

# LAW OF GEORGIA

## ON ENTREPRENEURS

### I - General Provisions

#### Article 1 – Scope of application

1. This Law regulates the legal forms of the subjects of entrepreneurial activity.
2. Entrepreneurial activity shall be a legitimate and repeated activity carried out independently and in an organised manner to gain profit.
3. Artistic, scientific, medical, architectural, legal or notary, audit, consulting (including tax consultants'), agricultural or timber-industry activities of natural persons shall not be considered as entrepreneurial activity. Agricultural or timber industries may exist in the legal form provided for in Article 2 of this Law, if they are registered with the Registry of Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Persons ('the Entrepreneurial Registry'). Registration shall be mandatory if at least 5 persons who are not members of the owner's family are permanently employed in the enterprise.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 535 of 13 December 1996 – The Gazette of the Parliament, No 1-2, 22.1.1997, p. 9*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

#### Article 2 – Business entities and their foundation

1. Business entities shall be: an individual entrepreneur, a general partnership (GP), a limited partnership (LP), a limited liability company (LLC), a joint-stock company (JSC, corporation), and a cooperative.
2. An individual entrepreneur, as the subject of the rights and obligations provided for in this Law, shall originate only upon registration in the Entrepreneurial Registry. If any act is performed before registration on behalf of a business entity, those having performed such act and the founders of the enterprise shall bear personal liability as joint debtors, directly and proximately, with all their assets for all obligations arising from such act. This liability shall survive registration of the business entity.
3. General partnership companies, limited partnership companies, limited liability companies, joint-stock companies and cooperatives shall constitute the enterprises (companies) having the status of Legal Persons. An individual entrepreneur (enterprise) as defined in this Law shall not be a legal person. An individual entrepreneur shall fulfil his/her rights and obligations in business relations as a natural person.

*Law of Georgia No 535 of 13 December 1996 – The Gazette of the Parliament, No 1-2, 22.1.1997, p. 9*

*Law of Georgia No 1510 of 26 June 1998 – The Gazette of the Parliament, No 25-26, 15.7.1998, p., 36*

*Law of Georgia No 1805 of 19 February 1999 – LHG I, No 6(13), 4.3.1999, Art.23*

*Law of Georgia No 2073 of 9 June 1999 – LHG I, No 24(31), 26.9.1999, Art.110*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

#### Article 3 – Responsibility; contribution; rights to receive and control information

1. An individual entrepreneur shall be personally liable to creditors with all of his/her assets for all obligations arising from his/her entrepreneurial activity.
2. (Deleted).
3. Partners of a general partnership and personally liable partners i.e. the general partners (*komplementars*) of a limited partnership shall be jointly liable to creditors for the obligations of the company, i.e. each partner with all of its assets shall be directly and immediately liable. Any agreement between the partners to the contrary shall be void as to any third person.
4. Limited partners (*komandits*) of a limited partnership, partners of a limited liability company, and partners of a joint-stock company or cooperative shall not be liable to creditors for the obligations of the company. Limited partners of a limited partnership, partners of a limited liability company, and partners of a joint-stock company or cooperative shall be liable to creditors up to the full amount of their pledged contribution if such liability arises before having made the full contribution agreed upon among the partners.

<sup>41</sup>. The partners shall conclude an agreement (charter) governing matters related to the business of the enterprise and/or relations of the partners. The section of the partners' agreement (charter) containing the data under Article 5 of this Law, and registered with the Register, shall be the registration application. The partners' agreements, which are not mandatory for registration, shall be in writing and may be executed in any language (Partners'



5. In founding the company, the partners shall agree on distribution of shares and state the amount of their respective contributions to the capital. Contribution may be made in the form of tangible and intangible assets, fulfilment of work and/or delivery of services.

5<sup>1</sup>. If a change in the Charter concerns a partner's voting rights, shares in profit/loss or rights in connection with liquidation, such change shall be approved unanimously, unless otherwise provided for in a section of the Charter that has been unanimously approved by the partners.

5<sup>2</sup>. No change in the Charter/Partners' Agreement, that cancels any registered right of a partner or assigns to such partner any obligation that directly and immediately affects the registered rights of such partner, may be made without the partner's consent.

6. A limited partner of a limited partnership, and the partners of a limited liability company, joint-stock company and cooperative, shall be personally liable to creditors of the company if they abuse the legal forms of limitation of liability.

7. If so provided for in the Charter, the partners may determine the manner and timeframe for making a contribution by each partner. If a partner fails to make an agreed contribution before the timeframe expires, the partner shall forfeit his/her share as well as any profits of the partially fulfilled obligations, unless otherwise provided for in the Charter.

8. If a dominant partner of an enterprise has intentionally abused his/her dominant position to the detriment of the company, he/she shall pay the corresponding compensation to the rest of the partners. A partner or a group of partners acting together, holding a controlling vote at the Meeting of Partners, shall be considered a dominant partner.

9. Partners of a general partnership, limited partnership, limited liability company, joint-stock company and cooperative shall have equal rights and obligations in equal circumstances, unless otherwise provided for in this Law or in the Charter. The Charter may define different rights and obligations irrespective of the contributions made by the partners.

10. Each partner shall have the right to obtain a copy of the annual report and all publications of the company. In addition, any partner may check the correctness of the annual report and may familiarize himself/herself with the company documents personally or through an auditor, and may request clarifications from the enterprise bodies upon submitting the annual report, but prior to its approval. If the annual report contains a substantial error or misstatement, the expenses related to the audit shall be borne by the enterprise. The rights of control and audit may be limited only by this Law, but may be broadened by the Charter of the company.

11. State-owned shares and stocks shall be privatized in the manner provided for by the Law of Georgia on State Property. For privatizing shares or stocks or share certificates directly or through a broker, by public or private offer, or by a different form of offer related to the practice of a recognized foreign stock exchange or on international capital markets at a given time, the Charter may provide for rights and obligations of shareholders or stockholders different from those envisaged by this Law except that they shall not prejudice the right to receive a dividend.

*Law of Georgia No 535 of 13 December 1996 – The Gazette of the Parliament, No 1-2, 22.1.1997, p. 9*

*Law of Georgia No 1805 of 19 February 1999 – LHG I, No 6(13), 04.3.1999, Art. 23*

*Law of Georgia No 2073 of 9 June 1999 – LHG I, No 24(31), 26.9.1999, Art. 110*

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 4581 of 30 March 2007 – LHG I, No 9, 31.3.2007, Art. 94*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

*Law of Georgia No 2979 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 145*

*Law of Georgia No 5063 of 11 October 2011 – website, 21.10.2011*

*Law of Georgia No 6324 of 25 March 2012 – website, 12.6.2012*

#### **Article 4 – Registration of business entities**

1. The registration of a business entity defined by Article 2 of this Law with the Entrepreneurial Registry shall be mandatory.

2. A business entity shall be registered by the National Agency of Public Registry, a legal entity under public law within the Ministry of Justice of Georgia ('the registration authority').

3. A business entity shall be deemed established upon registration with the Entrepreneurial Registry. The existence of the business entity shall be verified by an extract from the Entrepreneurial Registry. The registration of a business entity shall imply both state and tax registration. The registration decision of the registration authority shall take effect upon officially providing notice to the concerned party of the decision or upon publication of the decision. A decision shall be deemed published when it has been placed on the website of the registration authority.

3<sup>1</sup>. The records filed in the Entrepreneurial Registry regarding registration, changes in registration and cancellation shall be sent electronically by the registration authority to the Revenue Service, a legal entity under public law within the Ministry of Finance of Georgia.

4. A business entity shall be registered at the address stated by it. An interested person shall state as a legal address the address determined as provided for by the legislation of Georgia, to which written notices (correspondence) can be sent. After being sent to the registered address, any written notice



(correspondence) shall be deemed as officially sent (correspondence).

4<sup>1</sup>. A business entity registered with the Entrepreneurial Registry may have a registered telephone number and/or e-mail address, to which electronic notices can be sent. The electronic notice sent to the registered telephone number and/or e-mail address shall be deemed to have been officially delivered. The registration rules established by this Law, the Law of Georgia on Public Registry and the Instruction for Registering Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Persons approved by order of the Minister of Justice of Georgia shall apply to registration of telephone numbers and e-mail addresses.

5. An enterprise, and a branch of a foreign enterprise, shall be granted an identification number in the manner provided for by the legislation of Georgia.

6. Starting from 1 January 2010, an extract from the Entrepreneurial Registry shall have the same legal force as a tax registration certificate.

7. The conditions for maintaining the Entrepreneurial Registry and the forms of extract from the Registry shall be determined in the Instruction for Registering Entrepreneurs and Non-entrepreneurial (Non-commercial) Legal Persons approved by order of the Minister of Justice of Georgia ('the Instruction').

*Law of Georgia No 382 of 14 June 2000 – LHG I, No 23, 23.6.2000, Art. 62*

*Law of Georgia No 835 of 30 March 2001 – LHG I, No 10, 19.4.2001, Art. 36*

*Law of Georgia No 2507 of 18 July 2003 – LHG I, No 22, 8.8.2003, Art. 157*

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 3139 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 133*

*Law of Georgia No 4268 of 29 December 2006 – LHG I, No 51, 31.12.2006, Art. 427*

*Law of Georgia No 4581 of 30 March 2007 – LHG I, No 9, 31.3.2007, Art. 94*

*Law of Georgia No 5265 of 11 July 2007 – LHG I, No 30, 30.7.2007, Art. 336*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

*Law of Georgia No 2457 of 25 December 2009 – LHG I, No 49, 30.12.2009, Art. 369*

*Law of Georgia No 4946 of 24 June 2011 – website, 13.7.2011*

## **Article 5 – Terms and conditions for registering entrepreneurial legal persons**

1. If registration of an enterprise is sought, the registration authority shall be furnished with a duly certified registration application signed by all partners of the enterprise, which also serves as part of the partners' agreement and which shall state:

a) the enterprise name/company name;

b) the legal form of the enterprise;

c) the legal address of the enterprise;

d) the name, surname, residential address, and personal number of the partner(s) of the enterprise, and if the partner is a legal person – its company name, legal form, legal address, registration date, identification number, and details of its representatives;

e) the management body and decision-making procedure of the enterprise, and in case of a limited liability company or a limited partnership – the details of shareholdings of partners; the shares of the partners of a limited liability company or a limited partnership shall be fractional/percentage and their sum shall be equal to 1;

e<sup>1</sup>) the name and surname, residential address and personal number of the manager (if any) of the shares of the partners of a limited liability company or a limited partnership;

f) in case of a limited partnership – which partners are limited and which partners are general;

g) in case of a limited liability company or a limited partnership – the obligations related to the limitation of title of the shares of partners;

h) the name and surname, residential address and personal number of the person(s) authorised to manage and represent the enterprise, and their term in office;

i) the name and surname, residential address and personal number of the authorised signatory, *prokurist* (if any);

j) if the enterprise has several authorised representatives – whether they represent the company jointly or severally;

k) in case of a natural person authorised to register a change in the registration application – the name and surname, residential address and personal number, and, in case of a legal person authorised to register a change in the registration application – its company name, legal form, legal address,



registration date, identification number and data on its representatives.

l) an e-mail address and an address different from the legal address indicated in subparagraph (c) of this paragraph, where mail shall be deemed delivered.

<sup>1</sup>. If the actual residential address of an enterprise partner, of the person(s) authorised to manage and represent the enterprise, of the manager of shares, and of the person authorised to make changes in the registered records, differs from his/her registered residential address, indicating the actual residential address in the registration documents, shall be binding.

<sup>2</sup>. In order to designate/register the person(s) authorised to manage and represent an enterprise, the registration documents must confirm the willingness of such person(s) to so act.

<sup>3</sup>. If the registration documents do not fix the term in office of the person(s) authorised to manage and represent the enterprise, such term shall be indefinite. If after expiration of the term fixed by the respective document of managerial and representative powers the new term in office or a change of the person(s) authorised to manage and represent the enterprise is not registered in the manner defined by law, the term in office of the registered person(s) shall be deemed prolonged until a change is registered.

2. In the Registry, the partners may identify the person authorised to register a change in the registration application and the scope of his/her powers, including whether the powers of other authorised persons under Article 5<sup>1</sup> of this Law to make changes in registration records are limited or not. The person authorised to register a change in the registration application can be a natural person or a legal person.

3. Notarization of the registration application shall not be mandatory if the authorised persons sign it in person at the registration authority or if the registration application has been duly certified by the administrative authority. The procedures and conditions for certification of signature by the registration authority shall be determined by the Law of Georgia on Public Registry and the respective subordinate legal acts.

4. If the partner(s), person(s) with management and/or representative powers of the enterprise, and the person authorised to register a change in the registration application (if any), are natural persons not holding Georgian citizenship or foreign legal persons, for registration they shall present equivalent details required of a citizen of Georgia or an enterprise registered in Georgia, respectively. The procedure for determining the equivalence of documents to be presented for registration shall be determined by the Instruction. For foreign legal persons, the documents of incorporation shall be duly certified or legalized.

5. For registration or operation of an enterprise, a seal shall not be mandatory. No normative act or government authority may under any circumstances require any document to be affixed with the seal of the enterprise.

6. In order to have an enterprise registered, a document evidencing the existence of capital shall not be required.

7. (Deleted – 24.6.2016, No 5569)

8. (Deleted – 24.6.2016, No 5569)

*Law of Georgia No 535 of 13 December 1996 – The Gazette of the Parliament, No 1-2, 22.1.1997, p. 9*

*Law of Georgia No 1805 of 19 February 1999 – LHG I, No 6(13), 04.3.1999, Art. 23*

*Law of Georgia No 835 of 30 March 2001 – LHG I, No 10, 19.4.2001, Art. 36*

*Law of Georgia No 938 of 19 June 2001 – LHG I, No 19, 2.7.2001, Art. 66*

*Law of Georgia No 2097 of 23 April 2003 – LHG I, No 12, 21.5.2003, Art. 60*

*Law of Georgia No 2507 of 18 July 2003 – LHG I, No 22, 8.8.2003, Art. 157*

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 1830 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 298*

*Law of Georgia No 3139 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 133*

*Law of Georgia No 4581 of 30 March 2007 – LHG I, No 9, 31.3.2007, Art. 94*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

*Law of Georgia No 2457 of 25 December 2009 – LHG I, No 49, 30.12.2009, Art. 369*

*Law of Georgia No 2979 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 145*

*Law of Georgia No 4946 of 24 June 2011 – website, 13.7.2011*

*Law of Georgia No 5575 of 20 December 2011 – website, 28.12.2011*

*Law of Georgia No 5667 of 28 December 2011 – website, 30.12.2011*

*Law of Georgia No 2287 of 17 April 2014 – website, 2.5.2014*



## **Article 5<sup>1</sup> - Registration of changes in the registration records of an enterprise**

1. An interested person shall have the right to request registration of changes in the registered records of an enterprise. The term ‘interested person’ used in this Law shall have the meaning defined by the Law of Georgia on Public Registry.

2. The basis for making a change in the registered records of an enterprise shall be a decision duly made and certified by an authorised person/body, or an agreement made by the authorised person, as provided for by the legislation of Georgia.

