



Commerce Law

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Part I**GENERAL PART**

Chapter 1

GENERAL PROVISIONS

**Merchant
Article 1**

- (1) (Amended, SG No. 83/1996) For the purposes of this Law a merchant shall mean any natural or legal person engaged by occupation in any of the following transactions:
1. purchasing goods or other chattels for the purpose of reselling them in their original, processed or finished form;
 2. sale of one's own manufactured goods;
 3. purchasing securities for the purpose of reselling them;
 4. commercial agency and brokerage;
 5. commission, forwarding and transportation transactions;
 6. insurance transactions;
 7. banking and foreign-exchange transactions;
 8. bills of exchange, promissory notes and cheques;
 9. warehousing transactions;
 10. licence transactions;
 11. supervision of goods;
 12. transactions in intellectual property;
 13. hotel operation, tourist, advertising, information, entertainment, impresario and other services;
 14. purchase, construction or furnishing of real property for the purpose of sale;
 15. leasing.
- (2) Merchants are:
1. the companies;
 2. the cooperatives, except housing cooperatives.
- (3) Any person which has established a business, which in accordance with its purposes and volume requires that its activities be conducted on a commercial basis even if not listed under paragraph 1, shall also be deemed a merchant.

**Persons Who Are Not Merchants
Article 2**

The following shall not be deemed merchants:

1. natural persons engaged in farming;

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

Chapter 2

COMMERCIAL REGISTER

Keeping a Commercial Register

Article 3

- (1) Each district court shall keep a commercial register in which it shall register all merchants and all other relevant circumstances pursuant to this Law.
- (2) Other registers for individual types of merchants may be kept by virtue of a law.

Obligation to Register

Article 4

- (1) Every merchant must apply for registration in the commercial register by declaring the circumstances established by the preceding article.
- (2) The persons which shall be under an obligation to declare the circumstances subject to registration shall be determined by law.
- (3) Any person under an obligation to apply for registration, or respectively to present the documents or signatures provided for in this Law, shall do so within seven days of the occurrence of the circumstance, unless the law provides otherwise.

Force of Entry

Article 4a (New – SG No. 84/2000)

Third party shall refer to all circumstances subject to entry even though they have not been entered, unless the Law provides they shall be in force after the entry in the register.

Public Nature of the Commercial Register

Article 5

Everyone shall be free to inspect the commercial register and the documents pursuant to which the entries have been made, as well as to obtain copies thereof.

Publishing of Registration

Article 6

The court shall publish the registrations made in the commercial register in the State Gazette when required by law.

Chapter 3

TRADE NAME AND SEAT

Definition **Article 7**

- (1) A trade name shall be the name under which a merchant shall carry on its business and under which it shall sign.
- (2) In addition to the necessary content established by law, a trade name may also denote the purposes of a business, the names of the partners, and a freely chosen extension. A trade name must correspond to the truth, must not deceive, and must not be offensive to public order and morals.
- (3) The merchant shall mandatorily inscribe its trade name in Bulgarian. It may additionally inscribe it in a foreign language.

Trade Name of a Branch **Article 8**

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

Trade Name During Liquidation **Article 9**

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

Change of Trade Name **Article 10**

- (1) A trade name may be changed upon an application by the merchant which has registered it.
- (2) Should a trade name contain the name of a retiring partner, it may be preserved only with that partner's consent.

Exclusive Right **Article 11**

- (1) A trade name may be used only by the merchant which has registered it.
- (2) In case of use of another's trade name the interested parties shall be free to seek an injunction, as well as damages for such use.

Seat and Registered Office **Article 12**

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

Obligation to Provide Data

Article 13

- (1) (prev. Art. 13 – SG 84/2000) A merchant shall provide the following data on all its commercial correspondence: trade name; seat and registered office; court of registration; registration number and bank account. A merchant may also provide a forwarding address.
- (2) (New, SG 84/2000) In the commercial correspondence of a branch except the data under the previous paragraph concerning the merchant opened the branch, shall be obligatory to indicate also the court of the registration of the branch and the its number of registration.

Change of Seat

Article 14

- (1) Any relocation of a merchant's registered office to another community shall be declared before the court with which the merchant is registered, within the time period set forth in Article 4, paragraph 3.
- (2) A relocation of the registered office to the district of another court shall be declared within the time period set forth in the preceding paragraph before the court where the merchant's new registered office shall be located.
- (3) The court of the original registration shall forthwith forward through official channels the merchant's commercial file to the court where the new registered office is located.

Chapter 4

ENTERPRISES AND TRANSACTIONS WITH THEM

Transactions With an Enterprise

Article 15

- (1) An enterprise as a set of rights, obligations and factual relations shall be transferable by a transaction in writing with the signatures attested by a notary public. The transferor shall advise all creditors and debtors of the effected transfer.
- (2) Absent another agreement with the creditors, upon the transfer of an enterprise the transferor shall be liable jointly and severally with the transferee. Creditors of recoverable liabilities shall first address the transferor.

