) As from the day of entry into the Commercial Register of the ruling on declaration of bankruptcy, the real estate, the chattels and the debtor's claims from third bona fide persons shall be deemed attached.

(2) (Amended, SG No. 38/2006) The attachment on the debtor's real estate and ships shall be entered in the notary public's registers, in the ships' registers respectively, on the basis of the announcement of the debtor's being declared insolvent as posted in the Commercial Register.

CHAPTER FORTY-SIX CONVERTING THE ASSETS INTO CASH

(Previous Chapter 42, SG No. 83/1996)

Scope

Article 716

(1) (Previous Article 716, SG No. 58/2003) The real estate and the chattels as a whole or parts of them, the chattel and the other property rights within the bankruptcy estate shall be converted into money, insofar as it is required for the payment of the debtor's obligations.

(2) (New, SG No. 58/2003) The sale of property rights from the bankruptcy estate shall be done by the trustee in bankruptcy following the court's permission.

Sale of Chattels and Property Rights

Article 717

(1) (Supplemented, SG No. 70/1998, amended and supplemented, No. 84/2000, amended No. 58/2003) The chattels and property rights out of the bankruptcy estate shall be sold by the trustee in bankruptcy under the terms and procedures set out in this Chapter and according to the decision of the meeting of creditors under Article 667, paragraph (1), subparagraph (8), except for cases referred to in Article 677, paragraph (4).

(2) (New, SG No. 70/1998, Supplemented, SG No. 84/2000) Upon a proposal by the trustee in bankruptcy, and according to the decision of the meeting of creditors, the bankruptcy court shall allow the sale of chattels and property as a whole, of autonomous parts thereof, or of individual property rights. The court must rule on the proposal of the trustee in bankruptcy on the date of its receipt by the court, or on the following business day at the latest.

Announcement of Sale

Article 717a

(New, SG No. 58/2003)

(1) (Amended, SG No. 38/2006) The trustee in bankruptcy shall prepare an announcement for the sale, indicating the debtor's identifying data, a description of the property, the procedure and method of sale, the place and the day on which the sale shall take place, the deadline for accepting proposals within that day, and the evaluation of the property which is to be sold.

(2) (Amended, SG, No. 38/2006) The trustee in bankruptcy shall post the announcement referred to in paragraph 1 in a visible place in the building of the municipality in which the seat of the debtor is located and in the building in which the debtor's management address is, no less than 14 days prior to the day specified in the announcement, and shall draw up a memorandum certifying this fact. The trustee in bankruptcy shall submit the announcement for the sale for

publication in a specialized bulletin issued by the Ministry of Economy 14 days prior to the day for the sale as specified in the announcement.

Place of Holding the Sale

Article 717b

(New, SG, No. 58/2003)

The sale shall take place at the office of the trustee in bankruptcy or at the debtor's management address on the day specified in the announcement.

Procedure for Holding the Sale

Article 717c

(New, SG, No. 58/2003)

(1) The papers for the sale shall be kept at the office of the trustee in bankruptcy or at the debtor's management address and shall be available to any interested party.

(2) To participate in the bidding, a payment of earnest money in the amount of 10 per cent of the evaluation amount shall be deposited.

(3) Each bidder shall indicate the price proposed by him in figures and in words and shall submit his bid together with the receipt for the earnest money deposit in a sealed envelop. Bids shall be submitted on the day of the sale before the end of the time period referred to in Article 717a, paragraph 1 to the trustee in bankruptcy, who shall record them in the order of their submission in a register of incoming documents.

(4) Immediately after the expiry of the time period under paragraph 3, the trustee in bankruptcy shall announce the proposed bids that have been submitted, in the presence of the bidders who have chosen to attend, and a memorandum shall be drawn up to that effect. The memorandum shall indicate the bidders and the proposed bids in the order of opening the envelops. The bidder which has proposed the highest price shall be considered to be the buyer of the property right. If the highest price has been proposed by more than one bidder, the buyer shall be determined by the trustee in bankruptcy through an immediate auction by open bidding in the presence of bidders who have chosen to attend. The announcement of the buyer shall be done by the trustee in bankruptcy in the memorandum, which shall be signed by him and by the bidders who have chosen to attend.

(5) (Amended, SG, No. 38/2006) Proposed bids of persons which do not have the right to bid, and bids, if any, proposing a price less than the evaluation shall be invalid.

Limitation on Participation in the Sale

Article 717d

(New, SG No. 58/2003)

(1) The debtor, his representative, the trustee in bankruptcy, and the persons indicated in Article 185 of the Obligations and Contracts Act shall not have the right to participate in the bidding.

(2) Where the property right has been bought by a person, which did not have the right to bid, the sale shall be invalid.

(3) In the case under paragraph 2, money deposited by the buyer shall be seized for the purpose of satisfying creditor claims.

Payment of the Price

Article 717e

(New, SG, No. 58/2003)

The buyer must, within 5 days following the completion of the sale, pay in the price proposed by him, deducting the earnest money deposit.

Subsequent Buyers

Article 717f

(New, SG, No. 58/2003)

If, within the time period specified in Article 717e, the price has not been paid in:

1. the earnest money deposited by the bidder shall serve to satisfy the creditors;

2. (amended, SG, No. 38/2006) the trustee in bankruptcy shall invite the bidder which has offered the next highest price, if he has not withdrawn the earnest money deposit; if that bidder agrees, he shall be announced to be the buyer; if he does not agree or if he should fail to pay in the price within 5 days of having been announced as the buyer, the earnest money deposited by him shall be seized to satisfy the creditors, and the trustee in bankruptcy shall offer the property to the next bidder in the order of prices proposed and shall proceed in this manner, if need be, until there are no more bidders left which have proposed a price not lower than the evaluation; a bidder which has agreed to buy the property and fails to make due payment of the proposed price shall be held liable according to subparagraph 1.

Holding a New Auction

Article 717g

(New, SG No. 58/2003, amended, SG No. 38/2006)

(1) If no bidders have appeared or no valid bids have been proposed, or if the buyer has not paid in the price, a new sale by open bidding shall be held with a starting price of 80 per cent of the evaluation, after a new announcement is made following the procedure set out in Article 717a, paragraph 2.

(2) The bidding for the sale as per par. (1) shall be carried out by entry into a bidding sheet. The bidding increment shall be determined by the trustee in bankruptcy and shall be stated in the announcement as per Article 717a.

Making the Award

Article 717h

(New, SG, No. 58/2003)

(1) (Amended SG, No. 38/2006) The court shall award the item or the right to the entity declared as the buyer, provided that said entity has paid in full the amount due, on the day following the date of payment thereof.

(2) As from the date of issue of the ruling on the award, the buyer shall acquire all rights which the debtor has had on the property right. Any rights which third parties may have acquired on the property right cannot be opposed to the buyer, provided these rights cannot be opposed to the debtor.

(3) (Amended, SG, No. 38/2006) The ruling on the award issued by the court can be challenged before the appellate court by participants in the tender and by the debtor.