3. A change in the registered records of an enterprise shall reflect information on the liquidation or reorganisation of an enterprise, initiation and termination of insolvency, bankruptcy or rehabilitation proceedings, appointment of a receiver, guardian, rehabilitation manager or bankruptcy commissioner of the enterprise, as well as a change in the registration document in the Entrepreneurial Registry.

4. Title to a share shall be preliminarily registered with the Entrepreneurial Registry as defined for preliminary registration of title to real estate under the Law of Georgia on Public Registry.

5. Obligations related to limitations on the title to a share, other than the obligation of registration with the Public Registry, shall also be registered with the Entrepreneurial Registry.

5<sup>1</sup>. The title to the share of a partner of a limited liability company or limited partnership and the related obligations shall be deemed to be established, changed or terminated after being registered with the Entrepreneurial Registry.

5<sup>2</sup>. If in addition to registration of title, a person seeks any change, for which an interested person could have made a decision as owner of the share, the decision shall be deemed to have been made by an authorised person.

6. The decision to be registered with the Entrepreneurial Registry under the Law of Georgia on Insolvency Proceedings shall be the basis for making a change in the registered records as provided for by the legislation of Georgia. If insolvency proceedings are initiated, the liquidation process under the Law of Georgia on Entrepreneurs shall be terminated.

*Law of Georgia No 835 of 30 March 2001 – LHG I, No 10, 19.4.2001, Art. 36*

*Law of Georgia No 938 of 19 June 2001 – LHG I, No 19, 2.7.2001, Art. 66*

*Law of Georgia No 1341 of 20 March 2002 – LHG I, No 6, 2.4.2002, Art. 35*

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 3139 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 133*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

*Law of Georgia No 2457 of 25 December 2009 – LHG I, No 49, 30.12.2009, Art. 369*

*Law of Georgia No 2979 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 145*

*Law of Georgia No 4946 of 24 June 2011 – website, 13.7.2011*

*Law of Georgia No 6324 of 25 March 2012 – website, 12.6.2012*

## **Article 5<sup>2</sup> - Deleted**

*Law of Georgia No 2097 of 23 April 2003 – LHG I, No 12, 21.5.2003, Art. 60*

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 3139 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 133*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

## **Article 5<sup>3</sup> - Releasing information and making decisions**

On matters provided for by this Law, the registration authority shall make decisions on the registration and release of information as determined by the Law of Georgia on Public Registry and as provided for by Article 14<sup>2</sup> of this Law.



*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art.279*

*Law of Georgia No 3139 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 133*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

*Law of Georgia No 2979 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 145*

*Law of Georgia No 4946 of 24 June 2011 – website, 13.7.2011*

#### **Article 5<sup>4</sup> - Registration of an individual entrepreneur**

1. For registration as an individual entrepreneur/change in the registration record, a natural person shall submit an application and an identity card, a neutral identity card or a neutral travel document to the registration authority. The application shall state:

a) the applicant's name and surname;

b) the location (legal address) of the enterprise;

c) the applicant's personal number;

d) the date of filling the application;

e) the applicant's signature;

f) the e-mail address and an address different from the legal address indicated in subparagraph (b) of this article at which mail shall be deemed delivered.

2. For registration of a foreign citizen as an individual entrepreneur in Georgia, the person shall submit an application for registration containing data equivalent to the data set out in the first paragraph of this article.

3. To complete a registration application, a person may use a registration application form issued by the registration authority or its copy regardless of medium.

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 3139 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 133*

*Law of Georgia No 4581 of 30 March 2007 – LHG I, No 9, 31.3.2007, Art. 94*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

*Law of Georgia No 2979 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 145*

*Law of Georgia No 4997 of 1 July 2011 - website, 15.7.2011*

*Law of Georgia No 5667 of 28 December 2011 – website, 30.12.2011*

#### **Article 5<sup>5</sup> - Deleted**

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 3139 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 133*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

#### **Article 5<sup>6</sup> - Deleted**

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 3139 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 133*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*



## **Article 5<sup>7</sup> - Re-domiciling an enterprise**

1. The registration of a foreign enterprise may be re-domiciled in Georgia without interrupting the continuity of the business of the enterprise.
2. An enterprise re-domiciled in Georgia may be registered only in the legal form provided for by the legislation of Georgia.
3. An enterprise registered in Georgia may move its registration to a foreign country without interrupting the continuity of its business under the following conditions:
  - a) the enterprise re-domiciling is not prohibited under an international agreement concluded with such country;
  - b) there is no lawsuit or insolvency proceedings or criminal proceedings pending against the enterprise in Georgia;
  - c) the enterprise has no tax liability with the Georgian tax authorities at the time of its re-domiciling.
4. Re-domiciling an enterprise registered in Georgia shall amount to the reorganisation of an enterprise and such enterprise shall be subject to the reorganisation regulations provided for by this Law.
5. The procedure and conditions for re-domiciling a foreign enterprise in Georgia or an enterprise registered in Georgia in a foreign country shall be defined by an ordinance of the Government of Georgia.

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 3139 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 133*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Article 6 – Company name (firm name)**

1. A company name or firm name shall be a name under which a business entity operates.
2. An individual entrepreneur shall use his/her own name in business relations. Any additions may be allowed only in compliance with the provisions of the fifth paragraph of this article.
3. The company name of a general partnership shall include the name of at least one partner and ‘GP’ shall be added to the name. The company name of a limited partnership shall include the name of at least one general partner and ‘LP’ shall be added to the name. If a general partnership or a limited partnership is made only of legal persons as partners, its company name shall include the company name of one of them and the respective addition indicated in this article shall be added to the name.
4. In addition to the possibility of using the partners' names, a limited liability company, a joint-stock company and a cooperative may choose a company name for their business according to the subject of their activity or such company name may be an imaginary name. A company name must include: ‘Joint-Stock Company’ or ‘JSC’ for a joint-stock company, ‘Limited Liability Company’ or ‘LLC’ for a limited liability company, and ‘Registered Cooperative’ or ‘RC’ for a cooperative.
5. Using graphic symbols, not having a sound or verbal equivalent by linguistic standards, in a company name shall not be permitted. A company name shall not have an addition that may mislead any third person and/or cause any mistake and/or misunderstanding concerning the form and the scale of the activity of the business entity and/or the relations among the partners.

*Law of Georgia No 1805 of 19 February 1999 – LHG I, No 6(13), 4.3.1999, Art. 23*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

*Law of Georgia No 4946 of 24 June 2011 – website, 13.7.2011*

*Law of Georgia No 6324 of 25 March 2012 – website, 12.6.2012*

## **Article 7 – Openness of the Entrepreneurial Registry**

1. The data recorded in the Entrepreneurial Registry shall be open to public. Any person may review the records of the Entrepreneurial Registry and obtain an extract of the Registry from the registration authority. The extract of the Entrepreneurial Registry shall be released within the timeframe and payment of fees defined for preparing extracts in the Ordinance of the Government of Georgia. The extract shall be prepared based on the integrated data bank of the Entrepreneurial Registry, the Registries of Public Law Restrictions, of Tax Liens/Mortgages, of Rights to Movable Property and Intangible Assets, and of Debtors. The extract shall indicate the data, correct as of the time of preparing the extract, on the registered entity and registered restrictions available in the Registries of Public Law Restrictions, of Tax Liens/Mortgages, of Rights to Movable Property and Intangible Assets, and of Debtors. For limited liability companies and limited partnerships, the extract shall also contain information on partners’ shares and the



data registered with the Registry of Rights to Movable Property and Intangible Assets.

2. Electronic copies of the registration documents used as a basis for the data included in the Entrepreneurial Registry shall be placed on the website of the National Agency for Public Registry and shall be accessible to any interested person, free of charge.

3. The presumption of reliability and entirety shall apply to the registered data, except when an interested person knew in advance about the inaccuracy of such data.

4. If the Entrepreneurial Registry does not include information on the identification details of the person(s) having management/representative powers and the registered partner/founder, the Agency shall apply to the authorised person/body for identification of these persons. If the authorised person/body cannot identify the persons, the registration authority shall prepare an extract based only on the data of the Registries referred to in the first paragraph of this article. In such case, the extract shall also reflect information about the impossibility of identifying the person(s) having management/representative powers and the registered partner/founder.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

*Law of Georgia No 2457 of 25 December 2009 – LHG I, No 49, 30.12.2009, Art. 369*

*Law of Georgia No 2979 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 145*

*Law of Georgia No 4946 of 24 June 2011 – website, 13.7.2011*

*Law of Georgia No 6324 of 25 March 2012 – website, 12.6.2012*

## **Article 8 – Distribution of profit**

1. By the resolution of the General Meeting of Partners and General Meeting of Shareholders, limited liability and joint-stock companies may determine the distribution of annual and interim profits in the form of dividends.

2. Dividends in limited liability and joint stock companies shall be issued within the period determined in the Charter, but not later than nine months after the relevant decision with regard to the distribution of profit is taken.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 4791 of 19 February 2016 – website, 7.3.2016*

## **Article 9 – Management and representation**

1. The following shall have management rights: in a general partnership - all partners; in a limited partnership – general partners (*komplementars*), and where the general partner is a legal person – a natural person appointed by the legal person; in a limited liability company, a joint-stock company and cooperatives – directors, unless otherwise provided for by the charter (partners' agreement).

2. Managerial powers shall imply making decisions on behalf of the enterprise within the scope of the powers, whereas representative powers shall imply acting on behalf of the enterprise in relations with third persons.

3. Managerial powers shall include representative powers as well, unless otherwise provided for by the charter (partners' agreement).

4. If at the moment of signing the agreement a contracting partner knows about restrictions on the business entity's management powers, the represented business entity may declare the transaction null and void **within eighteen months after the date of signing the agreement**. The same rule shall apply, if the authorised representative and the contracting partner are acting in concert intentionally to cause damage to the business entity represented by the representative. [**Void – Decision No 1/1/543 of the Constitutional Court of Georgia of 29 January 2014 – website, 14.2.2014**]

5. The persons referred to in the first paragraph of this article, except with consent of the partners, may not engage in the same activity as the company is engaged in or participate in another similar company as a personally liable partner or director, unless otherwise provided for in the Charter (conflict of interest). In general partnerships and limited partnerships consent may be granted by a Meeting of Partners; whereas in limited liability companies, joint-stock companies and cooperatives - by the body appointing (or electing) directors. The consent shall be deemed granted if at the moment of appointment as head of the company the partners knew that the head of the company was engaged in such activity and they did not expressly request that he/she discontinue.

If by violating conflict of interest rules the persons referred to in the first paragraph of this article inflict any damage upon the company, they shall surrender the right to remuneration from the company, and shall reimburse the damages. A claim for reimbursement of damages may be exercised by a shareholder or a group of shareholders owning 5 per cent or more of the stock in a joint-stock company, and by every partner in all other companies.

6. The persons referred to in the first paragraph of this article and the members of the Supervisory Board shall conduct the company's business in good faith. In particular, they shall take care as an ordinary person of sound mind in a similar capacity and under similar circumstances would, acting in the faith that their action is in the best interests of the company. If they fail to fulfil that obligation, they shall be jointly and severally liable for damages incurred by the company, with all their assets, directly and proximately. The company's waiver of the right of recourse or any similar compromise by the company shall be void if the refund is necessary to satisfy creditors' claims. If the refund is necessary, the liability of the heads of the company shall not cease on the grounds that they acted at the direction of the partners.

The persons referred to in the first paragraph of this article and the members of the Supervisory Board, if any, except with the prior consent of a





Meeting of Partners, shall not use for personal gain information related to the activity of the company that became known to them in the course of carrying out their duties or by virtue of their official capacity.

Under an agreement concluded with the persons referred to in the first paragraph of this article and the members of the Supervisory Board, the above liability may survive the resignation of the persons but for not longer than three years. Compensation may be provided for releasing that liability, the amount and the payment procedure of which shall be determined by said agreement.

7. Relations with person(s) having management/representative powers and with members of the Supervisory Board and other bodies of an enterprise shall be governed by this Law, the company Charter and the agreements concluded with them.

7<sup>1</sup>. The registration of a person with management/representative powers shall be terminated if:

- a) the registration authority has been furnished with the authorised person's application concerning the discharge of the registered person;
- b) the registration authority has been furnished with the registered person's application for termination of the registration;
- c) the registered person is dead, or recognised as having limited competence or missing, or declared dead by court, or when he/she has been granted support under Article 1293(4) of the Civil Code of Georgia.

7<sup>2</sup>. In cases provided for by paragraph 7<sup>1</sup>(a) and (b) of this article, before submitting an application for termination of a registered person's power to the registration authority, the parties shall be obliged to send a notice as provided for by Article 38 of the Labour Code of Georgia. The responsibility for damage resulting from a termination of registration not in compliance with this procedure shall be determined under the legislation of Georgia.

8. By the decision of the Government of Georgia, a Supervisory Board may be formed in companies where the State holds more than 50 per cent of the total number of votes. In such a case, a State representative on the Supervisory Board may be a public servant if he/she has no conflicts of interest with a specific enterprise. The members of the Supervisory Board, who are public servants at the same time, shall fulfil their duties without remuneration, and their activity shall not be deemed to constitute a conflict of interest with a public institution.

9. If the enterprise is insolvent or faces insolvency, the persons referred to in the first paragraph of this article shall, without delay, but in no case later than three weeks from the moment the enterprise becomes insolvent, declare it as provided for by the Law of Georgia on Insolvency Proceedings. The application for bankruptcy proceedings shall not be deemed to be a culpable delay if the persons deal with the application in good faith as referred to in the sixth paragraph of this article.

*Law of Georgia No 2073 of 9 June 1999 – LHG I, No 24(31), 26.6.1999, Art. 110*

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

*Law of Georgia No 2979 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 145*

*Law of Georgia No 4946 of 24 June 2011 – website, 13.7.2011*

*Decision No 1/1/543 of the Constitutional Court of Georgia of 29 January 2014 – website, 14.2.2014*

*Law of Georgia No 3395 of 20 March 2015 – website, 31.3.2015*

*Law of Georgia No 4361 of 27 October 2015 – website, 11.11.2015*

*Law of Georgia No 140 of 21 December 2016 – website, 28.12.2016*

## **Article 9<sup>1</sup> - General Meeting of Partners**

1. Unless otherwise provided for by this Law or the Charter of the enterprise, the procedures for calling and holding a General Meeting of Partners and its competences shall be determined according to the rules set out in this article.

2. A General Meeting of Partners shall be held at least once in every year. Every partner of the enterprise (in case of a limited liability company, the director as well) may call the General Meeting of Partners by giving all partners one week's notice by registered mail or other means of communication that enables confirmation of the addressee's receipt of the information. The notice shall provide a draft agenda. Within three days after receipt of the notice partners may make additions to the agenda. The Meeting shall be duly constituted if the partner(s) having a majority of votes is/are present. The Meeting shall make decisions by majority of the votes present. If the Meeting is not duly constituted, the person calling the Meeting may in the same manner and with the same agenda re-call the Meeting. The second Meeting shall be duly constituted even if the partner(s) having a majority of votes is/are not present.