Registration

Article 16

- (1) The transfer of an enterprise shall be registered in the commercial register in the sections of both the transferor and the transferee, and shall be published in the State Gazette.
- (2) (Amended – SG 104/1996) Should the contract transfer real property or another interest therein, the contract shall be registered with the recordation office as well.

Creditors Secured**Article 16a** (Added SG No 42/1999)

Six months after the publication of the enterprise transfer the creditors of the transferor may claim from the transferee performance or security according to their rights. Transferred enterprise shall be managed separately within the six – month term.

Chapter 5

BRANCHES

Branch**Article 17**

- (1) A merchant may open a branch outside the community where its seat is located.
- (2) A branch shall be registered in the commercial register of the court in whose district its seat is located.
- (3) The registration shall be made on the basis of a written application which shall stipulate:
 1. the merchant's trade name, seat and purposes;
 2. the merchant's registered capital, when required by law;
 3. the seat and purposes of the branch;
 4. the branch manager.
- (4) The application shall be accompanied by a certificate of the merchant's registration.
- (5) The court in which the branch has been registered shall forthwith forward a copy of the court's ruling on the registration to the court where the merchant is registered. The registration shall be done as a matter of course.

Relocation of a Branch**Article 18**

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

Account Books of a Branch**Article 19**

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

Jurisdiction**Article 20**

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

Chapter 6

AGENCY

Section I Direct Agency

Procurator (Manager) Article 21

- (1) (Amended – SG 70/1998) A procurator shall be a natural person commissioned and authorized by a merchant to manage its enterprise for compensation. Such authority may be given to more than one person for either a separate or joint exercising of the procuration. The signatures on the procurator's mandate (procuration) shall be notarized and it shall be submitted by the merchant for registration in the commercial register together with a specimen signature of the procurator.
- (2) A procurator shall sign by adding his own name to the merchant's trade name and an extension indicating the procuration.

Procurator's Powers Article 22

- (1) A procurator shall be entitled to perform or effect any acts or transactions related to the carrying on of the business activities, to represent the merchant, and to authorize third parties to perform specific acts. He may not authorize third parties with those of his powers which are derived by operation of law.
- (2) A procurator may not alienate or encumber any real property of the merchant except when expressly authorized to do so. The authorization may be restricted to the business of a single branch. No other restrictions shall be binding upon third parties.

Relationship Between Merchant and Procurator Article 23

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

Binding Effect of Authorization upon Third Parties Article 24

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

Termination of Authorization Article 25

- (1) An authorization shall be terminated upon withdrawal by the merchant, and the registration of such withdrawal in the commercial register.
- (2) An authorization shall not be terminated by virtue of a merchant's death or placing under judicial disability.

Agent
Article 26

- (1) An agent shall be a person authorized by a merchant to perform, for compensation, the acts set forth in the mandate. Absent any other instructions, an agent shall be deemed authorized to perform all acts related to the merchant's usual business. The authorization shall be made in writing and the signature shall be notarized.
- (2) An agent shall need express authorization to alienate or encumber real property, to accept bills of exchange, to obtain a loan, or to engage in litigation. Any other restrictions on its mandate shall be binding upon a third party only if that party new or ought to have known of such restrictions.
- (3) An agent may not transfer its powers to a third party without the merchant's consent.
- (4) An agent shall sign by adding its own name to the trade name and an extension indicating the agency.

Relationship Between Merchant and Agent
Article 27

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

Termination of the Mandate
Article 28

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

Restrictions and Liability
Article 29

- (1) A procurator or agent may not, without the merchant's consent, effect commercial transactions either on their own behalf or on the behalf of a third party within the framework of their authorization. Consent shall be deemed given if at the time of authorization the merchant knew of the carrying on of such activities and their termination was not agreed upon expressly.
- (2) In case of a breach of the obligations set forth in the preceding paragraph the merchant shall be entitled to seek damages or to state that the transactions effected by the authorized persons have been effected on its behalf. The statement shall be made in writing not later than one month of its becoming aware of the transaction, but not later than one year of the effecting of the transaction, and shall be addressed to the procurator or agent and to the third party.
- (3) Actions pursuant to paragraph 2 shall expire by limitation after five years from the date the transaction was effected.

Shop Assistant
Article 30

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

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

Restrictions
Article 31

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

Section II Sales Representative

Definition
Article 32

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

Sales Representative's Obligations
Article 33 (Amended, SG No. 83/1996)

A sales representative shall cooperate or effect transactions with due care, taking into consideration the merchant's interests. It shall forthwith notify the merchant of any transaction effected by it.

Merchant's Obligations
Article 34

- (1) A merchant shall provide the sales representative with all relevant information concerning the conclusion and performance of a contract.
- (2) A merchant shall forthwith notify the sales representative whether it accepts a transaction effected without authorization.

Commission Under Del Credere Contracts
Article 35

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

Right to Commission
Article 36

- (1) A sales representative shall be entitled to a commission for all transactions effected by it or through its assistance during the term of its contract with the merchant.

- (2) Where a sales representative is entrusted with a specified territory or circle of clients, it shall also be entitled to a commission for all transactions concluded without its assistance, but with persons from the same territory or with the same clientele.
- (3) A sales representative shall be entitled to a commission for any of the merchant's claims which it has collected.
- (4) Either party shall be entitled to request from the other abstracts from the account books concerning the transactions concluded on the basis of the agency agreement.