(4) If the award is not challenged the validity of the sale may be attacked through the claims procedure only in case of a violation of Article 717d and in case of non-payment of the price. In the latter case, the buyer may decline to honour the claim, provided that he pays the amount due together with any interest accrued from the day he was announced as the buyer.

Cancellation of the Award

Article 717i

(New, SG, No. 58/2003)

If the ruling on the award should be rescinded or if the sale should be proclaimed invalid according to Article 717d, the new sale shall be made after a new announcement.

Acquisition and Challenging of Ownership

Article 717k

(New, SG, No. 58/2003)

(1) The buyer of chattels shall become their owner, regardless of whether those have belonged to the debtor.

(2) The previous owner has the right to receive the price, if it has not been paid, and if it has been paid, he has the right to claim from the creditors and from the debtor what they have received according to the distribution.

Entry into Possession and Transfer of Risk

Article 717l

(New, SG, No. 58/2003)

(1) The buyer shall be introduced into possession of the property right by the trustee in bankruptcy based on the award ruling that has come into force and on the basis of a document certifying that payment has been made of fees for the transfer of the property and that the said ruling has been registered.

(2) The risk of perishing of the property right shall be for the account of the buyer, and any costs associated with its protection until the entry into possession of the buyer shall be for the account of the bankruptcy estate.

(3) Entry into possession shall be performed against any person which is in possession of the property right. Such a person may seek remedy only by means of a claim of ownership.

(4) (New - SG No. 38/2006) A sale effected in accordance with the procedure as per this Chapter shall have the consequences of a sale in enforcement action, under the Code of Civil Procedure.

Sale in the Case of Co-ownership

Article 717m

(New, SG No. 58/2003)

(1) When the execution is aimed at a property right which is co-owned, for a debt of any of the co-owners, the property right shall be inventoried in its entirety but only the indivisible interest of the debtor shall be put on sale.

(2) The property may also be sold as a whole if the remaining co-owners should agree to this in writing.

Sale of a Mortgaged Property

Article 717n

(New, SG No. 58/2003, amended, SG No. 101/2010)

In case of a sale of a mortgaged immovable which is mortgaged to secure other person's debt, the trustee in bankruptcy shall send to the mortgage creditor a communication of the scheduled sale. The amount attaching to the mortgage creditor shall be kept by the trustee in bankruptcy and shall be delivered to the creditor upon submission of a writ of execution for his claim.

Sale in Special Cases

Article 718

(1) (Supplemented, SG No. 70/1998; amended, SG No. 38/2006) Upon the proposal of the trustee in bankruptcy, the bankruptcy court may permit the sale to be made through direct negotiations or through an intermediary, in case the chattels and the property rights as a whole, the autonomous part, or an individual piece of chattel or the property right were offered under the terms and procedures of Article 717 and foll., but the sale was not realised because the buyer did not appear or desisted. In such cases the sale price can be lower than the initial price as per Article 717g and shall be determined in accordance with the Code of Civil Procedure. The court must rule on the proposal of the trustee in bankruptcy on the date of its receipt by the court, or on the following business day at the latest.

(2) Interests in other companies owned by the debtor shall be sold after being offered to be purchased by the remaining partners and the offer is not accepted within one month.

(3) (New, SG No. 70/1998) In the case of a sale under para 1 of the chattels and property rights as a whole, or of an autonomous part thereof, creditors cannot be put in a less favourable position than in the case of a sale of individual chattels and property rights.

(4) (Renumbered from Paragraph 3, amended SG No. 70/1998) In the case of a sale under para 1 of the chattels and property rights as a whole, or of an autonomous part thereof, any disposal actions performed by the buyer prior to the final payment of the price shall be null and void with respect to creditors in bankruptcy.

(5) (New, SG No. 84/2000) The trustee in bankruptcy shall appear as the seller in an agreement pursuant to paragraph 1.

Sale by the trustee in bankruptcy of housing units rented by

workers and employees

Article 718a

(New, SG No. 38/2006)

(1) In case where, towards the date of the decision of the creditors' meeting as per Article 677 par. (1), item 8, housing units owned by the debtor had been rented out to persons who,

towards said date, were in the debtor's employment, or to persons with claims under Article 687, par. 1, the trustee in bankruptcy shall be obligated to offer said housing units to its tenants for sale. In such cases, the provisions of Article 33 of the Ownership Act shall apply.

(2) The trustee in bankruptcy shall address an invitation in writing to each of the parties as per par. (1), stating the specific housing unit, its evaluation as given by an appraiser selected by the creditors' meeting or appointed in accordance with Article 677 par. (4); the time limit for payment, which cannot be shorter than 30 or longer than 60 days; and the bank account to which payment shall be remitted.

(3) The persons as per par. (1) shall have the right, within 14 days from receipt of the invitation, to state in writing to the trustee in bankruptcy their willingness to purchase the housing unit at a price corresponding to the evaluation, within the time limit set by the trustee in bankruptcy. In paying the said price, the workers and employees shall have the right to deduct from it any debts of the debtor arising from unpaid employment compensations.

(4) The sale agreement shall be executed in notarised form, with the trustee in bankruptcy signing as the seller. Any legal expenses pertinent to the transaction shall be covered by the seller.

(5) The provisions of pars. (1) through (4) shall not apply in case of a legal dispute involving the housing unit subject to the lease agreement.

Sale of a Pledged Chattel

Article 719

(Supplemented SG No. 70/1998)

A pledged chattel held by a creditor or by a third person shall be demanded by the trustee in bankruptcy and sold under the terms and procedures of this chapter, unless a law provides for its sale by the creditor without court interference.

CHAPTER FORTY-SEVEN DISTRIBUTION OF THE ASSETS CONVERTED INTO CASH AND COMPLETION OF THE BANKRUPTCY PROCEEDINGS

(Previous Chapter 43, SG No. 83/1996)

Section I

Distribution of the Assets Converted into Cash

Condition for the Distribution

Article 720

The distribution shall be carried out when sufficient cash funds accumulate in the bankruptcy estate.

Distribution Account

Article 721

(1) (Amended, SG No. 84/2000) The trustee in bankruptcy shall prepare an account for the distribution of the available amounts among the creditors with claims pursuant to article 722, paragraph 1, in conformity with the order, the privileges, and the pledges.

(2) The distribution account is partial up to the point when the obligations have been repaid in full or the entire bankruptcy estate, with the exception of the unsellable chattels, has been converted into cash.

(3) (New, SG No. 84/2000) The inclusion into the account for distribution of a claim under article 722, paragraph 1, Item 7, may not be refused, if the obligation has been taken with the consent of the trustee in bankruptcy or has been recognised him.