3. The participants of the Meeting of Partners shall elect one of the participants as a Chairperson by simple majority of votes present. As soon as the Meeting of Partners makes a decision, the Chairperson shall prepare and sign the minutes.

4. If a decision involves a dispute between the company and one of the partners, such partner shall have no right to vote.

5. The Meeting of Partners shall make the following decisions:

- a) launch and terminate types of production and economic activities;



- b) approve changes in the registration records and the Charter of the enterprise;
- c) establish and liquidate branches;
- d) make investments, the value of which severally or wholly in one business year exceeds 50 per cent of the value of the company assets;
- e) undertake obligations, which severally or wholly exceed 50 per cent of the value of the company assets;
- f) secure obligations, which are not within the ordinary entrepreneurial activity of the business and the value of which exceeds 50 per cent of the value of the company assets;
- g) grant and revoke a general commercial power of attorney (*prokura*);
- h) approve annual results;
- i) elect an auditor;
- j) reorganise and liquidate the enterprise.

6. In a limited liability company, in addition to the matters referred to in the fifth paragraph of this article, the Meeting of Partners shall make the following decisions:

- a) identify the principles of managerial staff's participation in profits and revenues and their pension schemes;
- b) exercise additional rights that the company has in relation to the director and/or partner who founds or manages the company, as well as represent the company in proceedings that it conducts against directors;
- c) request payment of contributions;
- d) return additional contributions;
- e) appoint and dismiss directors, execute and terminate contracts with them and approve their reports;
- f) make a decision on setting up a Supervisory Board;
- g) make a decision on increasing the capital of the enterprise by means of new/additional contributions.

7. All extraordinary decisions that exceed the ordinary activity of the company shall require a decision made by a Meeting held with the participation of all the partners.

8. A meeting need not be called when all the partners agree in writing with an issue under consideration. Such written consent shall be equivalent to minutes of the Meeting and shall be deemed to be the decision of a Meeting.

9. The Charter of the company may provide for making a decision by majority vote of those taking part in the meeting unless this Law provides for making a decision unanimously and unless the substance of the decision creates an unfavourable condition for a partner and/or prejudices the substantial interests of a partner.

10. Each partner of a general partnership and each general partner (*komplementar*) of a limited partnership shall have one vote at the General Meeting of Partners. A limited partner (*komandit*) of a limited partnership shall have no right to vote. The votes of the partners of a limited liability company shall be determined proportionately to their ownership shares.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 4946 of 24 June 2011 – website, 13.7.2011*

## **Article 10 – General Commercial Power of Attorney (*prokura*) and the powers to fulfil legal acts**

1. The persons referred to in Article 9(1) of this Law and an individual entrepreneur may grant a written power of attorney to any person. The power of attorney may be granted jointly to two or more persons, specifying that the two or all of them represent jointly the enterprise (collective power of attorney).

2. The representative powers for carrying out legal actions shall comply with the content of the power of attorney. In order to terminate the power of attorney, it is necessary either to revoke it or to declare it void. Declaring the power of attorney void shall be published in an official gazette of Georgia.

3. A holder of a general commercial power of attorney (*prokurist*) shall be registered with the Entrepreneurial Registry. A *prokura* shall authorise its holder to perform, in court and in other relations, all activities and legal actions related to the operation of the enterprise. A *prokurist* may alienate land or impose obligations on the land only if he/she has been specifically granted powers to do so. Any limitation of the scope of a *prokura* shall be void as to third parties. This rule shall apply, in particular, to the limitation that a *prokura* may be used only in case of certain transactions or for certain types of transactions, or only under specific circumstances, or at a specific time or at specific places. The limitation of a *prokura* to one or several branch offices in relation to third persons shall be valid only if the branches are operated under different company names. According to this rule, the differences among company names shall be expressed in an addition attached to a 'Branch Office', that shall indicate the company name of the branch office.

4. A *prokurist* and a commercial representative, when signing a document, shall supplement the company name with their names and surnames and the addition indicating '*prokura*' and the commercial power of attorney.



5. A *prokura* and a commercial power of attorney may, at any time, be revoked without prejudicing the right to compensation for damages as provided for by an agreement.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

#### **Article 11 – Commercial representative, independent dealer and commissioner**

The relations of an enterprise with a commercial representative, an independent dealer and a commissioner shall be governed by an agreement concluded with them.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

#### **Article 12 – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

#### **Article 13 – Accounting, reporting and auditing**

1. Accounting, reporting and auditing shall be carried out according to the Law of Georgia on Accounting, Reporting and Auditing. 2. A Person of Public Interest (the ‘PPI’), and I and II category enterprises defined under the Law of Georgia on Accounting, Reporting and Auditing shall annually ensure that their own financial statements/consolidated statements be audited in compliance with the Law of Georgia on Accounting, Reporting and Auditing.

3. Interference in the auditing process by shareholders/partners, and members of the management body and of the Supervisory Board of a business entity must not endanger the independence and objectivity of the auditor.

4. Members of the management body and of the Supervisory Board of a business entity shall jointly be responsible for reporting in compliance with the Law of Georgia on Accounting, Reporting and Auditing.

*Law of Georgia No 535 of 13 December 1996 – The Gazette of the Parliament, No 1-2, 22.1.1997, p. 9*

*Law of Georgia No 1510 of 26 June 1998 – The Gazette of the Parliament, No 25-26, 15.7.1998, p. 36*

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1684 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 167*

*Law of Georgia No 4190 of 3 September 2015 – website, 10.9.2015*

*Law of Georgia No 5388 of 8 June 2016 – website, 24.6.2016*

#### **Article 13<sup>1</sup> – Audit committee**

1. An audit committee shall be set up within the Supervisory Board of a PPI. An audit committee shall be a sub-committee of the Supervisory Board and shall consist solely of the Supervisory Board members. At least one member of the audit committee must be an independent person. At a PPI where there is no Supervisory Board, an independent audit committee shall be set up, members of which will be independent persons elected by a general meeting for a definite term.

2. For purposes of paragraph 1 of this article, a person shall be considered as an independent person if he/she has no legal and/or economic relations with the enterprise, including if he/she holds no shares/equity in the enterprise and receives no remuneration or other economic benefits from this enterprise other than the remuneration determined for membership of the Supervisory Board and/or of an audit committee.

3. A member of the audit committee may not be a member of the Supervisory Board that exercises powers of the director.

4. A member of the audit committee shall be competent in the field of activities of the enterprise. At least one member of the audit committee shall be competent in the field of accounting and/or audit.

5. The chairperson of the audit committee shall be elected by the Supervisory Board of the PPI from among the members of the audit committee, and at a PPI where there is no supervisory board, the chairperson of the audit committee shall be elected by a general meeting. The Supervisory Board of a PPI shall elect an independent person defined under paragraph 2 of this article as the chairperson of the audit committee.

6. The function of an audit committee shall be to supervise:

a) the financial reporting process;

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



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

d) the independence of an auditor/audit firm in compliance with the Law of Georgia on Accounting, Reporting and Audit.

7. An audit committee shall submit to the Supervisory Board, and in the absence thereof – to the general meeting, information about the results of the audit conducted, the effect of the audit on the fairness of financial statements, and the involvement of the audit committee in this process.

8. An audit committee shall make recommendations for ensuring the fairness of financial statements, and for the auditor/audit firm to be selected by the general meeting.

9. An audit committee shall regularly submit to the Supervisory Board, and in the absence thereof – to the general meeting, an activity report, and shall immediately notify about the hindrances created during the exercise of their functions.

10. This article shall not apply to commercial banks, whose activities are regulated under the Law of Georgia on Commercial Bank Activities; accountable enterprises, whose activities are regulated under the Law of Georgia on Securities Market; insurers, whose activities are regulated under the Law of Georgia on Insurance; and founders of non-state pension schemes, whose activities are regulated under the Law of Georgia on Non-state Pension Insurance and Provision.

*Law of Georgia No 5388 of 8 June 2016 – website, 24.6.2016*

*Law of Georgia No 812 of 4 May 2017 – website, 29.5.2017*

### **Article 13<sup>2</sup> – Withdrawal from an agreement concluded with an auditor/audit firm**

1. An enterprise shall have the right to withdraw from an agreement concluded with an auditor/audit firm only when there is an appropriate ground to do so. Dissenting opinions about the accounting and audit procedures may not be the ground for withdrawing from the agreement.

2. An enterprise, and an auditor/audit firm shall notify the state sub-agency institution within the system of the Ministry of Finance of Georgia – the Accounting, Reporting and Audit Supervision Service about its withdrawal from the agreement with an appropriate substantiation.

3. A partner/shareholder, or their group holding 5 % of a PPI votes, or equities/shares shall have the right to apply to a court with the request to withdraw from an agreement concluded with an auditor/audit firm when there is an appropriate ground to do so.

*Law of Georgia No 5388 of 8 June 2016 – website, 24.6.2016*

### **Article 14 – Liquidation of enterprises**

1. The partners of an entrepreneur-legal person may decide to initiate the liquidation of an enterprise. The partners and, if so provided for by the Charter, the Supervisory Board members or the director(s), may designate the persons to conduct the liquidation of the enterprise (liquidators).

2. The partners shall decide on initiating the liquidation of an enterprise at a general meeting that includes the process of satisfying the claims of creditors.

3. The partners' decision on initiating the liquidation of an enterprise must be registered in the Entrepreneurial Registry. The liquidation proceeding shall be deemed initiated upon registration. The registration authority shall send electronic information on registration of initiation of the liquidation process of an enterprise to the Revenue Service, a legal entity under public law within the Ministry of Finance of Georgia; the Revenue Service shall notify the registration authority of the risk of any tax liability of the enterprise within 10 business days after receiving such information. Information regarding the risk of any tax liability must contain a reference to the timeframe for conducting a tax audit and for confirming the fact of tax liability not to exceed 90 days after initiating liquidation of an enterprise. If necessary, the 90-day time limit on conducting a tax audit may be prolonged only once by a maximum of two months. If the 10-day time limit for providing information on any possible tax liability and the time limit for conducting the tax audit indicated in such information expires, the enterprise shall be deemed to have no tax liability.

3<sup>1</sup>. The registration authority shall immediately inform the National Bank of Georgia of the registration (if any) of a liquidation proceeding against an enterprise involved in a systemically important system under the Law of Georgia on Payment Systems and Payment Services.

4. Information stating the timeframes for satisfying all known creditors must be submitted to the registration authority along with the request for initiation of the liquidation proceeding against an enterprise. As soon as the initiation of the liquidation proceeding against an enterprise is registered, the partners of the enterprise must send a written notice of initiating liquidation to all known creditors stating the timeframes for satisfying the creditors. Before the sale of assets of an enterprise, the enterprise (liquidator) shall be obliged to provide any person, upon request, with an adjusted list of known creditors of the enterprise. The enterprise may publish the adjusted list in any periodical or any other mass media.

5. Not later than the 90<sup>th</sup> day after the initiation of the liquidation of an enterprise is registered, the enterprise (liquidator) shall commence the sale of assets of the enterprise at a market price or through auction and deposit the sales proceeds into the account of the court or a notary, while an enterprise with state shareholding of over 50% must deposit the sales proceeds into the account of the enterprise. An enterprise with state shareholding of over 50% may use the funds deposited to the account of the enterprise to cover the necessary expenses of liquidation. If the partners decide to distribute the assets by dividing them in kind, they shall be obliged to maintain the assets at their own expense in their original form by assigning them to one of the partners during the period from deciding on initiating liquidation to the division in kind. Before distributing the deposited sums or assigned assets among the partners, the sums or assets may be disposed only to satisfy creditors. From the moment of receipt of notice of liquidation to the end of the liquidation process, the creditors may request the enterprise to fulfil its obligations ahead of schedule.



6. In the course of liquidation, the assets of an enterprise may not be alienated (except for the sale according to the fifth paragraph of this article and/or for the satisfaction of creditors with the assets of the enterprise), or encumbered, nor may any act detrimental to creditors be performed.

7. The liquidation process must be completed no later than four months after registering the liquidation process, and if the tax audit period is prolonged, then not later than one month after the registration authority receives information on completion of the tax audit.

8. After the end of the process for satisfying creditors' claims, the authorised person(s) shall decide on completing the liquidation of an enterprise, which shall include the satisfaction of all known creditors of the enterprise. The decision shall be submitted to the registration authority as laid down by the fourth paragraph of this article and shall serve as the basis for revoking the registration of the enterprise.

9. If within three months after revoking an enterprise it turns out that a part of the creditors of the enterprise is not satisfied during the liquidation, creditors shall be satisfied out of the sums or assets deposited according to the fifth paragraph of this article. After the above three-month term expires, the sums or assets deposited according to fifth paragraph of this article shall be distributed among the partners proportionately to their shares unless otherwise provided for by the Charter (partners' agreement).

10. The Minister of Economy and Sustainable Development of Georgia shall approve the liquidation procedure for an enterprise with more than 50% shareholding by the state or a local self-government authority.

*Law of Georgia No 2073 of 9 June 1999 – LHG I, No 24(31), 26.6.1999, Art. 110*

*Law of Georgia No 2097 of 23 April 2003 – LHG I, No 12, 21.5.2003, Art. 60*

*Law of Georgia No 4523 of 28 March 2007 - LHG I No 9, 31.3.2007, Art. 88*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

*Law of Georgia No 2457 of 25 December 2009 – LHG I, No 49, 30.12.2009, Art. 369*

*Law of Georgia No 2979 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 145*

*Law of Georgia No 3753 of 26 October 2010 - LHG I, No 62, 5.11.2010, Art. 393*

*Law of Georgia No 4469 of 22 March 2011 - website, 1.4.2011*

*Law of Georgia No 4946 of 24 June 2011 – website, 13.7.2011*

*Law of Georgia No 6308 of 25 May 2012 – website, 12.6.2012*

## **Article 14<sup>1</sup> – Liquidation of a legal person under court judgment**

1. A person designated by the court shall carry out liquidation of a legal person under a valid judgment of conviction for liquidation. The liquidation shall be subject to the relevant provisions of the Law of Georgia on Insolvency Proceedings.

2. From the moment of opening criminal proceedings to the entry into force of a judgment of conviction or to the termination of such proceedings, no liquidation or reorganisation procedure may be conducted in relation to the legal person.

*Law of Georgia No 3535 of 25 July 2006 - LHG I, No 37, 7.8.2006, Art. 276*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Article 14<sup>2</sup> - Cancellation of a registration decision, revocation of the registration of a business entity on the basis of defect identification**

1. The registration decision of the registration authority shall be an administrative-legal act and can be cancelled by a court decision under the Law of Georgia on Insolvency Proceedings or in the manner laid down by the legislation of Georgia for cancellation of administrative-legal acts, except in the case stipulated by the fourth paragraph of this article.

1<sup>1</sup>. If an enterprise is declared bankrupt under Article 20(9) of the Law of Georgia on Insolvency Proceedings, the person authorised to represent the debtor shall submit the court decision, within 30 days after issuing it, to the registration authority that is obliged to revoke the registration of the enterprise.