Commission Rate

Article 37

Where the commission has not been agreed upon, it shall be deemed to amount to the customary rate paid for the specific activities.

Commission Payment Term

Article 38

A sales representative's commission shall be paid on a monthly basis, unless the agreement provides otherwise.

Reimbursement for Customary Expenses

Article 39

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

Compensation Upon Termination or Avoidance

Article 40

- (1) A sales representative shall be entitled to a compensation upon termination of its agreement, when the merchant continues to enjoy benefits from the clientele established by the sales representative.
- (2) Such compensation shall be equal to the sales representative's average annual commission for the entire duration of its agreement.
- (3) Compensation pursuant to the preceding paragraph shall not be due when the agreement is avoided through the sales representative's fault.
- (4) Upon termination of the agreement the sales representative may claim compensation for already concluded or pending contracts.

Restrictions Following Termination of Contract

Article 41

- (1) Any restrictions on the activities of a sales representative subsequent to the termination of the agreement shall be agreed upon in writing.
- (2) Restrictions must encompass the same territory and type of goods or services as the agency agreement. They may not be for more than two years following the termination of the contract. The merchant shall owe a respective compensation for the period of restriction.

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

Effect of Restriction
Article 42.

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

Ratification of Contract
Article 43

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

Prohibition on Representation of Competitors
Article 44

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

Scope of Agency
Article 45

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

Relationship Between Merchant and Sales Representative
Article 46

- (1) The internal relationship between the sales representative and the merchant shall be governed by the agreement between them. Absent any other provision, a sales representative shall arrange for its own premises. If the compensation is not indicated in the agreement, the customary compensation for the type of representation shall be due.
- (2) Representation under the preceding paragraph may not be delegated to another party in the same territory.
- (3) A sales representative shall indicate in the documents issued by it and on its commercial correspondence the information required under Article 13.

Termination of Representation
Article 47

- (1) Where the sales representation agreement has been concluded for an indefinite term, during the first three years following the date of conclusion each of the parties may terminate it with a monthly notice and, after the end of the third year, with a three months' notice.

- (2) An agreement which has been concluded for a definite period may be terminated before its expiration if the party wishing to terminate it compensates the other party for the damages caused.
- (3) The rights of the sales representative under Article 40 may not be prejudiced by the termination pursuant to paragraphs 1 and 2.
- (4) A sales representative which has ceased its activities shall apply to the court, within the time period set forth in Article 4, to delete its registration.
- (5) Should a representation be terminated by reasons of death or placing under disability of the sales representative, the heirs or, respectively, the guardian, and in case of bankruptcy the respective court, shall inform the court of the deletion.
- (6) Where no application has been made for the deletion pursuant to the previous paragraph, the deletion shall be made by the court on its own motion as soon as it learns of the grounds thereof.

Applicability
Article 48

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

Section III Broker

Definition
Article 49

- (1) A broker shall be a merchant which by occupation acts as an intermediary so that transactions may be entered into.
- (2) As far as brokerage for contracts for the carriage of goods by sea and for stock exchange transactions are concerned, the provisions for the said activities shall apply even when the brokerage is performed by a mercantile broker.

Broker's Journal
Article 50

- (1) A broker shall keep a journal in which it shall record on a daily basis all executed contracts. At the end of each day the broker shall date and undersign all entries for that day.
- (2) Contracts shall be recorded consecutively in the order of their execution; an entry shall include the names of the contracting parties, the time of execution of the contract and the essential arrangements.
- (3) A broker must, upon request, provide the parties with an abstract from its journal containing the full entry concerning their contract.

Brokerage
Article 51

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

Section IV Trade Secrets

Obligation to Protect Trade Secrets

Article 52

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

Chapter 7

ACCOUNT BOOKS

Obligation to Keep Accounts

Article 53

- (1) A merchant shall keep accounts in which it shall record the movements of its enterprise's property. Such movements shall be recorded in chronological order.
- (2) A merchant shall, through inventory performed within the time periods prescribed by the Law on Accountancy, establish the availability and value of the items of the assets and liabilities of its enterprise's property.
- (3) A merchant shall sum up the results of its commercial activities on the basis of the entries in its books and inventory, and prepare an annual financial statement and, where necessary, the relevant accounting notes. The annual financial statement shall be verified by a certified public accountant.

Continuity Of Opening and Closing Balance Sheet

Article 54

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

Admissibility as Evidence

Article 55

- (1) Regularly kept account books and entries therein shall be admissible as evidence between merchants for establishing commercial transactions.
- (2) Account books kept in violation of the provisions of this Law or the Law on Accountancy shall be inadmissible as evidence in favor of the party whose duty it is to keep them.

Part II**TYPES OF MERCHANTS**

DIVISION ONE SOLE PROPRIETOR

Chapter 8

NATURAL PERSON MERCHANT

Definition**Article 56**

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

Restrictions**Article 57**

Ineligible to be a sole proprietor shall be a person:

1. who is bankrupt and his rights have not been restored;
2. who has intentionally gone bankrupt and has left unsatisfied creditors.
3. who has been convicted for bankruptcy.