Order of the Claims

Article 722

(1) When the cashed in property is allocated, the claims shall be redeemed in the following order:

1. (amended, SG No. 70/1998, SG No. 105/2005) Claims secured by a pledge or mortgage or distraint or prohibition registered in pursuance of the procedure under the Registered Pledges Act ;

2. Claims with regards to which the right to foreclose is exercised - out of the value of the foreclosed property;

3. Bankruptcy costs;

4. (amended, SG No. 58/2003) Claims deriving from employment contractual relations, which have emerged before the date of the ruling to institute bankruptcy proceedings;

5. Support owed by the debtor to third persons by operation of law;

6. (amended, SG No. 70/1998, No. 84/2000) Public law claims of the state and the municipalities such as taxes, customs duties, fees, obligatory social security contributions, as well as others, which have emerged prior to the date of the ruling to institute bankruptcy proceedings;

7. (repealed, renumbered from Item 8, SG No. 70/1998, amended, SG No. 101/2010) claims which have arisen after the date of the judgment on institution of bankruptcy proceedings and have not been paid when due;

8. (renumbered from Paragraph 9, amended SG No. 70/1998) Any remaining unsecured claims that may have occurred prior to the date of the ruling to institute bankruptcy proceedings;

9. (new, SG No. 70/1998) claims under Article 616, para 2, Item 1;

10. (new, SG No. 70/1998) claims under Article 616, para 2, Item 2;

11. (new, SG No. 70/1998) claims under Article 616, para 2, Item 3;

12. (new, SG No. 38/2006) claims under Article 616, para 2, Item 4.

(2) (Amended, SG No. 70/1998, No. 38/2006) In case the cash funds are insufficient to fully satisfy the claims under para 1, Items 3-12, they shall be allocated among the creditors under the commensurability order.

(3) (New, SG No. 38/2006, amended, SG No. 12/2009, effective 1.05.2009) Where several State receivables of the same sequence have been presented and allowed, the amount due shall be disbursed for the entire sequence in totality from the distribution account, and after receipt shall be distributed by the National Revenue Agency according to the procedure established by the Tax and Social Insurance Procedure Code. The National Revenue Agency shall notify the bankruptcy court and the trustee in bankruptcy without delay of the distribution carried out.

Costs on the Bankruptcy

Article 723

Bankruptcy costs are:

1. (amended, SG, No. 38/2006) the stamp duty pertinent to the bankruptcy proceedings and all remaining expenses accrued until the moment of entry into force of the decision on the institution of bankruptcy proceedings;

2. the remuneration of the trustee in bankruptcy;

3. the payables to the employees, in case the debtor's enterprise has not wound up its operations;

4. the expenses on replenishing, managing, assessing, and distributing the bankruptcy

estate;

5. the specified support of the debtor and his family.

Satisfaction of a Secured Creditor and of a Creditor

with a Right to Foreclose

Article 724

(1) In the event that the selling price of a pledged or mortgaged chattel does not cover the claim with the interest accumulated in full, the creditor shall participate for the balance in the distribution along with the creditors with unsecured receivables.

(2) In case the selling price of a pledged or mortgaged chattel exceeds the secured claim with the interest accumulated, the balance shall be included in the bankruptcy estate.

(3) (Amended, SG No. 70/1998) In any case of the bankruptcy proceedings, the debtor may sign a contract with all creditors with accepted receivables for settling payment of cash liabilities. In such a case, the trustee in bankruptcy shall not represent the debtor as party.

(4) Paras 1, 2, and 3 shall also apply to satisfying the claim of a creditor with a lien.

Participation of Claims under Postponing or Peremptory Conditions

Article 725

(1) A claim under a postponing condition is included in the initial distribution as a disputed receivable. An adequate distribution amount is set aside for it. In the final distribution, this receivable shall be excluded, in case the condition has not been realised.

(2) A claim under a peremptory condition shall be included in the distribution as unconditional.

Setting Aside Amounts for a Disputed Claims

Article 726

(1) For a claim disputed under judicial proceedings, the adequate amount shall be set aside in the distribution account.

(2) In case only the security or the privilege has been disputed, the claim shall be included as unsecured up to the settlement of the dispute, the amount which the creditors would have received for a secured receivable being set aside in the distribution account.

Publicity of the Distribution Account

Article 727

(Supplemented, SG No. 38/2006)

The distribution account shall be displayed visibly at a specifically designated place in the courthouse, for 14 days. An announcement of the compilation of the distribution account shall be posted by the trustee in bankruptcy in the Commercial Register.

Objections to the Account

Article 728

The debtor, the creditors' committee, and each creditor may put object before the court in writing to the distribution account, within the period under Article 727.

Approval of the Distribution Account

Article 729

(1) The court of jurisdiction over bankruptcy shall approve by an order the distribution account, having made the relevant change in case it has established proprio motu or following an objection non-conformity with the law.

(2) (New, SG No. 104/2007) The ruling approving the distribution account and any appeals against the said ruling received shall be published in the Commercial Register, whereby the creditors and the debtor shall be presumed notified.

(3) (Amended, SG No. 38/2006, renumbered from Paragraph (2), SG No. 104/2007, amended, SG No. 101/2010) The ruling under Paragraph (1) shall be appealable by the debtor, by the creditors' committee, or by an individual creditor who has put object under Article 728.

(4) (Renumbered from Paragraph (3) - SG No. 104/2007) The distribution account approved shall be executed by the trustee in bankruptcy.

Additional Inclusion of a Creditor in the Distribution

Article 730

A creditor who has filed his claim after a distribution has been made, shall be included in the subsequent distributions without the right for equalisation with what has already been paid.

Additional Inclusion of Amounts

Article 731

The bankruptcy estate shall include additionally the newly-collected amounts from claims of the debtor and from converting assets into cash, as well as the amounts from receivables which

the creditors have waived.

Return of the Bankruptcy Estate Balance

Article 732

After the full payment of the obligations, the bankruptcy estate balance shall be returned to the debtor.

Section II

Completion of the Bankruptcy Proceedings

Report of the Trustee in Bankruptcy

Article 733

(Amended, SG No. 38/2006)

Within one month after the depletion of the bankruptcy estate, with the exception of the unsellable chattels, the trustee in bankruptcy shall submit to the bankruptcy court:

1. a report on his/her activities;
2. an account on the distribution of payments raised as a result of cashing the property, and on the remaining outstanding claims.

Conclusive Creditors' Meeting

Article 734

(1) The court shall convene a conclusive creditors' meeting within 14 days after receiving the report of trustee in bankruptcy.

(2) (Amended, SG, No. 38/2006) The meeting shall hear the account on the distribution of payments raised as a result of cashing the property, and on the remaining outstanding claims. The meeting shall adopt a decision regarding the unsellable chattel from the bankruptcy estate.

(3) (New, SG No. 38/2006) The creditors' meeting may adopt a decision to leave to the debtor chattel of negligible value or claims the collection of which could be rendered onerous.

Completion of the Bankruptcy Proceedings

Article 735

- (1) The bankruptcy proceedings shall be terminated by a court ruling, when:

1. The obligations have been paid;
2. The bankruptcy estate has been depleted.

(2) By the ruling under para 1, the court shall enact a deletion of the merchant, unless all creditors have been satisfied and assets have remained.