2. If the registration of a business entity, established as a result of reorganisation, is revoked by cancelling an unlawful decision of the registration authority on registration under the first paragraph of this article, then the decision on cancellation shall reinstate the condition before the reorganisation, and the business entity existing before the reorganisation shall be an assignee of the deregistered business entity.

3. If the registration of an individual entrepreneur is revoked, the relevant natural person shall be the legal successor of the entrepreneur.

4. If the cancellation of an unlawful registration decision by the registration authority terminates the registration of a registered business entity so that it has no successor, the registration authority shall issue an administrative-legal act identifying a registration defect and shall set a 30-day time limit for the business entity to remedy such defect, in respect of which an indication shall be made in the Entrepreneurial Registry. The effectiveness of registered records shall be suspended until the defect is remedied and no extract from the Entrepreneurial Registry shall be issued.



5. The decision of identifying a registration defect referred to in the fourth paragraph of this article shall state the nature of the defect, as well as the consequences of failure to remedy it.

6. If the defect referred to in the fourth paragraph of this article is not remedied within the fixed timeframe, the registration authority shall issue an administrative-legal act on initiating a compulsory liquidation proceeding against the business entity. In such case, the partners/persons authorised to appoint a liquidator of the enterprise may appoint a liquidator and go through the procedures laid down by Article 14 of this Law. If the partners/persons authorised to appoint a liquidator fail to appoint a liquidator, a compulsory liquidation proceeding shall be finished upon expiration of the total timeframe of liquidation laid down by this Law.

7. If the basis for identifying a registration defect by the registration authority is the fact that one of the partners/shareholders is unidentifiable, the rest of the partners/shareholders may apply to court to establish the identity of such shareholder. If a legally effective court decision establishes that the shareholder cannot be identified, this shall serve as the basis for terminating the compulsory liquidation process and for apportioning the share of the non-identified partner among the remaining partners proportionately to their shares. The failure of the remaining partner(s) to exercise the right within the period of the compulsory liquidation proceeding shall serve as the basis for revoking the registration of the enterprise, and the title of the non-identified partner to the assets remaining after the liquidation of the enterprise shall be transferred to the State.

8. Filing an administrative complaint in relation to the initiation by the registration authority of a compulsory liquidation proceeding against an enterprise and lodging a suit with a court on the matters referred to in this article shall suspend the period for the compulsory liquidation proceeding until the relevant administrative decision becomes effective.

*Law of Georgia No 4946 of 24 June 2011 – website, 13.7.2011*

*Law of Georgia No 6388 of 5 June 2012 – website, 19.6.2012*

### **Article 14<sup>3</sup> - Revocation of registration for an individual entrepreneur**

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

a) a personal application;

b) the death of a natural person registered as an individual entrepreneur, or recognition of such person as having limited competence or missing, or declaration as dead, or granting him/her support under Article 1293(4) of the Civil Code of Georgia.

2. In the cases provided for by paragraph 1(b) of this article, registration shall be revoked only based on a legal act on the death of a natural person registered as an individual entrepreneur, or the recognition of such person as having limited competence or missing, or the declaration as dead, or granting him/her support under Article 1293(4) of the Civil Code of Georgia, at the request of any person/authority or on the initiative of the registration authority.

*Law of Georgia No 4946 of 24 June 2011 – website, 13.7.2011*

*Law of Georgia No 3395 of 20 March 2015 – website, 31.3.2015*

### **Article 14<sup>4</sup> - Reorganisation of an enterprise**

1. The types of reorganisation of an enterprise shall be:

a) transformation (change in legal form)

b) merger (combination, takeover)

c) split-up (demerger, separation).

2. The partners may transform an enterprise from one legal form into an enterprise of another legal form. In such case, the partners' rights shall be redistributed under the relevant decision, in consideration of restrictions applicable to that legal form.

3. Unless otherwise provided for by the Charter, the passage of a resolution to transform a joint-stock company into a limited liability company or a limited liability company into a joint-stock company shall require 75% of the votes of the voting partner(s) present. In all other cases, the decision shall be unanimous.

4. Enterprises may merge with each other. Unless otherwise provided for by the Charter, deciding to merge with a limited liability company, joint-stock company or cooperative shall require 75% of the votes of the voting partner(s) present. In all other cases, the decision shall be unanimous. The decision to merge shall specify whether one enterprise is joining another one (takeover) or both enterprises are merging into one new enterprise (combination). The decision to merge shall specify the rights and obligations of the partners if those partners do not maintain their share proportion in the capital of the new entity. An enterprise that has taken over another enterprise, as well as the new enterprise created as the result of merger shall be the successor of the former enterprise(s).

5. An enterprise may split into two or more enterprises and those enterprises may continue business as independent enterprises in their own legal forms. The decision regarding the split may show that former partners participate with different share percentages in the new enterprise. The enterprises created as the result of a split shall be jointly responsible for the obligations that existed before the division of the former enterprise, and the enterprise that becomes an assignee of the original enterprise shall be identified in the decision regarding the split.

6. The partner's decision to reorganise an enterprise shall be subject to the registration and notice procedures stipulated by Article 14(3 and 4) of this



Law. Under the changes in the legal form of an enterprise, during which the capability of the enterprise to satisfy its creditors does not decrease, as well as if the enterprise takes over its 100% owned subsidiary, the publication and notice procedures indicated in this paragraph shall not apply, and the creditors shall not be entitled to exercise the powers given in the eighth paragraph of this article. Transformation of a joint-stock company into a limited liability company and of a limited liability company into a joint-stock company shall not be deemed as a decrease in the capability to satisfy creditors.

6<sup>1</sup>. If the commencement of reorganisation of an entity is requested, the registration document shall indicate the type of reorganisation and information on the results of reorganisation.

7. The existence of liability shall serve as the basis for suspending the registration proceeding except for the case where the reorganisation of an enterprise does not decrease the capability to satisfy creditors or the creditors agree to the reorganisation. Owing a debt to the State shall not serve as the basis for suspending the registration proceeding if the reorganisation requested is of an enterprise with more than 50% state ownership.

8. From the moment of receipt of notice to completion of the reorganisation process, creditors may request from the enterprise to fulfil its obligations ahead of schedule.

9. Registration of mergers or splits of enterprises shall be carried out according to the registration rules provided for by this Law, the Law of Georgia on Public Registry and Instructions covering service charges relevant to the number of entities created as the result of such merger/split-up.

10. The Instructions shall lay down additional terms and conditions for reorganising an enterprise.

*Law of Georgia No 4946 of 24 June 2011 – website, 13.7.2011*

*Law of Georgia No 6324 of 25 May 2012 – website, 12.6.2012*

### **Article 15 – Limitation period; timeframes for appeal**

1. According to this Law, the general limitation period for claims shall be five years from the moment of their legal registration, unless otherwise provided for by law.

2. It shall be inadmissible to appeal decisions of a meeting of partners, as well as of the Supervisory Board after two months from the date that the minutes of the meeting are prepared, except where the meeting is called or held in gross violation of the provisions of law or the Charter; in which case, the limitation period for an appeal shall be one year.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

### **Article 16 – Branch offices of an enterprise**

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

2. An enterprise registered within a free industrial zone may establish branch offices in the territory of Georgia according to the fourth and fifth paragraphs of this article.

3. An enterprise registered in Georgia beyond a free industrial zone may establish a branch office within the free industrial zone according to the fourth and fifth paragraphs of this article.

4. In establishing the branch office (permanent establishment) of a foreign enterprise in Georgia, the following documents shall be submitted to the registration authority:

a) an application for registration of a branch office;

b) a decision on appointing the head of a branch office or a Power of Attorney granting managerial powers to a person certified according to the legislation of Georgia;

c) details of the enterprise and its director, required under this Law and certified according to the legislation of Georgia.

5. The registration of the branch office (permanent establishment) of a foreign enterprise shall be performed by the registration authority according to the legal address of that branch office.

6. The registration authority shall be obliged to register the branch office (permanent establishment) of a foreign enterprise upon submission of the documents laid down by the legislation of Georgia.

*Law of Georgia No 535 of 3 December 1996 – The Gazette of the Parliament, No 1-2, 22.1.1997, p. 9*

*Law of Georgia No 2131 of 25 November 2005 - LHG I, No 53, 19.12.2005, Art. 351*

*Law of Georgia No 3139 of 25 May 2006 – LHG I, No 18, 31.5.2006, Art. 133*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*



#### **Article 17 – Deleted**

*Law of Georgia No 535 of 13 December 1996 – The Gazette of the Parliament, No 1-2, 22.1.1997, p. 9*

*Law of Georgia No 2073 of 9 June 1999 – LHG I, No 24(31), 26.9.1999, Art. 110*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

#### **Article 18 – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

#### **Article 19 – Deleted**

*Law of Georgia No 835 of 30 March 2001 – LHG I, No 10, 19.4.2001, Art. 36*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

#### **Article 19<sup>1</sup> – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

#### **Article 19<sup>2</sup> – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

## **II – Special Part**

### **Chapter I - General Partnership**

#### **Article 20 – Concept**

1. A general partnership is a company where several persons (partners) conduct entrepreneurial activity jointly, under one common company name, and are jointly and severally liable with all their assets to the creditors as joint debtors.

2. A partner may reject a creditor's claim while the company may dispute the transaction that is the basis for the company's obligation. The partner may enjoy the same right until the creditor's claim is satisfied by fulfilling the company's matured counter-claim (by offsetting counter-claims of the company against the creditor).

3. To levy execution against partners' assets, a creditor shall obtain a writ of execution against the partners as well as a writ of execution against the company.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

#### **Article 21 – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

#### **Article 22 – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*





## **Article 23 – Management of the company**

The persons authorised to manage a company shall be identified and the scope of their powers shall be laid down by this Law and the Charter of the company.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Article 24 – Partner's right to control**

Any partner (including one not participating in management of the company) may personally review and inspect the books and records of the company. The partner may request from other partners to fulfil their obligations to the company and personally lodge a suit to enforce the same.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Article 25 – Profits, losses, and their distribution**

1. Unless otherwise provided for by the Charter, annual profits and loss shall be fixed and each partner's share shall be calculated at the end of each fiscal year on the basis of the annual balance sheet.

2. Unless otherwise provided for by the Charter, the profits of a partner's share shall be added to his/her contribution if it is not fully made; the shared loss of a partner and the money spent from contributions made during the fiscal year shall be written off against his/her profit.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Article 26 – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Article 27 – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Article 28 – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Article 29 – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Article 30 – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Article 31 – Withdrawal of a partner from the company**

1. The procedure for a partner's withdrawal from a company shall be determined by the Charter of the company as laid down by Article 14<sup>4</sup>(6 and 8) of this Law.

2. If a partner of general partnership expresses his/her wish to withdraw from the company, or insolvency proceedings are opened against the company, or any new partner enters the company, the procedure for reorganising the enterprise under Article 14<sup>4</sup>(6 and 8) of this Law shall be carried out in relation to the company.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 4946 of 24 June 2011 – website, 13.7.2011*



## **Article 32 – Relationships after withdrawal of a partner**

1. In case of a partner's withdrawal from a company, his/her share in the company's assets shall be distributed among the remaining partners of the company.
2. The remaining partners of the company shall be obliged to release the withdrawing partner from the debts of the company and to pay the sum that he/she would receive in case of the company's liquidation.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Article 33 – Death of a partner**

1. In case of the death of a partner, each of that partner's successors can become a partner of the company if so provided for by the Charter of the company or if all the partners so agree.
2. The Charter of the company may provide that one or several successors can become a partner. In such case, the person entering the company as a partner shall pay adequate compensation to the remaining successors. It may be that the Charter of the company does not provide for the obligation to pay compensation.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Chapter II - Limited Partnership**

### **Article 34 – Concept**

1. A limited partnership is a company where several persons carry out entrepreneurial activity under one common company name, where the liability of one or several partners to creditors of the partnership is limited to payment of a fixed guarantee amount – limited partners (*komandits*) and the liability of other partners is not limited – general partners (*komplementars*).
2. General partners (*komplementars*) shall be jointly and severally liable to creditors with all their assets. Together with the rules stated in the general provisions of this Law, the rules for the general partnership shall apply in respect of a limited partnership, unless otherwise provided for by this Chapter.
3. A partner of a limited partnership may be a natural as well as a legal person. Shares in the capital of the company may be apportioned only among the *komandits*, unless otherwise provided for by the partners' agreement.
4. Only general partners (*komplementars*) may approve the charter of a limited partnership and make changes in it and in the registration records.
5. If a general partner (*komplementar*) expresses his/her/its wish to withdraw from the company, or an insolvency proceeding is opened against the company, or all limited partners (*komandits*) withdraw from the company, or any new partner enters the company, the reorganisation provisions laid down in Article 14<sup>4</sup> (6 and 8) of this Law shall be carried out in relation to the company.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 4946 of 24 June 2011 – website, 13.7.2011*

### **Article 35 – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

### **Article 36 – Limited partners' (*komandits*) right of control**

1. Limited partners (*komandits*) may demand a copy of the annual report and check its correctness according to the financial books and records of the company.
2. If material grounds exist, a court may, on application of one of the limited partners (*komandits*), demand the presentation of the balance sheet, annual report, other similar information and the financial books and records of the company at any time.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

### **Article 37 – Management of the company**

1. Limited partners (*komandits*) do not participate in the management of the company; they may not object to the actions taken by general partners (*komplementars*) in the ordinary course of business. Limited partners may exercise their right to vote only in the cases provided for by the Charter.
2. If by the Charter of the company one of the limited partners is authorised to execute acts of legal significance that are beyond the scope of an ordinary



power of attorney, he/she shall be responsible in the manner provided for by Article 9(6) of this Law.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

#### **Article 38 – Profits, losses and their distribution**

1. The annual profits or loss shall be fixed based on the balance sheet and each partner's share shall be calculated at the end of each fiscal year.
2. The procedure for calculating profits and loss, timing and distribution shall be laid down by the Charter of the company.
3. A limited partner (*komandit*) shall take part in compensation of losses only to the extent of his/her/its contribution but if the liability arises before making the full contribution – also to the extent of the contribution not yet paid.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

#### **Article 39 – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

#### **Article 40 – Use of profit by a limited partner (*komandit*)**

1. Unless otherwise provided for by the Charter or this Law, a limited partner (*komandit*) may demand the receipt of his/her/its due profit only. He/she/it may claim such profit insofar as his/her/its contribution is less than the agreed amount.
2. A limited partner (*komandit*) shall not be obliged to return received profits in the case of future losses.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

#### **Article 41 – Liabilities of a limited partner (*komandit*)**

The guarantee amount of a limited partner (*komandit*) in respect to the creditors of the company shall be determined according to the amount fixed in the Charter, if the amount has already been paid. In other cases, Article 3(4) of this Law shall apply.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

#### **Article 42 – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

#### **Article 43 – Alienation or succession of a limited partner's (*komandit's*) share**

1. The share of a limited partner (*komandit*) may be alienated or transferred by succession without the consent of other partners, unless otherwise provided for by the Charter of the company.
2. A notarised written agreement shall be required for abandoning a share.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

### **Chapter III - Limited Liability Company**

#### **Article 44 – Concept**

1. A company whose liability to creditors is limited to its assets shall be a limited liability company. Such company may be established by a single person.
2. The agreement of the partners of an enterprise on reducing liability shall be void against third parties.
3. The capital of a limited liability company shall be divided into shares. A share shall be transferable.