Registration**Article 58**

- (1) A sole proprietor shall be registered on the basis of an application which shall state:
 1. the name, domicile, address and Unified Civil Code (EGN);
 2. the trade name under which the activities shall be carried on;
 3. the seat and the address of the registered office;
 4. the purposes of the business.
- (2) A specimen of the merchant's signature and an affidavit stating that the person has not been deprived of the right to carry on commercial activities shall be attached to the application.
- (3) (Amended – SG 124/1997) The data pursuant to para (1) shall be registered.
- (4) (Former Paragraph 2 SG 124/1997) A person may register only one trade name as a sole proprietor.

Trade Name of Sole Proprietor**Article 59**

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

Transfer of Trade Name
Article 60

- (1) A sole proprietor's trade name may be transferred to a third party only together with his enterprise. The consent to transfer a trade name shall be given in accordance with Article 15, paragraph 1.
- (2) A sole proprietor's heirs, on acquiring the enterprise, shall be free to retain its trade name.
- (3) In cases under the preceding paragraphs the new owner's name shall be added to the trade name.
- (4) The transfer shall be registered in the commercial register and shall be published in the State Gazette.

Deletion from the Commercial Register
Article 60a (New, SG 84/2000)

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

1. in case of termination of his activity or establishment of a residence abroad – upon his written request to the court;
2. in case of his death – upon written request by his successors;
3. in case of his judicial disability – upon written request by the guardian or trustee.

DIVISION TWO STATE-OWNED AND MUNICIPAL ENTERPRISES

Chapter 9

PUBLIC ENTERPRISE MERCHANT

Status
Article 61

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

Formation
Article 62

- (1) State-owned enterprises shall be formed as or transformed into single person limited liability companies or single person joint stock companies pursuant to a procedure to be established by a law.
- (2) Municipal enterprises shall be formed as or transformed into single person limited liability companies or single person joint stock companies through a resolution of the municipal council.
- (3) State-owned enterprises which are not companies may be formed with a law.

DIVISION THREE COMPANIES

Chapter 10

GENERAL PROVISIONS

Definition

Article 63

- (1) A company is an association of two or more persons for effecting commercial transactions with joint means.
- (2) In cases provided by a law a company may be incorporated by one person.
- (3) Companies shall be legal persons.

Types of Companies

Article 64

- (1) The types of companies are:
 1. general partnership;
 2. limited partnership;
 3. limited liability company;
 4. joint stock company;
 5. partnership limited by shares.
- (2) Only the companies set forth in this Law may be established.
- (3) Banking and insurance activities may be carried out only by joint stock companies or cooperatives.

Partners in a Company

Article 65

- (1) A company's founders shall be Bulgarian or foreign natural or legal persons possessing capacity.
- (2) A person may participate in one or more companies to the extent such participation is not prohibited by law.
- (3) (New – SG 84/2000) If a company participates in another, its rights of a partner or sole owner shall be executed by the person having the right to represent it or by explicitly authorized person.

Preliminary Agreement to Form a Company

Article 66

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

Formation of a Company

Article 67

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

Interpretation of the By-Laws

Article 68

The will of the parties and the objective of the interpreted provision shall be taken into account when interpreting the by-laws.

Liability for Acts Performed by the Company Prior to Registration

Article 69

- (1) Any acts by the founders performed in the name of the as yet unincorporated company prior to the date of its registration shall create rights and obligations for the persons who have carried out the said acts. When transactions are effected it shall mandatorily be noted that incorporation is pending. The persons who have effected the transactions shall be liable jointly and severally for undertaken obligations.
- (2) When the transaction has been effected by the founders or a person authorized by them, the rights and obligations shall be transferred ex lege to the incorporated company.

Voidability of Incorporated Company

Article 70

- (1) (Amended – SG 84/2000) The incorporation of a company shall void only if one of the following offences has been admitted:
 1. if has not been concluded Articles of Partnership or it has not been concluded in the required form by the law;
 2. if the requirement of Art. 159 and 163 have not been fulfilled for the joint stock company and the partnership limited by shares;
 3. if the company has been registered not by the court of its seat;
 4. if the purposes of the business of the company contradict the Law or the Good manners;
 5. if the Articles of Partnership or the By-laws do not regulate the trade name, the purposes of the business of the company or the size of the contributions, as well as the registered capital of the company when the Law requires it;
 6. if the stipulated by the Law part of the registered capital has not been installed;
 7. if in the founding of the company have participated legally able persons lees than the number required by the law.
- (2) (Amended, SG 84/2000) Any interested party, as well as the public prosecutor, may request the district court of the registration of the company, the company be declared void. In the cases under par. 1, item 3-6, the court shall declare the company void, if the offence has not been already eliminated or it has not been eliminated within suitable term defined by the court.