(3) (Amended, SG, No. 38/2006) The decision as per par. (1) may be appealed within 7 days as from the date of recordation thereof in the Commercial Register.

Termination of the Powers of the Trustee In Bankruptcy

Article 736

(1) The powers of the trustee in bankruptcy shall be terminated with the termination of the bankruptcy proceedings.

(2) The trustee in bankruptcy shall hand over the commercial books and the assets balance to the debtor or to the debtor's managerial body.

Depositing the Uncollected Amounts

Article 737

Upon the injunction of the court, the trustee in bankruptcy shall deposit with a bank the amounts which have been set aside in the final distribution for the uncollected or disputed claims.

Termination of the Effect of the Attachment

Article 738

(1) The effect of the attachment shall be terminated by the termination of the bankruptcy proceedings.

(2) (amended, SG No. 38/2006) The attachment shall be deleted proprio motu as from the moment of recordation of the decision of the termination of the bankruptcy proceedings in the Commercial Register;

Extinguishment

Article 739

(1) The claims which have not been filed in the bankruptcy proceedings and the rights which have not been exercised shall be extinguished.

(2) The claims which have not been satisfied in the bankruptcy proceedings shall be

extinguished, with the exception of the cases under Article 744, para 1.

CHAPTER FORTY-EIGHT OUT OF COURT SETTLEMENT

(Previous Chapter 44, SG No. 33/1996) Agreement

Article 740

(1) (Amended, SG No. 70/1998) At any point in the bankruptcy proceedings it shall be possible to conclude an agreement for settlement of cash obligations between the debtor and all the creditors holding claims allowed.

(2) (Amended, SG, No. 38/2006) Provided that the concluded agreement satisfies the requirements of the law, the court shall, by a ruling, terminate the bankruptcy proceedings, subject to the condition that there are no claims filed under Article 694 par. (1), regarding ascertainment of the non-existence of an allowed claim. Such ruling shall be subject to appeal within 7 days from the date of entry thereof into the Commercial Register.

(3) The agreement shall be concluded in writing.

Applicability of Civil Law

Article 741

Civil law shall apply unless provided otherwise in the agreement or this Act.

Renewal of Bankruptcy Proceedings

Article 741a

(New, SG, No. 70/1998)

Should the debtor fail to perform its obligations under the contract, creditors whose claims constitute not less than 15 per cent of the total amount of claims may request a renewal of the bankruptcy proceedings without having to prove new insolvency or over-indebtedness, as the case may be. In the renewed bankruptcy proceedings, no reorganisation proceedings shall be carried out.

CHAPTER FORTY-NINE SPECIFIC RULES FOR COMPANIES

(Previous Chapter 45, SG No. 83/1996)

Over-indebtedness

Article 742

(1) A commercial company shall be deemed over-indebted provided its assets are insufficient to cover its liabilities.

(2) (Supplemented SG No. 70/1998) Bankruptcy proceedings on grounds of over-indebtedness can also be initiated by a member of the commercial company's managing body and by the liquidator.

Separation of Property

Article 743

(1) The assets of a general partnership, limited partnership or partnership limited by shares with respect of which bankruptcy proceedings have been initiated, as well as the assets of an unlimited partner shall be kept separately.

(2) Creditors with personal claims on debts of an unlimited partner shall not participate in the distribution of the company's assets.

(3) The creditors of a company can participate in the distribution of the personal property of an unlimited partner only with a claim which has not been satisfied in the course of the company's bankruptcy proceedings.

CHAPTER FIFTY

RESUMPTION OF BANKRUPTCY PROCEEDINGS

(Previous Chapter 46, SG No. 83/1996)

Conditions for Resumption

Article 744

(1) Discontinued bankruptcy proceedings shall be resumed by court ruling provided within a year after such discontinuation:

1. amounts allocated for contested claims are released;
2. assets the existence of which was ignored during the bankruptcy proceedings are discovered.

(2) Where the released allocated amounts and the newly-discovered assets are insufficient to cover the cost of proceedings, the court may refuse to resume the proceedings unless an interested party pays the necessary amount in advance.

Petition for Resumption of Proceedings

Article 745

Bankruptcy proceedings shall be resumed following a written application by the debtor or a creditor whose claim has been recognised or established by court.

Effect of Resumption

Article 746

(1) The ruling to resume proceedings shall re-establish the rights of the trustee in bankruptcy and the Committee of Creditors.

(2) Resumed proceedings shall recommence from the final distribution account, which is considered as partial.

CHAPTER FIFTY-ONE RESTORATION OF DEBTOR RIGHTS

(Previous Chapter 47, SG No. 83/1996)

(Title amended, SG 38/2006)

Effect of Restoration

Article 747

(1) (Previous Article 747, SG No. 38/2006) Restoration of the rights of a sole proprietor debtor and an unlimited partner shall delete ex tunc the implications which the law relates to the declaration of bankruptcy.

(2) (New, SG No. 38/2006) This Chapter shall apply, respectively, for natural persons who have participated in the management of the commercial company declared bankrupt.

Prerequisites for Restoration

Article 748

(1) Rights shall be restored to a debtor who pays in full claims allowed in the bankruptcy proceedings and the related interest and expenditures.

(2) The rights of a debtor shall be restored also in case of non-full payment of debts if the bankruptcy is due to adverse changes in the economic environment.

(3) The rights of an unlimited partner shall be restored pursuant to paras 1 and 2. If he pays the debts of an insolvent company, and such payment shall not be considered an amount not owed.

Inadmissibility

Article 749

The rights of a debtor convicted for bankruptcy shall not be restored.

Petition for Restoration

Article 750

(1) Debtors shall file an application for restoration of rights in writing with the bankruptcy court.

(2) The application shall be accompanied with evidence that the claims allowed in the bankruptcy proceedings have been paid.

Restoration of Rights of Deceased Debtors

Article 751

Petition for restoration of rights of a deceased debtor shall be filed by one heir at least.

Announcement of Petition for Restoration

Article 752

(Amended, SG No. 38/2006)

The petition for restoration shall be entered in the Commercial Register under the case file of the merchant declared bankrupt.

Objection to Petition

Article 753

(Amended, SG, No. 38/2006)

Within a month from the date of entry of the petition for restoration into the Commercial Register, any creditor with a claim recognised or established by court order can object in writing against the application for restoration.

Consideration of Petition

Article 754

An application for restoration and the related objections shall be considered in open session to which the petitioner and the objecting creditor have been summoned.

Appeal

Article 755

(1) A court ruling in favour of the application shall not be subject to appeal.

(2) A court ruling against the application for restoration of rights shall be subject to appeal by the debtor within a seven-day period.

(3) (Amended, SG No. 38/2006) The effective court decision shall be entered in the Commercial Register under the case file of the merchant declared bankrupt.

New Petition for Restoration

Article 756

A new application for restoration of rights can be filed not earlier than one year after the ruling to reject an application has come into effect.