*Law of Georgia No 535 of 13 December 1996 – The Gazette of the Parliament, No 1-2, 22.1.1997, p. 9*



## **Article 45 – Capital of a limited liability company**

The capital of a limited liability company may be fixed in any amount.

*Law of Georgia No 535 of 13 December 1996 – The Gazette of the Parliament, No 1-2, 22.1.1997, p. 9*

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 4581 of 30 March 2007 – LHG I, No 9, 31.3.2007, Art. 94*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Article 46 – Rights and obligations of partners**

1. The rights and obligations of, and the procedure for initial distribution of shares of partners, shall be determined by the Charter of the company (by agreement of the partners).

2. The Charter may define that the voting right of partners when making a decision and/or the distribution of profits/loss among the partners is not proportionate to their ownership of shares.

2<sup>1</sup>. In the case of increasing the capital of the limited liability company, partners of the company may participate in increasing the capital of the company in proportion with their shares, by making full contributions to the capital within the period determined by the General Meeting of Partners, unless all partners agree on other procedures for the use of such right; herewith, if any partner fails to use this right fully or partially, a new proportionality of partners' shares may originate after the capital increase.

3. The partners of a limited liability company may alienate or encumber (pledge) their shares in the capital of the company unless the Charter limits such right.

4. By request of a partner, the Directors must promptly provide information on the company business to him/her/it and allow him/her/it to review the books and records of the company.

5. If a limited liability company does not assert its claim against any third party, a partner may instead, and to the benefit of the company, lodge a suit on his/her/its behalf for the fulfilment of that claim. Such partner shall be deemed a proper claimant, if the company does not file an action against the third party within 90 days after receiving a written request to that effect, or fails to prove that such an action prejudices the interests of the company. If the court satisfies the claim of the partner, the company shall be obliged to indemnify the partner for any reasonable out-of-court expenses of the action, including attorney's fees. However, the company shall be released from paying such expenses if it proves that satisfying the action is detrimental to the company. If the partner is deemed an improper claimant, or the claim is not satisfied, the partner shall be liable for any costs and expenses reasonably incurred by the company in the action. Considering the property status of a partner, the court may postpone the partner's date for payment of court expenses.

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 1830 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 298*

*Law of Georgia No 4581 of 30 March 2007 – LHG I, No 9, 31.3.2007, Art. 94*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 2764 of 31 October 2014 – website, 11.11.2014*

*Law of Georgia No 4791 of 19 February 2016 – website, 7.3.2016*

## **Article 46<sup>1</sup> – Pre-emptive right of a partner to acquire shares**

1. When a partner of a limited liability company sells its shares, the rest of the partners shall have the pre-emptive right to acquire the shares in proportion to their own shares, unless otherwise determined by the Charter of the company.

2. A partner (responsible person) intending to sell its shares shall send a notification to all the other partners. The notification shall include the amount of shares to be sold as specified in the agreement to be concluded, the share sale and purchase price and the period of payment. The notification shall also include the time limit of not less than 10 days to exercise the pre-emptive right to acquire the shares. This time limit shall be counted from the moment when the notification is delivered to a partner.

3. The notification shall be sent by registered mail or via technical means (by telephone and/or email).

4. The notification sent via technical means shall be considered as an officially delivered notification to the appropriate person.

5. A responsible person shall personally make a choice of the technical means for sending the notification.



6. If a limited liability company is unaware of the address and/or other contact details of a partner, a responsible person shall also publish the notification under paragraph 2 of this article in the Legislative Herald of Georgia. The notification shall be considered as being delivered to the partner from the moment of its publication.

7. The Charter of a limited liability company may define the procedures different from those established under paragraphs 3-6 of this article; it may also revoke the pre-emptive right to acquire shares under this article. A meeting of partners shall make a decision on these issues (including on making a respective amendment to the company Charter) by a simple majority of votes of persons present, unless a higher quorum is required by the Charter.

8. For purposes of this Law, the pre-emptive right to acquire shares shall be considered the obligation of a partner to sell its shares to the rest of the partners at the same price and with the same terms as it intends to sell the shares to a third person.

*Law of Georgia No 812 of 4 May 2017 – website, 29.5.2017*

#### **Article 47 – Management of an enterprise**

1. The partners of an enterprise shall exercise their management powers through a general meeting of partners, unless otherwise provided for by the Charter.

2. The competence of a partners meeting, the procedures for holding a meeting and for making decisions shall be defined by this Law and/or the Charter of an enterprise.

3. The competences and scope of liabilities of directors shall be determined by this Law and/or the Charter of an enterprise.

4. The structure, composition and rules of operation for management bodies shall be determined by the Charter of an enterprise, in accordance with the requirements under paragraph six of this article.

5. (Deleted).

6. If a Supervisory Board is established within the limited liability company, the requirement under Article 55(3<sup>1</sup>) of this Law shall apply to the Chairperson of the Supervisory Board.

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

*Law of Georgia No 4791 of 19 February 2016 – website, 7.3.2016*

#### **Article 48 – Deleted**

*Law of Georgia No 774 of 2 March 2001 – LHG I, No 6, 20.3.2001, Art. 19*

*Law of Georgia No 938 of 19 June 2001 – LHG I, No 19, 2.7.2001, Art. 66*

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

#### **Article 49 – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

#### **Article 50 – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

### **Chapter IV - Joint-Stock Company**

#### **Article 51 – Concept; Company Shareholders Register**

1. A joint-stock company shall be a company whose capital is divided into shares of a certain class and quantity as determined by the Charter of the company. A share shall be an intangible registered security that evidences the obligations of a joint-stock company to a partner (shareholder) and the rights of the shareholder in the joint-stock company. The Charter of a joint-stock company may determine a value below which the values of shares



may not be set for the initial issuance of the shares for a given class (par value). The liability of a joint-stock company to its creditors shall be limited to all of its assets. The shareholder of a joint-stock company shall not be liable for the obligations of the joint-stock company. When founding a joint-stock company, the capital can be determined in any amount.

2. A shareholder's title to a share shall be evidenced by a record in the Shareholders Register of the joint-stock company or with a nominee holder's record. The shareholder shall be given an extract from the Shareholders Register of a joint-stock company or an extract for a nominee holder.

3. The joint-stock company, whose number of shareholders exceeds 50, shall be obliged to maintain the Shareholders Register through an independent registrar under contract made with such registrar. If the number of shareholders equals to or is less than 50, the company can maintain the Shareholders Register on its own or through an independent registrar, except for a publicly accountable enterprise under the Securities Market Law of Georgia, in which case the Shareholders Register shall be maintained by an independent registrar.

4. The Shareholders Register for a joint-stock company shall be maintained according to the appropriate procedures adopted by the National Bank of Georgia.

*Law of Georgia No 535 of 13 December 1996 – The Gazette of the Parliament, No 1-2, 22.1.1997, p. 9*

*Law of Georgia No 1510 of 26 June 1998 – The Gazette of the Parliament, No 25-26, 15.7.1998, p. 36*

*Law of Georgia No 2073 of 9 June 1999 – LHG I, No 24(31), 26.6.1999, Art. 110*

*Law of Georgia No 2507 of 18 July 2003 – LHG I, No 22, 8.8.2003, Art. 157*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 6021 of 10 April 2012 – website, 30.4.2012*

*Law of Georgia No 4190 of 3 September 2015 – website, 10.9.2015*

*Law of Georgia No 443 of 10 March 2017 – website, 22.3.2017*

## **Article 52 – Types (classes) of shares; other securities convertible into shares**

1. Unless otherwise provided for by the Charter of the enterprise, shares may be common or preferred. One common share shall ensure a right to one vote at the general meeting of shareholders, while a preferred share shall provide no right to vote. A preferred share shall ensure receipt of dividends at a fixed rate. The amount of, and procedure for, receipt of dividends shall be provided for in Article 8 of this Law and in the Charter of an enterprise. The Charter may define a different determination of rights for common and preferred shares. All shares of the same class shall provide equal rights to their holders. Any promise that future dividends will certainly be paid shall be void.

1<sup>1</sup>. In addition to the classes of shares provided for by this article, a general meeting of shareholders of the company may decide on additional classes of shares. The quantity of shares of any class, the associated rights and duties, as well as the conditions for changing them must be reflected in the Charter of a company (and in the case of public offering – in the issue prospectus as well) before placing the shares of that class. After placing shares, changes to the rights and duties associated with placed shares, as well as to the procedure for changing the shares of that class as provided for by the Charter shall not be permitted except for cases under paragraph 1<sup>2</sup> of this article.

1<sup>2</sup>. The resolution of the general meeting of shareholders to change (cancel, reduce and/or grant) the voting right shall become effective only if a consent thereto is given by more than 75% of the holders of those class shares, the right to vote of which is affected by such decision.

2. Transfer of any class of share (except for publicly offered securities defined by the Securities Market Law of Georgia) may be subject to approval by the company. The procedure for company approval of the transfer of shares shall be laid down by the Charter of the company before placing the shares.

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

*Law of Georgia No 535 of 13 December 1996 – The Gazette of the Parliament, No 1-2, 22.1.1997, p. 9*

*Law of Georgia No 2073 of 9 June 1999 – LHG I, No 24(31), 26.9.1999, Art. 110*

*Law of Georgia No 2507 of 18 July 2003 – LHG I, No 22, 8.8.2003, Art. 157*

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 4791 of 19 February 2016 – website, 7.3.2016*

## **Article 53 – Rights and obligations of shareholders**

1. Unless otherwise provided for by law, the sole obligation of a shareholder is to pay contributions to receive the appropriate number of shares. Any obligation assigned to a shareholder under the Charter, other than those provided for by law, shall be void.

1<sup>1</sup>. If a decision on issuing new shares is made, a shareholder shall have the pre-emptive right to acquire the new shares in proportion to his/her own shares. This right may be revoked by decision of the general meeting of shareholders in accordance with Article 54 of this Law. Further, the decision to



revoke the pre-emptive right to acquire new shares may be made by the general meeting of shareholders only on the basis of a written report of the Director or the Supervisory Board specifying the reason (reasons) for revoking the pre-emptive right to acquire the new shares.

<sup>12</sup>. A joint-stock company shall inform the holders of at least 1% of the voting shares about their exercising of the pre-emptive right to acquire shares by registered mail. The joint-stock company shall inform the rest of the shareholders about their exercising the pre-emptive right to acquire shares by registered mail or by way of publishing the information on its own website or in the Legislative Herald of Georgia. A joint-stock company must allow the shareholders at least 10 days for their exercising this right. This time limit shall be counted from the moment when the notification is delivered to an appropriate person or the information is published. This paragraph shall not apply to a public offering of securities under the Law of Georgia on Securities Market.

<sup>13</sup>. The procedures established under this article shall accordingly apply to the emission of convertible or exchangeable securities/the making of a loan by a joint-stock company, although not to the exercising of the right to convert or to exchange based on the securities/loan obligation.

<sup>14</sup>. Unless otherwise defined by the Charter of a joint-stock company, the pre-emptive right to acquire shares shall not apply to:

a) the shares emitted for remunerating members, representatives, employees and related persons of the administrative bodies of an enterprise or its subsidiary enterprise (enterprises), including for satisfying the rights based on their own convertible securities or options. Unless the shares emitted for this purpose are used as intended, the pre-emptive right of acquisition of shares shall apply to them;

b) the shares emitted against non-monetary payment;

c) the own shares redeemed by the joint-stock company, in case they are re-placed (re-sold).

2. The share of a shareholder in the profits shall be determined according to the number and class of shares. Contributions, which are not fully paid in, shall participate in the distribution of profits proportionately to the amount of the contributions made unless otherwise provided for by the Charter.

<sup>31</sup>. At a general meeting, any shareholder may request from the directors and the supervisory board clarifications for each item of the agenda and express his/her opinion. If the request is submitted in writing ten days prior to the general meeting, the request must be satisfied or discussed as one of the items on the agenda. Information may be withheld only if it is in the substantial interests of the company, explanations of which must be in writing.

<sup>32</sup>. Shareholders – owners of 5% of shares may request a special inspection of business transactions or of the annual balance sheet in whole if they believe that there are irregularities.

<sup>33</sup>. Shareholders or a group of shareholders – owners of 5% of any class of shares may request the body designated by the Charter (Supervisory Board or Directors) to call an extraordinary meeting of shareholders of the enterprise. The request shall be submitted in writing and shall include the agenda items whose content shall comply with the legislation of Georgia and shall be reasonably in line with the goals and business character of the company. In such case, the Supervisory Board or Directors shall be obliged to hold a general meeting not later than three months after receiving the written request. The Supervisory Board or Directors, shareholders or a group of shareholders of 5% of any class of shares (according to paragraph <sup>31</sup> of this article) shall have the right to amend the agenda submitted by the shareholders. The shareholders or a group of shareholders of 5% of any class of shares may request that an extraordinary meeting is called not earlier than one month after the date of the last meeting.

<sup>34</sup>. If the shareholders or a group of shareholders of 5% of any class of shares (initiators of the meeting) apply to the body designated by the charter of the company (the Supervisory Board or Directors) to call an extraordinary meeting and the sole agenda of the meeting is to request the removal of the Director(s), including the Director who is the Chairperson of the Supervisory Board or a member of the Supervisory Board, the meeting shall be held under the rules laid down in this paragraph.

If within 20 days of such request the Supervisory Board does not call an extraordinary meeting, the meeting may be held by the initiators of the meeting who have applied to the body designated by the charter of the company (the Supervisory Board or Directors) with such request.

In such case, the initiators of the meeting shall send to all the shareholders of the company by registered mail, invitations to the special general meeting according to the provisions of this paragraph, by indicating the sole item of the agenda. No additional item can be added to the agenda. In such case, the extraordinary meeting shall be authorised if attended by the partner(s) holding at least 75% of total votes. If a quorum is not reached, the initiators of the meeting may re-call the meeting not earlier than 20 days after the date of the first meeting. The initiators of the meeting shall re-call an extraordinary general meeting in the manner laid down by this paragraph. That meeting shall be authorised if attended by the partner(s) holding at least 75% of total votes. If the quorum is not reached, the initiators of the meeting may apply to a court according to the legal address of the company. The court shall order the body designated by the charter of the company (the Supervisory Board or Directors) to hold an extraordinary meeting within three months after giving the judgement.

<sup>35</sup>. Holders of 5% of any class of shares may request from an appropriate management body of a joint-stock company copies of the agreements concluded on behalf of the company and/or information on the agreements to be concluded and/or copies of the agreement-related decisions.