- (3) The court's ruling to declare the company void shall be effective from the date of entry into force. As of that moment the company shall be deemed terminated and that fact shall be registered on the court's own motion in the commercial register, after which liquidation shall be carried out by a court-appointed liquidator.
- (4) Where acts in the name of the company declared void have been carried out, the founders shall be liable jointly and severally and their liability shall be unlimited.
- (5) (New, SG-84/2000) Article 498 of the Civil Procedure Code shall not apply concerning the company formation.

Protection of Partnership

Article 71

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

Non-Monetary Contributions

Article 72

- (1) Should a partner or, respectively, a shareholder, make a non-monetary contribution, the articles or, respectively the by-laws, shall state the name of the contributor, a full description of the non-monetary contribution, its monetary value, and the grounds for the contributor's rights.
- (2) (Supplemented – SG 103–1993, Amended, SG-84/2000) The contribution in a limited liability company, a joint stock company or a partnership limited by shares shall be valued by three experts appointed by the court which shall register the company, at the request of the contributor. The valuation shall comprise the full description of the non-monetary contributions, the evaluation method, the obtained assessment and its compliance with the size of the partners' interest in the capital or with the number, nominal value or emissions value of the shares, registered by the contributor. The valuation shall be presented for entry in the register, after it has been accepted by the court.
- (3) (New, SG-84/2000) The valuation stated in the articles of the company or, respectively, the by-laws, shall not be higher than the valuation assigned by the experts before the court.
- (4) (Previous Par. 3, SG-84/2000) If the contributor do not agree with the valuation, he may participate in the company with monetary contribution or may withdraw from participation in the company.
- (5) (Previous Par. 4, SG-84/2000) The contribution shall not have as a subject future labor or services.

Paying Up of Non-Monetary Contributions

Article 73

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

- (2) The contribution of any other rights shall be made pursuant to the form the law provides for their creation or transfer.
- (3) (Supplemented, SG-84/2000) The contribution of a claim shall be made with the articles or, respectively, the by-laws, and the contributor shall attach evidence of having notified the debtor for the transfer of the claim. The requirement for notification shall not apply if the claim regards the company itself;
- (4) Title to a contribution shall be acquired from the moment of the company's formation.
- (5) (Amended – SG 104/1996) Where a contribution has as a subject a real right over real property, the respective organ of the company shall, after such right has arisen, present an abstract of the articles, certified by a recordation judge, for recording in the recordation office and, whenever necessary, separately the contributor's consent as well. Such organ shall present an abstract of the by-laws certified by a recordation judge and the contributor's consent. In making the recording the recordation judge shall ascertain the contributor's rights.

Abolishment for remission and deduction

Article 73a (New, SG- 84/2000)

The obligation of the partners in a limited liability company and of the shareholders in a joint stock company for installments in the registered capital, can not be remitted, except in case of its reduction, neither it can be deducted.

Hidden non-monetary installment.

Article 73b (New, SG- 84/2000)

- (1) A decision of the general meeting of the shareholders shall be required in case a joint stock company within two years from its founding, acquires rights at a price exceeding with 10 % of its capital from a person who has registered stocks at the founding of the company and Art. 72, par. 2 shall apply for the transferred rights.
- (2) The transaction shall enter into force from the entry of the decision of the general meeting in the commercial register. The decision shall be published in State Gazette.
- (3) Paragraphs 1 and 2 shall not apply for rights acquired during the usual activity of the company, at the stock exchange or under supervision of the court or state body.

Repeal of a Resolution of the Company's General Meeting

Article 74

- (1) Every partner or shareholder may bring an action before the district court of the company's seat for the repeal of a resolution of the general meeting when such resolution is inconsistent with a mandatory provision of the law or with the articles or, respectively, the by-laws of the company. The action shall be brought against the company.
- (2) The action shall be brought within 14 days of the date of the meeting when the plaintiff was present or was duly notified, or otherwise within 14 days of learning of the resolution, but not later than three months after the date of the general meeting.

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

Subsequent Voiding of Annulled Resolution
Article 75

- (1) The instructions given by the court in repealing a general meeting resolution concerning the interpretation of the law, the memorandum of association or the by-laws shall be binding on the general meeting whenever it discusses the same issue again.
- (2) Resolutions or acts by the company's organs which are in contravention of an effective court ruling are null and void. Each partner or shareholder may at any moment refer to such nullity or request its proclamation by the court.

Chapter 11

GENERAL PARTNERSHIP

Section I General Provisions

Definition
Article 76

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

Trade Name
Article 77

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

Content of Articles of Partnership
Article 78

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

1. the name and domicile or, respectively, the trade names and seat, as well as the address of each partner;
2. (Amended – SG 124/1997) the trade name, the seat, the registered office and the purposes of the partnership;
3. the type and amount of each partner's contribution and the valuation thereof;
4. the manner of distribution of profits and losses among the partners;
5. the manner of management and representation of the partnership.

Registration of the General Partnership
Article 79

- (1) The application for registration of the general partnership in the commercial register shall be signed by all partners and the articles of partnership shall be attached to it.
- (2) Registered in the register shall be the information under items 1, 2 and 5 of the preceding article.
- (3) The persons authorized by the articles of partnership to represent the partnership shall submit specimen signatures.