CHAPTER FIFTY-TWO APPLICABLE LAW

(Previous Chapter 48, SG No. 83/1996) Acceptance of Foreign Court Ruling on Bankruptcy

Article 757

On conditions of reciprocity the Republic of Bulgaria shall honour foreign court ruling of bankruptcy, provided it is taken by an authority of the state where the debtor's registered main office is located.

Powers of a Trustee in Bankruptcy Appointed

by Foreign Court of Law

Article 758

A trustee in bankruptcy appointed by a foreign court ruling shall have the powers envisaged in the state where the bankruptcy proceedings are initiated, provided they do not contradict public order rules of the Republic of Bulgaria.

Supplementary Bankruptcy Proceedings

Article 759

(1) At the request of a debtor, trustee in bankruptcy appointed by foreign court of law or a creditor, a Bulgarian court can institute supplementary bankruptcy proceedings concerning a merchant who has been ruled bankrupt by a foreign court, provided he has substantial property within the territory of the Republic of Bulgaria.

(2) The decision pursuant to para 1 shall be effective only in respect of debtor property within the territory of the Republic of Bulgaria.

Effect of Supplementary Proceedings

Article 760

(1) A claim for repeal lodged by the trustee in bankruptcy with respect of the main or supplementary bankruptcy proceedings shall be deemed to apply to both.

(2) A creditor who has received partial payment under the main proceedings shall participate in the distribution of assets under the supplementary proceedings provided the portion he would get is bigger than the respective portion to be received by the other creditors under the supplementary proceedings.

(3) A plan referred to in Article 696 can be approved in the supplementary bankruptcy proceedings only with the consent of the trustee in bankruptcy in the main bankruptcy proceedings.

(4) When distribution under supplementary proceedings is completed, the remaining property shall be transferred to the property under the main proceedings.

SUPPLEMENTARY PROVISIONS

(New, SG No. 63/1994)

§ 1. (1) "Related persons" within the meaning of this Act shall be:

1. Spouses, relatives on direct line of descent - without any restrictions, relatives on collateral line of descent - up to and including the fourth degree, and in-law lineage - up to and including the third degree;

2. Employers and employees;

3. Persons one of which is involved in the management of the other one's company;
4. Partners;
5. A company and a person who owns more than 5 percent of the company's voting shares and stock;
6. Persons whose activities are under the direct or indirect control of a third party;
7. Persons who exercise joint direct or indirect control over a third party;
8. Persons one of whom is a commercial agent of the other;
9. Persons one of whom has made a donation in favour of the other.

(2) "Related persons" shall be also persons who either directly or indirectly participate in the management, control or capital of another person or persons, which may enable them to agree on terms and conditions which differ from the standard practice.

§ 1a. (New, SG No. 70/1998) "Autonomous part" within the meaning of this Act shall be an organisational structure which can perform business activity independently (such as a shop, studio, ship, workshop, restaurant, hotel, etc.)

§ 1b. (New, SG No. 38/2006) "Web page" within the meaning of this Act shall mean a designated resource within the World-Wide Web (the Internet) containing programs, text, sound, graphics, images or other material accessible through standardized access protocol and content presentation.

§ 1c. (New, SG No. 104/2007) (1) "Control", within the meaning of this Act, shall be in place where one natural or legal person (controlling party):

1. holds more than one-half of the votes in the General Meeting of another legal person, or
2. has the right to appoint more than one-half of the members of the management or supervisory body of another legal person and, at the same time, is a shareholder or a partner in the said legal person, or
3. has the right to exercise a dominant influence over another legal person by virtue of a contract concluded therewith or by virtue of its Memorandum or Articles of Association, or
4. is a shareholder or a partner in another legal person and by virtue of a contract with other shareholders or partners controls, on his own, more than one-half of the votes in the General Meeting of that legal person.

(2) In the cases referred to in Items 1, 2 and 4 of Paragraph (1), the votes of the persons controlled by the controlling party, as well as the votes of persons who act on their own behalf

but for the account of the controlling party or for the account of another person controlled thereby, shall be added to the votes of the controlling party.

(3) In the cases referred to in Items 1, 2 and 4 of Paragraph (1), the votes attached to shares or participating interests held by the controlling party for the account of another person who is not controlled thereby, as well as the votes attached to shares or participating interests which the controlling party holds as security shall not be treated as votes of the controlling party if the rights attached to the said shares or interests are exercised by order or in the interest of the person who furnished the security.

(4) In the cases referred to in Items 1 and 4 of Paragraph (1), the total number of votes in the General Meeting of a controlled party shall be reduced by the votes attached to shares or participating interests held by the said party, by a person controlled by the said party, or by a person who acts on his own behalf but for the account of the said party.

§ 2. Debts in foreign currency shall be converted in Bulgarian leva at the exchange rate of the Bulgarian National Bank as of the date on which the ruling to institute bankruptcy proceedings was taken.

§ 3. The provisions set forth in Part Four of this Act concerning commercial companies shall apply also to cooperatives - merchants.

§ 3a. (New, SG No. 38/2006) The Minister of Justice shall organize the keeping and storage in electronic format of the book as per Article 634b, paragraph 1.

§ 4. (Amended, SG No. 28/2002) The Privatization and Post-privatization Control Act shall not apply to cases referred to in Article 700, para 2 of this Act.

§ 5. (1) (Amended, SG Nos. 70/1998, 28/2002, SG No. 31/2003, No. 38/2006) A decision determining a method for the sale of shares or interests in any commercial corporation wherein the State or a municipality holds an interest in the capital exceeding 50 per cent, which is subject to instituted bankruptcy proceedings, may be adopted prior to the date as defined by the bankruptcy court approving the list of claims as allowed under Article 692 para 4 herein.

(2) Bankruptcy proceedings shall be discontinued upon approval by the court of the list of allowed claims under Article 692.

(3) Unless a Privatisation transaction is concluded within 4 months after the discontinuation of bankruptcy proceedings, the latter shall be resumed.

(4) (Amended, SG No. 28/2002) The money proceeds from the privatization of any commercial corporation subject to instituted bankruptcy proceedings shall be distributed according to the procedure established by Section I of Chapter Forty-Seven of this Code. The sum remaining after satisfaction of the creditors shall be distributed according to the procedure established by Articles 8 and 10 of the Privatization and Post-privatization Control Act .

§ 5a. (New, SG No. 104/2007) This Act transposes the provisions of the First Council

Directive (68/151/EEC) on coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, with a view to making such safeguards equivalent throughout the Community, the Second Council Directive (77/91/EEC) on coordination of safeguards which, for the protection of the interests of members and others, are required by Member States of companies within the meaning of the second paragraph of Article 58 of the Treaty, in respect of the formation of public limited liability companies and the maintenance and alteration of their capital, [with a view to making such safeguards equivalent], the Third Council Directive (78/855/EEC) based on Article 54 (3) (g) of the Treaty concerning mergers of public limited-liability companies, the Sixth Council Directive (82/891/EEC) based on Article 54 (3) (g) of the Treaty, concerning the division of public limited liability companies, the Eleventh Council Directive (89/666/EEC) concerning disclosure requirements in respect of branches opened in a Member State by certain types of company governed by the law of another State, the Twelfth Council Company Law Directive (86/667/EEC) on single-member private limited-liability companies, and Council Directive 86/653/EEC on the coordination of the laws of the Member States relating to self-employed commercial agents.