4. Shareholders may exercise their voting rights with respect to their own interests except in the cases where the expected decision concerns conducting a transaction with them or the approval of their report. If a dominant shareholder of a joint-stock company existing within the territory of Georgia intentionally uses his/her dominant position to the prejudice of the joint-stock company, such shareholder shall compensate the remaining shareholders. A dominant shareholder shall be deemed a shareholder or a group of shareholders acting together, who has (have) the practical ability to substantially influence the results of voting at a general meeting of the joint-stock company.

5. If a joint-stock company does not assert its claim against any third party, a shareholder may instead, and to the benefit of the company, lodge a suit on his/her behalf for the fulfilment of that claim. Such shareholder shall be deemed a proper claimant, if the company does not file an action against the third party within 90 days after receiving a written request to that effect, or fails to prove that such an action prejudices the interests of the company. If the court satisfies the claim of the shareholder, the company shall be obliged to indemnify the shareholder for any reasonable out-of-court expenses of the action, including attorney's fees. However, the company shall be released from paying such expenses if it proves that satisfying the action is detrimental to the company. If the shareholder is deemed an improper claimant, or the claim is not satisfied, the shareholder shall be liable for any costs and expenses reasonably incurred by the company in the action. Considering the property status of a shareholder, the court may postpone the shareholder's date for payment of court expenses.



*Law of Georgia No 535 of 13 December 1996 – The Gazette of the Parliament, No 1-2, 22.1.1997, p. 9*

*Law of Georgia No 2073 of 9 June 1999 – LHG I, No 24(31), 26.6.1999, Art. 110*

*Law of Georgia No 4581 of 30 March 2007 – LHG I, No 9, 31.3.2007, Art. 94*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 4791 of 19 February 2016 – website, 7.3.2016*

*Law of Georgia No 812 of 4 May 2017 – website, 29.5.2017*

### **Article 53<sup>1</sup> - Redemption of shares by the company**

1. A shareholder may request, in the manner laid down by this article, the company to evaluate and redeem his/her shares if he/she, at a general meeting, has not supported the decision that substantially violates the shareholder's rights, or is related to reorganisation of the enterprise. The Charter of the company may provide in detail for the procedures of evaluation and redemption of shares.

2. A company intending to make a decision under the first paragraph of this article shall give, in the notice calling the respective general meeting, a detailed description of the question at issue, the related right to request redemption and the procedure for performance of such redemption.

3. A shareholder may, within 45 days after making the decision under the first paragraph of this article, request in writing that the company redeem his/her shares. The right to such request shall not exist if:

a) the shareholder has not fully paid the contribution for such shares;

b) the shareholder has purchased those shares after sending the notice under the second paragraph of this article.

4. A share shall be redeemed at its market value fixed on the day previous to the notice made under the second paragraph of this article except in those cases where any other rule for determining the fair value of the share is provided for by law due to low liquidity of shares or for any other reason. In applying such rule, the Supervisory Board shall duly substantiate its decision.

5. The decision of the Supervisory Board on the number and redemption price of redeemable shares must be made within 30 days after expiration of the term specified in the third paragraph of this article, and the share redemption amount must be paid not later than 30 days after such decision is made.

6. Any shareholder, who disagrees with the share redemption terms under the decision by the Supervisory Board, may appeal to a court within 14 days after notification of the decision.

7. No redemption of shares may be allowed if:

a) the amount payable for redemption of shares exceeds 25% of the company's capital;

b) at the moment of redemption the company meets the conditions laid down by the Law of Georgia on Insolvency Proceedings or such conditions may arise as a result of the redemption of shares.

8. If the number of proposed redeemable shares exceeds the limit allowed by the seventh paragraph of this article, such shares must be redeemed from various sellers on a pro rata basis.

9. The company may, at the stock exchange, purchase and then alienate its own placed shares (treasury shares) at its sole discretion. The quantity of the treasury shares may in no event exceed 25% of placed shares unless a lower limit is provided for by the Charter. In counting votes, distributing dividends, and during a liquidation process and for purpose of computing other rights arising from shareholding, treasury shares and shares owned by subsidiary enterprises of the company shall not be taken into account.

*Law of Georgia No 2073 of 9 June 1999 – LHG I, No 24(31), 26.6.1999, Art. 110*

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

### **Article 53<sup>2</sup> - Mandatory tender offer**

1. If a shareholder or a group of shareholders acting by agreement (for the purposes of this article – 'the buyer') purchases a lot of shares that results in taking control of more than one half of the voting shares of a joint stock company, he/she/it shall be obliged to make a tender offer under the Law of Georgia on Security Market for buying outstanding shares, no later than 45 days after the above fact, or shall bring down the quantity of shares below one half of the voting shares under his/her/its control within the same time frame. This requirement shall not apply if:

a) more than one half of the voting shares of a joint stock company came into possession of the buyer through the tender offer made under the Law of Georgia on Security Market by offering other shareholders to redeem all the remaining shares;

b) a person holds the above shares acting as an agent of any other person or persons, including for issuing the Global Depositary Receipts. In this case, the person or the group of persons acting under agreement that directly or indirectly control more than one half of the voting shares of a joint-stock company shall be obliged to make a mandatory tender offer.





2. An auditor or a brokerage firm shall establish the offered redemption price. The offered redemption price must be no less than the maximum price that the redeeming shareholder has paid within the last six months for the company's share of this class. The auditor or the brokerage firm shall draw up a report indicating documented facts establishing the basis for the offered redemption price. The buyer shall reimburse the expenses of the auditor or the brokerage firm. The buyer shall also be obliged to provide the auditor or the brokerage firm with all information available to him/her/it on the purchase of shares. The auditor or the brokerage firm shall be held responsible with all his/her/its assets for damages he/she it caused to the shareholder as a result of negligence or deliberately misestimating of the offered redemption price.

3. Until the end of the tender offer under the first paragraph of this article, the buyer may not exercise the voting rights of more than 50% of votes under his/her/its control at a General Meeting.

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 4469 of 16 March 2007 - LHG I, No 9, 31.3.2007, Art. 80*

*Law of Georgia No 5285 of 11 July 2007 - LHG I, No 29, 27.7.2007, Art. 326*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

### **Article 53<sup>3</sup> - Deleted**

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Judgement of the Constitutional Court of Georgia No 2/1-370,382,390,402,405 of 18 May 2007 - LHG IV, No 25, 21.5.2007, p. 1*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

### **Article 53<sup>4</sup> - Mandatory selling-out of shares**

1. If after purchasing shares a shareholder holds more than 95% of voting shares of a joint-stock company, the shareholder (for the purposes of this article 'the buyer') may redeem the shares of the other shareholders for a fair value.

2. The court shall decide on a mandatory selling-out of shares as determined in the Civil Procedure Code of Georgia. The fair value and the date of share redemption shall be fixed by court decision on a mandatory selling-out of shares as determined in the Civil Procedure Code of Georgia.

3. The buyer shall, not later than one month before applying to the court, announce the mandatory selling-out of shares in the gazette under Article 54(2) of this Law. The announcement shall include information on the reasons, conditions and procedures of the redemption.

4. A person maintaining the register (for the purposes of this article 'the registrar') shall, no later than five days prior to the date of redemption determined by the court, inform all registered holders, whose identity and location is known, on the decision of the court on obligatory sale of shares, on the redemption record date and on key procedures (if applicable), and for registered holders of shares whose identity and/or location is unknown, a person maintaining the register shall publish such information in an official gazette of Georgia. All transactions involving the shares to be redeemed except for the acts under this article shall be discontinued from the redemption record date until the completion of the shares redemption procedure. The registrar shall compile the register which is a list of all registered holders as of the redemption record date specifying their identity, address and quantity of shares held by them, if applicable, but in the case the identity and/or address of the registered shareholder cannot be determined, the registrar shall make an appropriate record (comment) in the Redemption Register. On the basis of presenting by the buyer the documents (including a document certifying a complete deposition of the amount to be redeemed) certifying the act having been performed in accordance with the first and the second paragraphs of this article, the registrar shall re-register all shares in the name of the buyer. The registrar's expenses related to the redemption of shares shall be paid by the buyer in accordance with the legislation of Georgia. The buyer shall deposit the sum for redeeming all remaining shares to a special account opened for the rest of shareholders in the bank, with the Central Depositary or with the brokerage firm, to whom the buyer forwards the Redemption Register, in accordance with which sums shall be disbursed from these special accounts without a further consent from the buyer.

*Law of Georgia No 5285 of 11 July 2007 - LHG I, No 29, 27.7.2007, Art. 326*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 4791 of 19 February 2016 – website, 7.3.2016*

### **Article 53<sup>5</sup> – Purchase of company's shares by a subsidiary enterprise**

1. If an accounting enterprise determined under the Law of Georgia on Securities Market securities of which are admitted for trade on a stock exchange owns 50% or more than 50% of shares of another enterprise, such subsidiary enterprise shall not have the right to purchase shares of the reporting enterprise.

2. The first paragraph of this article shall not apply to a securities market intermediary under Article 2(42) of the Law of Georgia on Securities Market.

*Law of Georgia No 4791 of 19 February 2016 – website, 7.3.2016*

### **Article 54 – General Meeting**



1. The regular General Meeting shall be held annually within two months after preparation of the annual balance sheet unless otherwise determined by the Charter of a joint stock company. The meeting shall discuss the annual results and other possible issues of the agenda. In other cases, an extraordinary General Meeting shall be held at the request of the directors or the Supervisory Board, or if so provided in this Law – at the request of the shareholders. The Supervisory Board shall fix the record date for the General Meeting. The record date may not be 45 days earlier than convening the meeting or later than the date of announcement of convening the meeting. The only shareholders authorised to participate in the General Meeting shall be those having the property right to shares on the record date of the Meeting.

1<sup>1</sup>. The general meeting need not be convened if a shareholder with more than 75% of the votes decides on the issues to be discussed. This decision shall be equal to the minutes of a meeting and shall be considered to be the decision made by the meeting. In this case, the rest of the shareholders shall receive a notice of the decision. The General Meeting of Shareholders shall be held if the quantity of the shares mentioned in this article is held by more than one shareholder.

2. A General Meeting of a joint stock company shall be convened at the legal address of the company or, at any other location in the territory of Georgia by the body defined under the Charter (the Supervisory Board or the Directors) 20 days after the announcement of the meeting is published in the official gazette of Georgia determined by the National Bank of Georgia, or the invitation is sent to the shareholders. The announcement of the general meeting shall contain the agenda of the meeting and recommendations of the directors and the Supervisory Board for making decisions. The announcement of the general meeting shall include the procedure describing how a shareholder can verify his/her right to participate in the meeting within 10 days before the meeting. The General Meeting invitation shall be sent to the holders of at least 1 per cent of voting shares of the joint stock company by registered mail. In the case of a publicly accountable enterprise, the National Bank of Georgia shall determine the class of shares holders of less than 1 per cent of which will be sent the invitations to by post.

3. A shareholder may obtain an advance confirmation of his/her right to participate in the meeting, and of the number of votes at his/her disposal under the procedure defined in the second paragraph of this article. A shareholder shall participate in the meeting on the basis of an identity card, a neutral identity card or a neutral travel document, as well as based on the Shareholders Register data presented at the meeting. Representation by a written power of attorney shall be permitted.

4. The Chairperson of the Supervisory Board shall preside at the General Meeting. In the absence of the Chairperson, his/her deputy shall preside and in his/her absence, the meeting shall be presided over by one of the directors. If all of the above are absent, the Chairperson of the meeting shall be elected by the General Meeting by a simple majority of votes present.

5. Unless otherwise determined by the Charter, the General Meeting shall be duly constituted if a partner (partners) holding more than half of the voting shares is present at the meeting. If the meeting is not duly constituted, a new meeting with the same agenda shall be convened under the procedure provided for in the second paragraph of this article within the time frame defined by the Chairperson. In this case, the meeting shall be duly constituted if a partner (partners) holding at least 25 per cent of voting shares is present. If the meeting is still not duly constituted a new meeting with the same agenda shall be convened under the procedure provided in the second paragraph of this article within the time frame defined by the Chairperson. The above meeting shall be duly constituted irrespective of the number of partners with voting shares present.

6. The General Meeting shall have the right to:

- a) adopt amendments to the Charter of the joint stock company;
- b) decide on reorganisation or liquidation of the company;
- c) wholly or partially cancel a shareholders pre-emptive right (when increasing the capital by issuing securities);
- d) accept or decline proposals of the Supervisory Board or the directors on the use of profits, and if the above bodies fail to make an agreed proposal, decide on using the net profit;
- e) decide on setting up the Supervisory Board (unless the setting up of the Supervisory Board is provided for in this law);
- f) elect members of the Supervisory Board or recall them from the Board, as well as determine the tenure of electing the members of the Board;
- g) approve the reports of the directors and the Supervisory Board;
- h) decide on the question of remuneration for the members of the Supervisory Board;
- i) elect and remove an external auditor;
- j) make decisions on participating in court proceedings against the Supervisory Board and the directors, as well as appoint its representative for these proceedings;
- k) make decisions on the purchase, alienation (or similar interrelated transactions), or encumbering company property with a value exceeding one-half of the value of the company assets unless otherwise defined by the Charter of the company, except for the transactions in the ordinary course of business.

The Charter may distribute the powers specified in this paragraph among the Supervisory Board and/or the director (directors).

7. Unless otherwise provided for in the Charter of a joint stock company, the decisions under paragraph 6(a-c) of Article 54 shall require consent of the partners holding more than 75 per cent of the voting shares present. All other decisions under the sixth paragraph of Article 54 shall require consent of the partners holding more than 50 per cent of the voting shares present.

8. When electing members to the Supervisory Board, shareholders may agree to apply the vote accumulation method as follows:

- a) each shareholder shall distribute all of his/her votes for any number of candidates so that the total number of his/her votes cast does not exceed the total number of votes at his/her disposal;



b) a shareholder may only vote for a candidate for the Supervisory Board membership by each of his/her votes (voting against the candidate shall not be permitted);

c) if the number of candidates is equal to or less than the fixed number of the Supervisory Board members, then all the candidates having received at least one vote shall automatically become a member of the Supervisory Board. However, if the number of the candidates is more than the fixed number of the Supervisory Board members, the candidates having received the majority of votes shall be deemed to be elected to the Supervisory Board.

*Law of Georgia No 1510 of 26 June 1998 – The Gazette of the Parliament, No 25-26, 15.7.1998, .p. 36*

*Law of Georgia No 2073 of 9 June 1999 – LHG I, No 24(31), 26.9.1999, Art. 110*

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 5265 of 11 July 2007 – LHG I, No 30, 30.7.2007, Art. 336*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1684 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 167*

*Law of Georgia No 4997 of 1 July 2011 – website, 15.7.2011*

*Law of Georgia No 4190 of 3 September 2015 – website, 10.9.2015*

*Law of Georgia No 443 of 10 March 2017 – website, 22.3.2017*

*Law of Georgia No 812 of 4 May 2017 – website, 29.5.2017*

## **Article 55 – Supervisory Board**

1. If a joint stock company is a publicly accountable enterprise under the Law of Georgia on Security Market, whose securities are tradable on the stock market, or a joint stock company is licensed by the National Bank of Georgia, or when the number of a joint stock company shareholders is more than 100, the Supervisory Board must be established consisting of at least 3 and no more than 21 members.; In all other cases, establishment of the Supervisory Board shall not be required.