Section II Partners' Relationships

Primacy of the Articles
Article 80

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

Compensation for Expenses and Damages
Article 81

- (1) A partner shall be entitled to reimbursement for necessary expenses incurred in the course of the partnership's business and to compensation for damages suffered in connection with such business.
- (2) The partnership shall pay the interest as set by law on such expenses incurred or damages suffered by a partner.

Obligation to Pay Interest
Article 82

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

Prohibition on Competition
Article 83

- (1) A partner may participate in another company or enter into transactions related to the purposes for which the partnership was set up, on its own account or on account of a third party, only with the consent of the other partners.
- (2) In case of a violation of paragraph 1 the partnership may request compensation for the damages suffered or state that it shall assume the rights and obligations under the concluded transactions. The statement must be made in writing within one month of acquiring knowledge of the transaction, but not later than one year of its conclusion, and be forwarded to the partner and the third party.

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

Management Article 84

- (1) Each partner shall be entitled to take part in the management of the partnership's business, except when management has been assigned with the articles of partnership to one or several of the partners or to a third party.
- (2) The consent of all partners shall be required for the acquisition or disposal of real rights over real property, for the appointment of a manager who is not a partner, or for executing an agreement for a cash loan exceeding a sum fixed in the articles of partnership.

Revocation of Management Assignment Article 85

The resolution to assign the management to one or several partners may be revoked by the district court of the partnership's seat upon an action brought by some of the partners, if the managers have committed a breach of their obligations, as well as on other grounds provided for in the articles of partnership. The ruling shall be registered upon the court's own motion.

Partner's Right to Exercise Control Article 86

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

Resolutions Article 87

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

Section III Partners' Relationship With Third Parties

Liability of the General Partnership Article 88

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

Representation Article 89

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

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

Revocation of Representative Powers

Article 90

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

Partners' Plea

Article 91

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

Liability of Newly Admitted Partners

Article 92

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

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

Grounds for Dissolution

Article 93

A general partnership shall be dissolved upon:

1. expiration of its term or under other circumstances provided in the articles of partnership;
2. the agreement of the partners;
3. declaring the partnership bankrupt;
4. where there is no other provision, death or the placing under judicial disability of a partner or dissolution of a partner which is a legal person;
5. request of the trustee in bankruptcy in case of bankruptcy of a partner;
6. notice of termination from a partner;
7. a court ruling in the cases established by law.

Dissolution upon Notice from a Partner

Article 94

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

Dissolution by Court Order. Dismissal of Partner
Article 95

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

Dissolution upon Notice from a Private Creditor of a Partner
Article 96

- (1) The creditor of a partner which in the course of six months cannot be satisfied by forcible execution upon the debtor's personal property may attach that partner's liquidation share and request the dissolution of the partnership upon a notice in writing pursuant to the procedure set forth in Article 94.
- (2) A partnership shall not be dissolved in case the partnership or the remaining partners repay the debt following the attachment pursuant to the preceding paragraph. In this case only the participation of the debtor partner shall be terminated, unless the partners decide otherwise.

Perpetuation of Partnership
Article 97

- (1) The partners may provide in the articles that the partnership shall continue to exist in the case of termination of the participation of a partner. In this case the remaining partners shall buy out the share of the partner which has terminated its participation, and in the case of a partner's death, those of its heirs who wish shall be admitted as partners. The heirs shall state their intent to be admitted as partners not later than three months from the date of the opening of the succession.
- (2) In case the heirs do not wish to be admitted as partners, as well as in case of termination of the participation of a partner, the partnership shall pay the value of the share in the partnership's assets of the decedent or the partner which has terminated its membership, and their share in the annual profits for the period up to the death or termination of the participation.

Limitation
Article 98

- (1) The right of action against a partner for obligations of the partnership shall expire by limitation after five years, except where the right of action against the partnership is subject to a shorter limitation.
- (2) The limitation period shall run from the date on which the dissolution of the partnership or the termination of the participation of the partner is registered in the commercial register.
- (3) An interruption of the limitation with respect to the dissolved partnership shall also apply to those partners which were partners at the time of the dissolution.

Chapter 12

LIMITED PARTNERSHIP

Section I General Provisions

Definition

Article 99

- (1) A limited partnership shall be formed with articles of partnership between two or more persons for carrying out commercial activities under a common trade name, whereby for the partnership's obligations one or more of the partners shall be liable jointly and severally and their liability shall be unlimited, and the remaining partners' liability shall not exceed the amount of the agreed upon contribution.
- (2) (Repealed, Former Paragraph 3 SG 103/1993) The provisions for the general partnership shall apply mutatis mutandis to the limited partnership, to the extent this chapter does not provide otherwise.

Form

Article 100

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

Trade Name

Article 101

- (1) The company's trade name shall contain the extension "komanditno druzhestvo" [limited partnership] or the abbreviation "KD" and the name of at least one of the general partners.
- (2) The names of limited partners shall not be incorporated in the trade name of a limited partnership, but in case this has occurred those partners shall be deemed to bear unlimited liability vis-?-vis the creditors of the partnership.