TRANSITIONAL AND CONCLUDING PROVISIONS

§ 6. (Renumbered from § 1, SG No 63/1994) This Act shall enter into force on 1 July 1991 and shall repeal Chapters One and Two and Article 65, para 4 of Decree 56 on Economic Activity (promulgated in State Gazette No. 4/1989; amended SG No. 16/1989; amended Nos. 38, 39 and 62/1989, Nos. 21, 31 and 101/1990, Nos. 15 and 23/1991; amended SG No. 25/1991)

§ 7. (Renumbered from § 2, SG No 63/1994) State-owned and municipal firms registered pursuant to Decree 56 on Economic Activity shall continue their activities under the existing provisions until they are transformed into companies pursuant to Articles 61 and 62 of this Act.

§ 8. (Renumbered from § 3, SG No 63/1994) (1) The registration of companies pursuant to Decree 56 on Economic Activity shall remain valid, and the following changes shall be made ex lege:

1. sole proprietor firms shall be deemed sole proprietors. The name as provided for in Article 59 shall be added if missing;

2. collective or partnership firms of individuals shall be deemed general partnerships. The necessary extension pursuant to article 77 shall be added;

3. limited liability firms shall be deemed limited liability companies. The extension "firma s ograničena odgovornost" or "OOF" shall be replaced with "družestvo s ograničena odgovornost" or "OOD". The firm's head shall become ex lege the company's manager;

4. joint-stock firms shall be deemed joint-stock companies. The extension "akcionarna firma" or "AF" shall be replaced with "akcionerno družestvo" or "AD". The functions of the firm's manager shall be assumed by the company's managing board;

5. unlimited liability firms which have not issued stock shall be deemed limited partnerships. The extension "firma s neogranichena otgovornost" or "NOF" shall be replaced with "komanditno druzhestvo" or "KD";

6. unlimited liability firms which have issued stock shall be deemed partnerships limited by shares. The extension "firma s neogranichena otgovornost" or "NOF" shall be replaced with "komanditno druzhestvo s aktsii" or "KDA".

(2) The previous paragraph shall apply mutatis mutandis to foreign and joint firms in the country incorporated pursuant to chapter five of Decree 56 on Economic Activity.

§ 9. (Renumbered from § 4, SG No 63/1994) (1) Persons who are carrying on economic activities pursuant to Council of Ministers Decree No. 35/1987 (State Gazette No. 48/1987) and pursuant to issued on the basis of this decree regulations, and who are merchants within the meaning of this Act, must register within 6 months of the entry into force of this Act.

(2) The deadline under the previous paragraph shall be deemed observed if the respective application is made prior to its expiration.

§ 10. (Renumbered from § 5, SG No 63/1994) (1) Clauses in articles of incorporation or partnership and in Articles of Association of firms which have been registered prior to the entry into force of this Act and which are inconsistent with its mandatory provisions shall be replaced ex lege with the respective provisions of this Act.

(2) On pending applications for registration the court shall provide, if necessary, a deadline to the interested parties to bring their articles or, respectively, Articles of Association, in conformity with the provisions of this Act.

TRANSITIONAL AND CONCLUDING PROVISIONS

To the Act amending and supplementing the Commerce Act

(Promulgated State Gazette No. 63/1994)

§ 7. This Act shall supersede Title III of Decree No.56 on Economic Activity (publ. in SG No.4 of 1989, amended, No.16/1989, amended in No. 28, 39 and 62/1989, No. 21, 31 and 101 of 1990, amended in No.5/1991; No. 15 and 23/1991, amended; in No.25/1991; amended in No.47, 48 and 62/1991, No. 60/1992, No.84 and 93/1993).

§ 8. (1) Any settlement procedures under Article 66 of Decree No.56 on Economic Activity, pending at the time of entry of this Act into force, shall be terminated.

(2) Existing pending actions for declaration of bankruptcy shall continue under the procedure of this Act with the appointed liquidator exercising the functions of a trustee; in the event of bankruptcy of a single-person trader, a trustee shall be appointed.

(3) If distribution of assets has not started in an existing procedure under paragraph (2), a

plan may be proposed under Article 696 of this Act within 2 months of the entry into force of this Act. This plan shall be reviewed under the procedure of Chapter Forty of this Act.

TRANSITIONAL AND CONCLUDING PROVISIONS

To the Securities, Stock Exchanges And Investment Companies Act

(Promulgated State Gazette No. 63/1995)

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§ 11. The ration between voting and non-voting shares in the nominal value of the capital under Article 182(3) of the Commerce Act must be achieved within one year of the netry of this Act into force.

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TRANSITIONAL AND CONCLUDING PROVISIONS

to the law on Amendment and Supplement of the Commerce Act

(SG, No. 83/1996, effective 1.11.96)

§ 9. Amendments to Articles 203 and 266 as well as to Article 270a shall apply also to such cases of liquidation that have not been completed to the entry of this Act into force.

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TRANSITIONAL AND CONCLUDING PROVISIONS

to the law on Amendment and Supplement of the Commerce Act

Promulgated State Gazette No. 100/1997, amended in No. 39/1998)

§ 5. In respect of pending applications for registration the court shall, where necessary, fix a period of time for the parties concerned to bring their Articles of Incorporation, Articles of Association respectively, in compliance with the provisions of this Act.

§ 6. (1) Where a company has been incorporated for the exclusive purpose to participate in a privatisation transaction concluded by persons under Article 25, para (3) and Article 31, para (1) of the Transformation and Privatisation of State-owned and Municipal Enterprises Act , the required minimum capital shall be as follows:

1. for a limited liability company - BGL 500,000, where the shares may not be less than BGL 1,000 each;

2. for a joint-stock company and partnership limited by shares, where formed by

subscription - BGL 10,000,000, where formed without subscription - BGL 5,000,000.

(2) A company under para (1) above may not conclude transactions other than such necessary for participation in the privatisation.

(3) After completion of the privatisation transaction a company under para (1) should forthwith bring its capital in compliance with the requirements of Article 117, para (4), and Article 161, para (2) respectively.

(4) Where the company under para (1) fails to conclude the privatisation transaction, it shall be dissolved within three months following the completion of the privatisation procedure.

§ 7. (1) The existing limited liability companies, joint-stock companies and partnerships limited by shares shall be bound to bring their capital in compliance with the minimum required by law and to request registration of such circumstances in the commercial register within one year following the coming of this Act into force.

(2) In the cases under para (1), for the purposes of entering in the commercial register a decision about increase of joint-stock company capital, it shall be required not less than 25 percent of the capital amount after the increase to be paid in.

§ 8. Where a company fails to meet its obligations under § 7, the provisions of Article 155, subpara 2, and Article 252, subpara 5, respectively, shall apply.