<sup>1</sup>. If no Supervisory Board has been established, its duties and powers under the law shall be distributed by the Charter to other management bodies of the enterprise.

<sup>2</sup>. Each member of the Supervisory Board shall be elected by the General Meeting for one year unless a different term is determined by decision of the General Meeting or the Charter. The authority of a member of the Supervisory Board shall be extended beyond the above term until the next regular General Meeting is convened. A member of the Supervisory Board may be re-elected earlier by the General Meeting at any time. Each member of the Supervisory Board may resign at any time. If no new member is elected to the Supervisory Board within six months after a member of the Board has quit, the court with jurisdiction over the company legal address may appoint a new member following the application of a shareholder, a member of the Board or the director, unless otherwise provided for in the Charter.

2. Any person may be a member of the Supervisory Board. The Charter may define the member (members) of the Supervisory Board to be the director (directors) of the joint stock company. The procedure for establishing Supervisory Boards in commercial banks shall be defined by the Law of Georgia on Commercial Banks. In the cases under the first paragraph of this article, the directors may not represent a majority in the Supervisory Board.

<sup>1</sup>. If a joint stock company is a reporting enterprise defined by the Law of Georgia on Securities Market and securities of which are admitted for trade on a stock exchange, at least one member of the supervisory board of the joint stock company shall be the person who is not a staff member of the mentioned company or a person who is directly or indirectly related to that company, and who is not involved in its daily activities and therewith, is an independent person.

<sup>2</sup>. For the purposes of paragraph <sup>1</sup> of this article a person shall be deemed independent if such person legally and economically is not related to the joint stock company, and if such person does not hold shares of the company and does not receive any remuneration or other economic benefit from this company, except for the remuneration determined for the members of the supervisory board..

3. The Supervisory Board shall elect the Chairperson and the deputy Chairperson from among its members. If a decision is not reached, they shall be elected by secret ballot. If the votes are tied between the candidates, the elder of them shall be appointed as the chairperson.

<sup>1</sup>. A chairperson of the supervisory board of the joint stock company may not concurrently be a director of the company.

4. The chairperson (the deputy chairperson in the absence of the chairperson) shall convene sessions, as well as shall determine the agenda. The Chairperson or secretary of the session shall prepare the minutes of the session.

5. Sessions of the Supervisory Board shall be held at least quarterly. The session invitation shall be sent out in writing at least eight days earlier and shall include the intended agenda. The members of the Supervisory Board may be represented by other members provided one member may be presented by only one other member.

6. The Supervisory Board shall be authorised to make decisions if at least half of the members are present at the session. If the Board is not authorised to make decisions, the Chairperson (the deputy in the absence of Chairperson) may convene a new meeting, in no later than eight days, that shall be authorised to make decisions if at least 25 per cent of the members are present. However, if the Supervisory Board is still not authorised to make decisions, the authority of the Board shall be terminated and the Chairman (the deputy in the absence of Chairperson) shall convene a General Meeting.



7. Tasks and competencies of the Supervisory Board:

- a) the Supervisory Board shall control the activity of each director;
- b) the Supervisory Board may require directors, at any time, to submit reports on company activity;
- c) the Supervisory Board shall control and inspect the financial documents of the company, as well as its items of property, particularly, the cash office and the state of securities and goods. The Board may assign specific members or certain experts to perform the above tasks;
- d) the Supervisory Board shall convene the General Meeting if so required for the company;
- e) the Supervisory Board shall inspect annual reports, proposals for profit distribution and shall inform the General Meeting about the results. The Supervisory Board shall indicate in its notice about how and to what extent it has inspected the performance of the company management during the previous business year; which parts of the annual report and of the activity report it has inspected, and whether these inspections caused substantial changes in the final results;
- f) the Supervisory Board may appoint and dismiss directors at any time, as well as may conclude and terminate contracts with them;

f<sup>1</sup>) in a joint stock company in which the state holds more than 50 per cent of total votes, the Supervisory Board must coordinate the appointment and dismissal of directors with the holder of more than 50 per cent of the company votes. In the case of disagreement between the Board and the shareholders, the decision on appointing and dismissing a director shall be made by the General Meeting.

7<sup>1</sup>. The Chairperson of the Supervisory Board may not file an action against directors of this company if he/she him/herself is a director. Such an action may be filed only by the member of the Board who is not a director of the company.

7<sup>2</sup>. Duties of the directors may be delegated to the Supervisory Board in the cases provided for in the Charter.

8. The following activities may be performed only with consent of the Supervisory Board unless otherwise determined by the Charter:

- a) acquiring and transferring more than 50 per cent of the shares of an enterprise;
- b) forming and liquidating branch offices;
- c) adopting the annual budget and long-term obligations;
- d) undertaking and securing the obligations in excess of the amount fixed by the Supervisory Board; the obligations of the Board members and the directors may not be secured unless the decision on the above has been made by the General Meeting;
- e) determining the scope of authority of the directors;
- f) launching a new, or terminating the current, business activity;
- g) establishing general principles of business policy;
- h) appointing and dismissing trade representatives (*procurists*);
- i) making a decision on admitting the company shares and other securities to trading on the stock market;
- j) defining the participation of the managerial staff in the profits and similar relations; establishing their pension scheme and submitting them to the General Meeting for approval;
- k) making decisions on the purchase or alienation (or on similar related transactions) of company property with a value exceeding the amount fixed by the Supervisory Board;
- l) making a decision on an issue that does not fall, by law, within the competence of the General Meeting and the director.

9. Articles 9(6) and 56(4) of this Law shall apply to the responsibility of the Supervisory Board.

10. The information on withholding consent by the Supervisory Board under the eighth paragraph of this article must be recorded in the annual report of a joint stock company unless otherwise determined by the Charter.

*Law of Georgia No 2073 of 9 June 1999 – LHG I, No 24(31), 26.6.1999, Art. 110*

*Law of Georgia No 774 of 2 March 2001 – LHG I, No 6, 20.3.2001, Art. 19*

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 5293 of 11 July 2007 - LHG I, No 29, 27.7.2007, Art. 332*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1684 of 24 September 2009 – LHG I, No 29, 12.10.2009, Art. 167*

*Law of Georgia No 4190 of 3 September 2015 – website, 10.9.2015*

*Law of Georgia No 4791 of 19 February 2016 – website, 7.3.2016*



## **Article 56 – Directors**

1. The directors shall manage and represent the company.
2. The powers of the directors shall be defined by agreements concluded with them under the Charter. In the absence of such a definition in the Charter, the general power of management under this Law shall apply.
3. The directors shall represent the joint stock company in court and in other relations. The directors may not represent the company in court if the company has filed an action against them.
4. The directors must perform the tasks incumbent on them faithfully and diligently. If a director fails to fulfil his/her duties, he/she shall be obliged to reimburse the company for damages inflicted. The directors shall be jointly and severally liable with all their assets. If the fact of causing damage is established, the directors must evidence that they have managed the business in accordance with Article 9 (6) of this Law. The company may not waive a claim for damages. The creditors of the company may exercise the right of claim unless they have been compensated by the company for their claims.

*Law of Georgia No 2073 of 9 June 1999 – LHG I, No 24(31), 26.6.1999, Art. 110*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Article 57 – Business report; utilisation of profits**

1. The directors shall draw up the annual report and the business report, as well as a proposal about sharing net profits for submission to the Supervisory Board. The Supervisory Board shall present the approved proposal to the General Meeting. If the directors and the Board fail to agree on the net profit sharing scheme, they shall notify the General Meeting of both profit sharing proposals. The General Meeting may resolve to retain all of the net profits with the enterprise and to consider it in a future report.
2. Shareholders may not be paid any remuneration other than company dividends. If this procedure is breached, a shareholder who received such remuneration shall be obliged to reimburse it or to financially recompense for the damage inflicted. For breaching this principle, the directors and the Supervisory Board shall be liable to the company jointly and severally, with all their assets. The General Meeting may not waive this right. Creditors of the company may exercise this right unless they have been compensated by the company for their claims.
3. A shareholder may be in a contractual relationship with the company (including as a director and/or a member of the Supervisory Board) and may receive remuneration under the contract that shall not constitute a dividend.

*Law of Georgia No 2073 of 9 June 1999 – LHG I, No 24(31), 26.6.1999, Art. 110*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Article 58 – Deleted**

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Article 59 – Increasing capital by issuing new shares or securities convertible into shares**

1. A share shall be deemed placed if the company issued it to any other person in exchange for sum certain or other payment (irrespective of whether the company has received such payment or not).
2. The shares that have been placed and/or those that the body authorised by the General Meeting has decided to place may be called ‘issued shares’.
3. The share shall be deemed authorised (declared) if the General Meeting has made a decision on its possible placement in the future. Maximum quantity and class of the authorised shares shall be specified in the company Charter.
4. The body authorised by the General Meeting (General Meeting, Supervisory Board and/or Director) shall ensure the placement of new shares in accordance with the conditions that may be defined by the decision of the General Meeting.
5. The body authorised by the General Meeting shall make decisions on placing new shares within the authorised shares. The decision shall contain the quantity and the class of shares. Such a decision may include the time frames for placing shares, the minimum price of shares and/or other additional conditions.
6. The Director (or any other authorised person or body) shall place the shares.
7. The decision of the General Meeting may also determine to cancel shares that are not placed under its defined conditions. This shall mean that the quantity of authorised shares is reduced by the quantity of cancelled shares. The company Director shall be obliged to make a respective change to the Charter of the company without consent of the General Meeting.
8. Securities convertible into shares may be issued by increasing the capital, under this article. The General Meeting or other body authorised by the Charter may determine any other way for issuing convertible securities.



## **Chapter V - Cooperatives**

### **Article 60 – Concept**

60.1. A Cooperative shall be a company based on the labour activity of its members or established for developing the business and increasing the income of the members. The objective of a cooperative shall be the satisfaction of interests of the members. A cooperative shall not aim primarily at gaining profit.

Cooperatives shall include:

- a) cooperatives obtaining raw materials for members by way of extracting raw materials;
- b) cooperatives jointly selling agricultural products or hunting and fishery produce;
- c) cooperatives producing agricultural products and manufacturing different articles, and selling them at joint expenses (agricultural and production cooperatives);
- d) cooperatives buying consumer goods by wholesale and selling them by retail;
- e) cooperatives buying and producing, as well as jointly using material and technical resources necessary for agricultural production or for hunting and fishing;
- f) agricultural-credit cooperatives;
- g) consumer (diversified) cooperatives whose legal, economic and social bases shall be governed by the Law of Georgia on Consumer Cooperatives;
- h) non-bank deposit institutes – credit unions;
- i) agricultural cooperatives whose legal, economic and social bases shall be governed by this Law unless otherwise determined by the Law of Georgia on Agricultural Cooperatives.

60.2. Deleted.

60.3. The liability of a cooperative to creditors shall be limited to its own property.

*Law of Georgia No 275 of 13 June 1996 – The Gazette of the Parliament, No 17, 3.7.1996, p. 32*

*Law of Georgia No 712 of 15 May 1997 – The Gazette of the Parliament, No 23-24, 7.6.1997, p. 9*

*Law of Georgia No 1614 of 4 July 2002 – LHG I, No 23, 24.7.2002, Art. 107*

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 818 of 12 July 2013 - website, 5.8.2013*

*Law of Georgia No 4496 of 11 November 2015 - website, 24.11.2015*

### **Article 61 – Unit; membership of cooperatives**

1. The founders of a cooperative shall determine the minimum quantity of a unit for its members. One member of a cooperative may hold several units.

2. (Deleted).

3. The application must unambiguously specify the obligation of a cooperative member for him/her to make a fixed payment (unit) under the Charter. If under the Charter members of a cooperative, must make additional payments in the amount of a guaranteed sum, the application must indicate that for the purpose of satisfying creditors the entrants shall make additional payments in an unlimited amount or shall pay an amount up to the guaranteed sum reserved in the Charter.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

### **Article 62 – Withdrawal of members from cooperatives**



1. Each member of a cooperative shall have the right to withdraw from the cooperative on the basis of an appropriate application. Rules and procedure for withdrawing from a cooperative shall be defined by the Charter.

2. Final settlement with a withdrawing member shall be performed on the basis of a balance sheet prepared as of the day of withdrawal. If a member withdraws during the course of the business year, the last balance sheet shall serve as a reference. The holdings of a member shall be paid within six months after the withdrawal; however, the withdrawing member shall have no claim with respect to the reserves and other property of the cooperative under the third paragraph of this article.

If the entire property of the withdrawing member, including reserves and holdings, is not sufficient to cover debts, the withdrawn member shall pay the cooperative from his/her share of money. The above share shall be calculated based on the number of cooperative members, unless otherwise provided for in the Charter.

The Charter may provide that members having completely paid for their unit shall have the right to claim the unit back from the reserve fund established for this purpose on the basis of the annual balance. This claim may depend on the tenure of the cooperative membership, or the Charter may provide for other conditions and restrictions.

3. A cooperative member may transfer his/her unit to any person by a written agreement at any time including during the course of the business year, and in this way the member may withdraw from a cooperative without final settlement if the transferee becomes or is already a member of the cooperative instead of the transferor. The Charter (agreement of the partners) may prohibit or require additional conditions for transfer. The board of the cooperative shall immediately submit this agreement to the Register of Enterprises and Non-entrepreneurial (Non-commercial) Legal Persons.

Transfer of a unit shall immediately be entered into the list with the transferring member. The day of registration shall be deemed to be the date of withdrawal.

4. If a member dies, membership shall devolve to his/her successors. Membership shall end at the end of the business year when the succession was opened. Several successors may exercise their voting rights through one common authorised representative.

The Charter may provide that when a cooperative member dies his/her successor becomes a member of the cooperative. Prolongation of membership under the Charter may depend on the personal factors of a legal successor. If several successors accept succession, the Charter may also provide for the condition that the membership terminates unless transferred to one of the successors within the timeframes defined by the Charter.

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

## **Article 63 – General Meeting**

1. Members of the cooperative shall exercise their rights with respect to cooperative business at General Meetings unless otherwise provided for by law.

2. The General Meeting shall make decisions by a simple majority of votes unless more votes or other requirements are provided for by law or by the Charter. The Charter may provide for an exceptional procedure for elections.

3. Each member shall have one vote, but the Charter may apportion votes differently.

4. A member may exercise his/her voting right personally or through a representative. Voting rights of a beneficiary of support when granted support under Article 1293(4) of the Civil Code of Georgia, and/or natural persons with limited competence, and voting rights of a legal person shall be exercised by their legal representatives. Voting rights of a general partnership company and a limited partnership company shall be exercised by an authorised representative. Power of attorney issued by a natural person must be certified by notary.

5. No person may participate in voting for himself/herself or for other persons if there is a decision on hearing his/her report or the report of his/her representative; or on releasing him/her from obligations, or on the cooperative raising claims against him/her or a replaced member.