Content of the Articles of Partnership

Article 102

A limited partnership's articles shall state:

1. the trade name of the partnership;
2. the seat and the registered office;
3. the purposes for which the partnership is set up;
4. the names or, respectively, the trade names and the addresses of the partners and the extent of their liability;
5. (Repealed – SG 84/2000)
6. the type and amount of the partners' contributions;
7. the manner of distribution of profits and losses among the partners;

8. the manner of management and representation of the partnership.

Registration
Article 103

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

Section II Partners' Legal Relationships

Primacy of the Articles of Partnership
Article 104

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

Management
Article 105

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

Acts by a Limited Partner
Article 106

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

Prohibition Concerning an General Partner
Article 107

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

Limited Partner's Rights
Article 108

A limited partner may inspect the partnership's books and request a transcript of its annual financial statement. In case of refusal the district court shall, on the motion of such partner, order that these be placed at the disposal of the partner.

Limited Partner's Participation in Profits and Losses
Article 109

- (1) Where a limited partner has not paid in full the stipulated contribution, such contribution shall be deducted from its share of the profits.
- (2) A limited partner shall participate in losses up to the amount of the stipulated contribution. It shall not be bound to pay back any profits it has received to offset subsequent losses.

Prohibition on Distribution of Profits
Article 110

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

Section III Partners' Legal Relationships With Third Parties

Liability of Limited Partner

Article 111

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

Liability Prior to Registration

Article 112

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

Chapter 13

LIMITED LIABILITY COMPANY

Section I General Provisions

Definition

Article 113

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

Form of Articles of Incorporation

Article 114

- (1) The articles of incorporation shall be executed in writing.
- (2) A partner may be represented by an agent holding a special power of attorney with notarized signature.
- (3) When the limited liability company is formed by one person, a constitutive deed shall be drawn up instead of articles of incorporation.

Content of Articles of Incorporation

Article 115

The articles of incorporation shall state:

1. (Amended – SG 124/1997) the trade name, the seat and the registered office of the company;
2. the purposes and the time period for which the company is being set up;
3. the names or, respectively, the trade names of the partners;
4. (Supplemented SG 84/2000) the registered capital. Where the full amount has not been paid at incorporation, the articles shall set the time periods and terms for payment. The term for the installment of the full size of the registered capital shall not be longer than 2two years from the founding of the company, respectively from its increase.

5. the interests of the partners;
6. the management and manner of representation;
7. the privileges of the partners, where agreed upon;
8. other rights and obligations of the partners.

Trade Name
Article 116

- (1) The trade name of a company shall contain the extension "druzhestvo s ogranichena otgovornost" [limited liability company] or the abbreviation "OOD".
- (2) Should all the capital be owned by one person, the trade name shall contain the extension "ednolichno OOD" [single person limited liability company]

Capital and Shares
Article 117

- (1) (Amended, SG No. 100/1997) The registered capital of a limited liability company shall be not less than BGN 5,000. It shall consist of the interests of the company's partners, and no interest shall be smaller than BGN 10.
- (2) The sum total of all interests shall be equal to the registered capital, and the value of each interest shall be a multiple of 100.
- (3) The interests of the individual partners may be of unequal value.
- (4) An interest may be held jointly by several persons.

Liability of Founders
Article 118

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

Company Registration
Article 119

- (1) For registration of a company in the commercial register it shall be necessary:
 1. to file the articles of incorporation;
 2. to have an appointed manager or managers;
 3. (Amended – SG 84/2000) each partner to have paid at least one third of its interest, but not less than BGN 10;
 4. at least 70 per cent of the registered capital to have been paid.

- (2) The data under items 1, 2, 3, 4 (only the amount of the registered capital) and 6 of Article 115 shall be registered in the register and published.
- (3) (New – SG 114/1999) In order, acting as a investment intermediary, to enter in the commercial register, as well as other activities for which the Law provides an accomplishment with a permission from a state body, the said permission shall be presented.
- (4) (New – SG 84/2000) In case of amendment and supplement of the company contract, the representing body of the company shall certify a copy of the company contract with all the amendments and supplements and shall present it at the commercial register.

Section II Partners' Rights and Obligations

Shares Article 120

- (1) Each partner shall pay up or contribute its interest as provided in the articles of incorporation.
- (2) (Repealed – SG 84/2000) .

Consequences of Failure to Pay Up or Contribute One's Share Article 121

- (1) The failure to pay up or contribute an interest shall constitute grounds for the expulsion of a partner from the company. A partner which has failed to pay up or contribute its interest within a specified period shall owe interest at a rate determined by operation of law, and compensation for damages in excess of such interest.
- (2) Where the interest cannot be paid up or contributed by the partner owing such payment or contribution, and cannot be sold to a third party, the remaining partners must pay up the balance in proportion to their interests or reduce the company's registered capital in accordance with established procedures.

Admitting a New Partner Article 122

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

Partners' Rights Article 123

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

Partners' Obligations
Article 124

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

Termination of Participation in a Company
Article 125

- (1) The participation of a partner shall be terminated upon:
 1. death or disability;
 2. expulsion;
 3. dissolution and liquidation, in the case of a legal person;
 4. bankruptcy.
- (2) A partner may terminate its participation in a company with a notice in writing made at least 3 months prior to the termination.
- (3) Accounts shall be settled on the basis of the balance sheet for the last day of the month of termination of the participation.