TRANSITIONAL AND CONCLUDING PROVISIONS

to the law on Amendment and Supplement of the Commerce Act

(Promulgated State Gazette No. 70/1998)

§ 58. (1) Within two month of the effective date of this Act, the Minister of Justice and European Integration shall endorse a list of persons who can be appointed to the position of receivers by the court, and promulgate it in the State Gazette.

(2) The list under para 1 can be added to at any time.

(3) The Minister of Justice and European Integration must send to all district courts the list under para 1, indicating the address and specialization area of approved receivers.

(4) A person appointed as a receiver or interim receiver under bankruptcy proceedings grandfathered by this Act shall be released by the court within a time period not to exceed one month following the promulgation of the list in the State Gazette, in case he is not included in the list under para 1. Within the same time period, the court shall be obliged to appoint a person from those listed in the list under para 1 to the vacancy opened by the released receiver or the interim receiver.

§ 59. Under court action in process grandfathered by this Act on which a decision has been

ruled to declare the debtor bankrupt, it shall be presumed that the court has ruled termination of the activity of the enterprise as per Article 711, para 1, subpara 1 as of the date of the decision declaring bankruptcy.

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TRANSITIONAL AND CONCLUDING PROVISIONS

to the Lev Re-denomination Act

(SG No. 20/1999, supplemented, SG No. 65/1999, effective 5.07.1999)

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§ 4. (1) (Supplemented, SG No. 65/1999) With the entry into force of this Act, any and all amounts in old Bulgarian leva as may appear in laws effective prior to July 5th, 1999, shall be replaced by figures in new Bulgarian leva reduced 1,000 times. The replacement of all figures in old Bulgarian leva with ones in 1,000 times reduced figures in new Bulgarian leva shall also apply to any and all laws enacted prior to July 5th, 1999, which have become, or are to become effective, following that date.

(2) The bodies which have adopted or issued secondary legislation or regulatory acts effective prior to July 5th, 1999, which contain figures in Bulgarian leva, shall effect the relevant amendments arising out of this Act in such a way as to make such amendments backdated to, and effective from, the date of entry into force of this Act.

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§ 7. Effective as of July 5th, 1999.

TRANSITIONAL AND CONCLUDING PROVISIONS

to the law on Amendment and Supplement of the Civil Procedure Code

(Promulgated State Gazette No. 64/1999)

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§ 63. Legal proceedings pertinent to appeal against court decisions and rulings on bankruptcy cases under Article 613a of the Commerce Act, pending at the time of entry of this Act into force, shall be conducted in accordance with the current procedure .

TRANSITIONAL AND CONCLUDING PROVISIONS

To the Tax Procedure Code

(SG, No. 103/1999, effective 1.01.2000)

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§ 20. (1) Court proceedings in taxation cases, initiated before court and still pending, shall be reviewed under the hitherto procedure.

(2) Pending cases under the repealed Article 83(2) of the Collection of State Receivables Collection Act shall be reviewed under the procedure of Chapter Twelve "a" of the Code of Civil Procedure.

(3) Pending the adoption of the rules of organization of the tax administration, the number and the territorial scope of the tax directorates shall be determined by order of the Minister of Finance, which shall be published in State Gazette.

§ 21. In regard to any cases, not regulated by this code, the provisions of the Code of Civil Procedure shall respectively apply.

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TRANSITIONAL AND CONCLUDING PROVISIONS

to the law on Amendment and Supplement of the Commerce Act

(Promulgated State Gazette No. 84/2000)

§ 139. Legal actions pursuant to article 70 of the Commerce Act, brought prior to the entry into force of this Act, shall be concluded under the procedure existing so far.

§ 140. Joint-stock companies shall bring their Articles of Association into compliance with article 162 within a period of one year after this Act's entry into force. A monetary sanction of up to BGN 2000 shall be imposed in case of non-performance of this obligation.

§ 141. Where a supervisory board may have been authorized by the Articles of Association prior to this Act's entry into force to increase the capital of a joint-stock company, this authority shall be continue to exist until the expiration of its term or until a subsequent amendment to the Articles of Association.

§ 142. Should a prospectus for raising capital for the incorporation of a joint-stock company has been approved by the State Committee on Securities prior to this Act's entry into force, the incorporation shall be governed by the procedure existing so far.

§ 143. The claims for establishing right, submitted under the procedure of article 694 prior to the date of entry into force of the Act on the Amendment and Supplement to the Commerce Act (SG No. 70/1998) shall be considered under the procedure which was effective as of that date. The state fee paid shall be exempted and returned to the payer.

§ 144. Appeals made against decision of the court of jurisdiction over bankruptcy under

article 692 prior to this Act's entry into force shall be considered under the procedure which has been effective so far.

§ 145. For pending bankruptcy proceedings, the term referred to in article 688, paragraph 1, shall be considered starting on the date of this Act's entry into force.

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TRANSITIONAL AND CONCLUDING PROVISIONS

To the Act amending and supplementing the Commerce Act

(Promulgated State Gazette No. 58/2003, supplemented, SG No. 66/2005)

§ 94. Any change in the seat of a merchant and opening up of a branch that have been declared for registration prior to the coming into force of this act shall be registered following the procedure then in effect.

§ 95. Any transfer of a enterprise performed prior to the coming into force of this act shall be registered following the procedure then in effect.

§ 96. For grandfathered companies, the time period referred to in Article 70, paragraph (2) shall commence as from the coming into force of this act.

§ 97. Claims pursuant to Articles 70 and 74 against decisions to effect transformation that have been filed prior to the coming into force of this act shall be completed following the procedure then in effect.

§ 98. Transformations of companies declared for registration prior to the coming into force of this act shall be registered following the procedure then in effect and shall have effect in accordance with the provisions then in effect.

§ 99. The rights of creditors in relation to transformations registered prior to the coming into force of this act shall be retained.

§ 100.(1) Within three months after the coming into force of this act, the Minister of Justice in cooperation with the Minister of Economy shall issue the regulation referred to in Article 655a, paragraph (1).

(2) Until the regulation referred to in Article 655a, paragraph (1) has been issued and until the examination referred to in Article 655a, paragraph (2), subparagraph (7) has been held, receivers shall be appointed under the procedure that has been in effect so far.

(3) (Supplemented - SG, No. 66/2005) Within one month following the expiration of the time period specified in paragraph (1), an examination shall be held for the acquisition of receivership qualifications following the procedure specified in the regulation referred to in Article 655a, paragraph (1). The order of the Minister of Justice, whereby the examination is

announced, shall be published in State Gazette.

(4) Persons who have successfully taken the examination for the acquisition of receivership qualifications shall be named in a list which shall be promulgated in the State Gazette.

(5) A person who has been appointed receiver or temporary receiver in grandfathered bankruptcy proceedings shall be discharged forthwith by the court if he is not included in the list of persons who may be appointed to receiver positions as promulgated in the State Gazette.

§ 101.(1) Grandfathered pending bankruptcy proceedings shall be completed following the procedure set out in this act.