6. The board shall convene the General Meeting unless other persons also are authorised by the Charter or by law to do so. The General Meeting shall be convened at least once a year unless otherwise specifically provided for in the Charter and by this Law.

7. The General Meeting shall be convened immediately if one tenth or fewer number of cooperative members as referred to in the Charter so request in a signed application indicating the specific purpose for the meeting. If the request is not satisfied, the court within whose jurisdiction the cooperative has its legal address may authorise the requesting members to convene the Meeting or announce the agenda. The authority granted by the court for convening or announcing the meeting shall be published.

8. The General Meeting shall be convened within three weeks after publication in a newspaper of Georgia as determined by the Charter.

The agenda of the General Meeting shall be announced on convening the Meeting. No decision shall be made on issues not announced three days before the Meeting. Exceptions shall apply to decisions on conducting the Meeting, as well as on convening an extraordinary General Meeting.

9. Minutes of the meeting shall be prepared containing the decisions of the General Meeting. The minutes must include the venue and the date of the meeting; the name and surname of the chairperson of the meeting; the voting type and results and the resolution of the chairperson on making decisions and other statements with respect to the minutes.

The chairperson and the members of the executive board present shall sign the minutes of the meeting. The materials for convening the meeting shall be enclosed with the minutes. Any member shall be allowed to read the minutes. The minutes shall be retained in the cooperative.

10. The General Meeting shall approve the annual balance sheet. The Meeting shall make a decision on using the annual profits or covering the annual



losses, as well as on approving reports of the executive board and the Supervisory Board. The General Meeting shall be held within three months after the end of the business year.

The annual balance sheet, the status report and the Supervisory Board report shall be displayed in the office of the cooperative or in any other place designated by the executive board for members to read them at least one week before the meeting. Each member may receive copies of the annual balance sheet, the status report, and the Supervisory Board report at his/her own expense.

11. The General Meeting shall have the exclusive authority to make decisions on making changes to the Charter (agreement of partners). The above decision shall be certified by a Notary. The below changes shall require a simple majority of votes (unless otherwise specified in the Charter (agreement of partners)):

- a) increasing the number of units;
- b) introducing or expanding participation with several obligatory units;
- c) introducing or expanding the obligation for making extra payments;
- d) introducing or expanding the withdrawing members' participation in the reserves;
- e) introducing or expanding the rights of several votes;
- f) dividing a unit.

The change to the Charter (agreement of partners) for introducing or expanding the obligation of a member with regard to using the cooperative's equipment or some other business, and/or introducing a new service, shall require nine tenths of a majority of votes. The Charter (agreement of partners) may provide for other requirements as well. The decision shall be invalid until the cooperative is registered in the Entrepreneurial Registry based on its location.

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 1974 of 3 November 2009 – LHG I, No 35, 19.11.2009, Art. 262*

*Law of Georgia No 3395 of 20 March 2015 – website, 31.3.2015*

## **Article 64 – Meeting of representatives**

1. If the number of cooperative members exceeds 500, a meeting of representatives shall be convened instead of a General Meeting. If the number of members exceeds 200, the Charter may provide that a meeting of representatives shall be held instead of a General Meeting.

2. Any legally capable individual who is a cooperative member but not a member of the executive board or the Supervisory Board may be elected as a representative.

3. Members of a cooperative shall elect at least 50 representatives for the meeting. The representatives may not delegate their rights to other persons.

4. The representatives shall be elected on the basis of universal, direct, equal elections by secret ballot. Article 63(4) of this Law shall apply for representation of members during the elections. No one may be elected a representative for more than four years.

The Charter shall determine:

- a) the number of members represented by one representative;
- b) the tenure of representation.

Other provisions regarding the election procedure, including the identification of results, may be laid down in the election regulations jointly adopted by the executive board and the Supervisory Board. The adoption shall require consent of the General Meeting. The executive board shall make a decision unanimously.

5. One substitute person shall be elected for each representative. If a representative is dismissed before his/her tenure expires, a substitute person shall replace him/her. The substitute person may only be elected together with the representative for the same tenure as determined for electing representatives.

6. A list of elected representatives and elected substitute persons shall be displayed in the cooperative office for a period of two weeks for the members to read it. The list shall be published in an official gazette of Georgia or in a newspaper specified by the Charter. The first day for displaying the list shall be the date of its publication. Each member shall be immediately provided a copy of the list at his/her request.

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

## **Article 65 – Supervisory Board**





1. A cooperative may, under its Charter, provide for the establishment of Supervisory Board and determine the number of Supervisory Board members.
2. A cooperative member may, depending on business results, receive compensation by decision of the General Meeting, unless otherwise provided for in the Charter.
3. A member of the Supervisory Board may not at the same time be a member of the executive board (a director) or his/her deputy or otherwise conduct the business of the cooperative. Any member who has withdrawn from the executive board on his own initiative may not be elected as a member of the Supervisory Board before having his/her report approved, unless otherwise provided for in the Charter.
4. As provided in the Charter, the Supervisory Board shall control the executive board of directors in all aspects of management when conducting business. The Board shall obtain any information on the progress of the cooperative business for this purpose. The Supervisory Board may, at any time, request the board for the report and examine, directly or through designated person, the accounting books and records, as well as the status of the securities and the goods. The Supervisory Board shall inspect the annual balance sheet, the status report and the annual profit-sharing proposals. The Board shall report on the results of the inspection to the General Meeting before the annual balance sheet is approved.
5. The Supervisory Board shall convene the General Meeting in the manner laid down by law, unless otherwise provided for in the Charter.
6. Other functions of the Supervisory Board may be determined by the Charter. The members of the Supervisory Board may not delegate their functions to other persons, unless provided for in the Charter.
7. As provided in the Charter, the Supervisory Board may represent the cooperative together with the executive board in concluding agreements with third parties and in conducting proceedings against a member of the cooperative, if the General Meeting so decides. Any credit granted to a member of the board of directors shall require approval of the Supervisory Board, unless otherwise provided for in the Charter. The same procedure shall apply to granting a credit when a member of the executive board gives security.

*Law of Georgia No 1781 of 24 June 2005 – LHG I, No 40, 18.7.2005, Art. 279*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 6324 of 25 March 2012 – website, 12.6.2012*

#### **Article 66 – Executive board. Directors**

1. The executive board of a cooperative shall consist of at least two directors (members of the executive board) who may not be members of the cooperative, unless otherwise provided for in the Charter.
2. The directors shall be elected for a term of four business years, unless otherwise provided for in the Charter.
3. In the other cases, article 9 of this Law shall apply.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 6324 of 25 May 2012 – website, 12.6.2012*

#### **Article 67 – Deleted**

*Law of Georgia No 6324 of 25 May 2012 – website, 12.6.2012*

#### **Article 68 – profit and loss sharing**

When approving the annual report, the annual profits or losses allowed for members of a cooperative shall be shared among them. Profit or loss for the first business year shall be shared in proportion to the contributions of members. Profit or loss for each succeeding year shall be shared by adding up profits and writing off losses in proportion to the total amount of units available at the end of previous business year. Profits shall be added until the amount of units is reached.

The Charter may provide for other procedures for sharing profits and losses. Profits shall not be shared until the amount of units reduced due to losses is reached.

The Charter or a resolution of the General Meeting may provide for adding profits, in whole or in part, to the reserve fund.

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

### **Chapter VI - Transitional Provisions**

*Law of Georgia No 1510 of 26 June 1998 – The Gazette of the Parliament, No 25-26, 15.7.1998, p. 36*

#### **Article 69 – Transitional and conclusive provisions**



1. Enterprises having started business before 15 April 2008 shall continue with their activity and re-registration under this Law shall not be required.
2. The Ministry of Finance of Georgia shall provide the forms of documents under Article 4(5) of this Law and shall ensure that they are available, including electronically.
3. Procedures under Article 14 of this Law shall not apply to enterprises whose liquidation process has started as of 15 April 2008.
4. If the pledged shares of enterprises have been registered with the Entrepreneurial Register in the manner applicable before 10 May 2008, the current terms of pledge shall be effective until the pledge is cancelled or re-registered under this Law in the manner agreed to with the pledgee.
5. The Government of Georgia shall define the rules and procedures for re-domiciling.
6. The term 'charter capital' in the legislation of Georgia may be used at the establishment of a company as meaning its capital (sum of contributions), ownership capital, product of the company stock and the number of stocks at par, and total number of votes of enterprise partners. For the purpose of harmonising the legislation of Georgia, the Government of Georgia shall submit to the Parliament of Georgia before 10 August 2008 draft laws on changes to the respective laws. Based on the above changes, the term 'charter capital' shall be replaced with an appropriate term.
7. If the entities are registered by a competent authority as taxpayers, and their registration documents are submitted to the relevant authority at the time of tax registration evidencing that an authorised person has applied to register an entrepreneurial legal person, as well as a branch (permanent establishment) of a foreign entrepreneurial legal person, they shall be deemed so registered from the moment of tax registration.
8. A legal person, an individual entrepreneur or a branch of a foreign enterprise whose activity is related to job placement and/or assisting in job placement outside Georgia must enter the amendment provided for under Article 5(8) of this Law in their registration documentation before 1 May 2016.

*Law of Georgia No 1510 of 26 June 1998 – The Gazette of the Parliament, No 25-26, 15.7.1998, p. 36*

*Law of Georgia No 5913 of 14 March 2008 – LHG I, No 7, 26.3.2008, Art. 33*

*Law of Georgia No 2979 of 27 April 2010 – LHG I, No 24, 10.5.2010, Art. 145*

*Law of Georgia No 4946 of 24 June 2011 – website, 13.7.2011*

*Law of Georgia No 3419 of 1 April 2015 – website, 22.4.2015*

#### **Article 69<sup>1</sup> – Legal regulation during transition period in relation to persons declared as legally incompetent by court before 1 April 2015**

1. Voting rights of a person declared as legally incompetent by court before 1 April 2015 shall be exercised by his/her legal representative until the individual examination of the legally incompetent person is conducted.

*Law of Georgia No 3395 of 20 March 2015 – website, 31.3.2015*

#### **Article 70 – Reorganisation of government enterprises**

1. The state or local self-government and governmental authorities shall ensure, before 1 September 1999, together with the Ministry of State Property Management of Georgia or its territorial agencies, transformation of their established government enterprises into limited liability or joint stock companies (with 100 per cent state shareholding) in the manner laid down by the applicable legislation.
2. The limited liability or joint stock companies established after the reorganisation shall be successors to the government enterprises.
3. The current government enterprises may undertake new obligations within the reorganisation period only in agreement with the founding state authority. The same procedure shall apply to the purchase, alienation or encumbering of immovable things.

*Law of Georgia No 1805 of 19 February 1999 – LHG I, No 6(13), 4.3.1999, Art. 23*

*Law of Georgia No 2042 of 28 May 1999 – LHG I, No 20(27), 9.6.1999, Art. 100*

#### **Article 71 – Fee for registration of individual enterprises**

Article 5<sup>1</sup>(15) of this Law be enacted as of 1 January 2002.

*Law of Georgia No 835 of 30 March 2001 – LHG I, No 10, 19.4.2001, Art. 36*

**Chairman of the Parliament of Georgia**

**Head of State**

**Eduard Shevardnadze**



Tbilisi

28 October 1994

No 577-IS

**Annex I**

**(Deleted)**

*Law of Georgia No 535 of 13 December 1996 – The Gazette of the Parliament, No 1-2, 22.1.1997, p. 9*

*Law of Georgia No 3139 of 25 May 2006 - LHG I, No 18, 31.5.2006, Art. 133*

**Annex II –**

**(Deleted)**

*Law of Georgia No 382 of 14 June 2000 – LHG I, No 23, 23.6.2000, Art. 62*

*Law of Georgia No 1830 of 30 June 2005 – LHG I, No 41, 19.7.2005, Art. 298*

*Law of Georgia No 3139 of 25 May 2006 - LHG I, No 18, 31.5.2006, Art. 133*

### **Resolution of the Parliament of Georgia**

#### **On the Law of the Republic of Georgia on Entrepreneurs**

The Parliament of Georgia resolves:

1. The Law of the Republic of Georgia on Entrepreneurs shall be effective as of 1 March 1995.
2. The enterprises established under private (civil) law before the enactment of the Law of the Republic of Georgia on Entrepreneurs shall be subject to reregistration before 1 January 1996 under the requirements of this Law.
3. Joint ventures established before the enactment of the Law of the Republic of Georgia on Entrepreneurs shall before 1 January 1996 be transformed into limited liability companies, unless they are subject to transformation into joint stock companies under Article 2(4) of this Law.
4. Procedures under Article 5(8) of the Law of the Republic of Georgia on Entrepreneurs shall apply to enterprises that fail to comply with the requirements of Articles 2 and 3 of this Resolution.
5. Only the business legal forms provided for in this Law shall be used when privatising government enterprises.
6. The following shall be deemed invalid from the effective date of this Law:
  1. Law of the Republic of Georgia on Basic Principles of Entrepreneurial Activity of 25 July 1991;
  2. Article 7(2)(a and b) and Article 7(3, 4 and 5) of the Law of the Republic of Georgia on Press and Other Media of 10 August 1991;
  3. Articles 10-26 of the Law of the Republic of Georgia on Foreign Investments of 25 July 1991;
  4. Article 17(2) of the Law of the Republic of Georgia on National Bank of 2 August 1991;
  5. Article 2, Article 8(1) and Articles 14-18 of the Law of the Republic of Georgia on Banks and Banking of the Republic of Georgia;
  6. Ordinance of the Government of the Republic of Georgia on Approving Regulation on Business Partnerships in the Republic of Georgia of 7 August 1992;
  7. Ordinance No 891 of the Government of the Republic of Georgia on Approving Regulation on State-owned Enterprises of 4 September 1992;
  8. Paragraphs 3-13 of the Interim Regulation approved by Ordinance No 876 of the Government of the Republic of Georgia on Approving Interim Regulation on Securities of 31 August 1992;
  9. Ordinance No 990 of the Government of the Republic of Georgia on Approving Regulation on Individual Entrepreneurship and Individual



Enterprises of 12 September 1992;

10. Ordinance No 183 of the Cabinet of Ministers of the Republic of Georgia on Approving Regulation on Local (Municipal) Enterprises of 8 March 1993;

11. Ordinance No 336 of the Cabinet of Ministers of the Republic of Georgia on Approving Regulation on Limited Liability Companies of 27 April 1993;

7. All other subordinate acts or their certain standards contradicting the Law on Entrepreneurs shall be deemed invalid;

8. The Cabinet of Ministers of the Republic of Georgia, when drawing up the draft budget of the Republic of Georgia for 1995, shall provide for material and financial security costs for registering enterprises with courts;

9. (Invalid).

*Resolution of the Parliament of Georgia No 536 of 13 December 1996 – The Gazette of Georgia, No 1-2, 22.1.1997, p. 8*

10. The Ministry of Internal Affairs of the Republic of Georgia shall be assigned to ensure timely and free issuance of certificates by the information centre under Article 5(5)(e) of this Law.

**Deputy Speaker of the Parliament of Georgia**

**Vakhtang Rcheulishvili**

**Tbilisi, 28 October 1994**