(2) Any petitions of appeal against the actions referred to in Article 613a, paragraph (1), shall be dealt with under the procedure that has been in effect so far.

(3) In relation to the time periods referred to in Article 686, Article 688, paragraph (1), Article 690 and Article 694, paragraph (1) which have commenced prior to the coming into force of this act, the provisions which had been in force previously shall apply, unless they expire after the time periods set under this act.

(4) Public sales for which announcements have been made when this act takes force shall be completed in the procedure that has been in effect so far, upon which the provision of Article 717g shall apply.

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ADDITIONAL PROVISION

to the Law on the Amendment and Supplement to the Commerce Act

(SG No. 66/2005)

§ 31. Throughout the text of this act, the phrases "accounting statement" and "accounting statements" shall be replaced by "financial statement" and "financial statements" respectively.

TRANSITIONAL AND CONCLUDING PROVISIONS

to the law on Amendment and Supplement of the Commerce Act

(Promulgated State Gazette No. 38/2006)

§ 163. The imperative provisions of this Act shall also apply to contract for trade representation valid at the time of its entry into force.

§ 164. (Amended, SG No. 80/2006, effective 3.10.2006) Until the date of entry into force of the Commercial Register Act, any announcement of acts of court, the identifying data of the trustee in bankruptcy and the supervisory body, as well as any invitations, announcements and

summonses shall be promulgated, as heretofore, in State Gazette.

§ 165.(1) Grandfathered pending bankruptcy proceedings shall be completed following the procedure set out in this act.

(2) Regarding time limits as per Article 626 par. (1) and Art 698 par. (1) which have commenced prior to the coming into force of this Act, the provisions which had been in force heretofore shall apply.

(3) Regarding public sales for which announcements had been issued prior to the effective date of this Act, the time limits for dissemination of such announcements that had been in force towards the date of issuance of the announcements shall apply.

(4) The provision of par. (1) shall also apply in relation to Article 718a regarding housing units, unless a sale agreement in respect thereof had been concluded towards the effective date of this Act

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§ 167. The provisions of § 1 through 7, § 15, items 3 through 5, § 16 through 77, § 78, item 2, § 79 & 80 shall take effect as from the date of entry into force of the Commercial Register Act.

(*) Act to Amend the Commercial Register Act

(SG No. 80/2006, effective 3.10.2006)

§ 1. In § 56 of the Transitional and Final Provisions the words "1 October 2006" shall be replased by "1 July 2007"

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Act to Amend and Supplement the Commerce Act

(SG No. 104/2007)

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SUPPLEMENTARY PROVISION

§ 11. This Act transposes the provisions of Council Directive 92/101/EEC amending Directive 77/91/EEC on the formation of public limited-liability companies and the maintenance and alteration of their capital, Directive 2006/68/EC of the European Parliament and of the Council amending Council Directive 77/91/EEC as regards the formation of public limited liability companies and the maintenance and alteration of their capital, and Directive 2005/56/EC of the European Parliament and of the Council on cross-border mergers of limited liability companies.

TRANSITIONAL AND FINAL PROVISIONS

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§ 15. (1) § 2 shall have effect as from the day of entry into force of the Commerce Act.

(2) § 14 shall enter into force as from the day of entry into force of the Commercial Register Act.

(3) Until the entry into force of the Commercial Register Act, the recordation of the circumstances and the issuing of the certificates provided for in § 14 shall be effected by the competent district court according to the rules of Chapter Fifty-Two of the Code of Civil Procedure, and the publication of the acts shall be effected through promulgation in the State Gazette.

Act to Supplement the Commerce Act

(SG No. 101/2010)

SUPPLEMENTARY PROVISION

§ 20. (New, SG No. 101/2010) This Act transposes the provisions of Directive 2009/109/EC of the European Parliament and the Council of 16 September 2009 amending Council directives 77/91/EEC, 78/855/EEC and 82/891/EEC and Directive 2005/56/EC as regards reporting and documentation in the case of mergers and divisions (OJ, L 259/14 of 2 October 2009).

TRANSITIONAL AND FINAL PROVISIONS

§ 21. The owners, mortgage creditors respectively, of registered shares that are not registered in the shareholders' register at the date of entry into force of this Act shall request registration within three months from entry into force of this Act.

§ 22. Existing pending bankruptcy proceedings and proceedings under Article 649 shall be completed under the provisions of this Act.

§ 23. Started procedures for transformation of commercial corporations as of the date of entry into force of this Act shall be completed under the existing procedure if the transformation agreement is entered into, the reorganization plan respectively is drawn up before its entry into force.

§ 24. The Tax Insurance Procedure Code (promulgated, SG No. 105/2005; amended, SG No. 30, 33, 34, 59, 63, 73, 80, 82, 86, 95 and 105/2006, No. 46, 52, 53, 57, 59, 108 and 109/2007, No. 36, 69 and 98/2008, No. 12, 32, 41 and 93/2009, No. 15, 94 and 98/2010) is amended and supplemented as follows:

1. In Article 191: a) a new Paragraph (2) is created:

"(2) Where the realisation of property under Paragraph (1) is not completed within 12 months from imposing the security measures for public receivables or 6 months from institution of compulsory execution for collection of public receivables respectively, any other creditor may institute compulsory execution against the said property under the procedure of the Civil Code of Procedure, subject to compliance with Paragraphs (3) - (5)";

b) the existing Paragraph (2) becomes Paragraph (3);

c) the existing Paragraph (3) becomes Paragraph (4) and the words "Paragraph(2)" are replaced by the words "Paragraph (3)";

d) the existing Paragraph (4) becomes Paragraph (5) and the words "Paragraph (3)" and "Paragraph (2)" are replaced by the words "Paragraph (4)" and Paragraph (3)" respectively.

2. A new Paragraph (4) is created in Article 193:

"(4) If within 6 months from the institution of the bankruptcy proceedings against the debtor the public enforcement agent has not realised the property under Paragraph (1), the latter shall be delivered by the public enforcement agent to the trustee in bankruptcy and shall be realised in the bankruptcy proceedings."

§ 25. In the Registered Pledges Act (promulgated, SG No. 100 [1] /1996; amended, SG No. 86/1997, No. 42/1999, No. 19 and 58/2003, No. 34 and 43/2005, No. 30, 34 and 80/2006, No. 53, 59 and 108/2007, No. 100/2008 and No. 24/2009) in Article 35(1) the words "issue of order for immediate execution under Article 418 of the Code of Civil Procedure " are replaced by "by the enforcement agent delivery of the pledged property under Article 521 of the Code of Civil Procedure", and the second sentence is deleted.

§ 26. In the [Commercial Register Act](#) (promulgated, SG No. 34/2006; amended, SG No. 80 and 105/2006, No. 53, 59 and 104/2007, No. 50 and 94/2008 and No. 44/2009) in the transitional and final provisions of § 4, paragraph 1, first sentence the words "three-year time period from entry into force thereof" are replaced by "time period until 31 December 2011".