Expulsion of a Partner
Article 126

- (1) The general meeting may expel a partner which has not paid up or contributed its interest. It may provide an additional period for meeting the obligation upon the expiration of which the partner shall be deemed expelled. The manager shall inform the partner in writing of the general meeting resolution.
- (2) In the case of paragraph 1 the partner shall lose its title to any contributions made.
- (3) A partner may be expelled by the general meeting following a notice in writing where it:
 1. fails to perform its obligations for providing assistance for the carrying out of the activities of the company;
 2. fails to abide by resolutions of the general meeting;
 3. acts against the interests of the company.
 4. (New, SG 84/2000) in the cases under Art 121.

Company Share
Article 127

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

Certificate of Participation
Article 128

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

Transfer of Shares
Article 129

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

Liability upon Transfer
Article 130

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

Partition of a Share
Article 131

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

Joint Ownership of an Interest
Article 132

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

Profits and Payments
Article 133

- (1) The partners cannot claim their interests as long as the company exists. They are only entitled to part of the profits in proportion to their interests, unless otherwise agreed.
- (2) No interest on the partner's profits may be agreed upon.

Additional Monetary Contributions
Article 134

- (1) For covering losses and in case of temporary shortage of cash the partners may be required, by a general meeting resolution, to make additional monetary contributions within a fixed period. The additional contributions shall be in proportion to the respective interests in the capital, unless otherwise determined.
- (2) The partners shall bear the same liability for failure to pay up the additional contributions as for failure to pay up their interests.
- (3) The additional contributions shall not affect the company's registered capital. It may be agreed that the company shall pay interest on them.

Section III Management

Types of Organs Article 135

- (1) The company's organs shall be:
 1. the general meeting;
 2. the manager (managers).
- (2) The manager does not necessarily have to be a partner.

General Meeting of Partners Article 136

- (1) The general meeting of partners shall consist of the partners.
- (2) The company's manager shall take part in the general meeting's sittings in a consultative capacity.
- (3) Where the number of employees exceeds 50, they shall be represented in the general meeting in a consultative capacity.

Powers of the General Meeting Article 137

- (1) The general meeting shall:
 1. amend the articles of incorporation;
 2. (Amended – SG 103-1993) admit and expel partners, give consent on the transfer of an interest to a new partner;
 3. approve the annual report and balance sheet, distribute the profits and resolve on their payment;
 4. resolve on the increase or decrease of the registered capital;
 5. appoint a manager, fix his remuneration and relieve him of liability;
 6. resolve on setting up or closing down branches and participation in other companies;
 7. resolve on the acquisition or alienation of real property and real rights therein;
 8. resolve on bringing a company action against the manager or comptroller and appoint an attorney to proceed with the suits against them;
 9. resolve on additional monetary contributions.
- (2) Each partner has as many votes in the general meeting as its interest of the capital, unless the articles provide otherwise.
- (3) (Amended – SG 103-1993, SG 84/2000) Resolutions under items 1, 2 and 9 of paragraph 1 shall be adopted by a majority of more than three thirds of the capital and the decisions under item 4 – unanimously by all partners, and the articles of incorporation may provide for a larger majority. The partner whose expulsion is put to a vote shall not vote. All remaining resolutions shall be adopted with a majority of the capital, unless the articles provide otherwise.

- (4) The partners may vote by proxy only when such proxy holds a special power of attorney in writing; the above rule shall not apply to partners which are legal persons or to agents by operation of law.
- (5) The general meeting shall adopt resolutions on labor and social issues only after hearing the position of a representative of the company's employees.

Convening a General Meeting **Article 138**

- (1) A general meeting shall be convened by the manager at least once every year.
- (2) The manager shall also convene a general meeting upon the request in writing of the partners whose interests amount to at least one tenth of the capital. Should the manager fail to convene a general meeting within two weeks, the partners which have requested its convening shall be entitled to do so.
- (3) The manager shall convene a general meeting immediately should the losses exceed one fourth of the registered capital.

Notice of General Meeting **Article 139**

- (1) The general meeting shall be convened by a notice in writing received by each partner at least 7 days before the date of the meeting, unless the articles provide otherwise. The notice shall specify the business to be transacted.
- (2) general meeting resolutions may be adopted in absentia when all partners have stated in writing their consent for the resolution.

Registration of Resolutions **Article 140**

- (1) The general meeting resolutions which are related to registrations pursuant to Article 119, paragraph 2 shall be registered in the commercial register.
- (2) Paragraph 1 shall apply to the resolutions of the owner of a single person company.
- (3) (New, SG 84/2000) The decision regarding amendment and supplement of the articles of incorporation, capital increase or decrease, admittance or expulsion of a partner, transformation and termination of the company, as well as appointment of a liquidator shall enter into force from their entry in the commercial register.

Management and Representation **Article 141**

- (1) The manager shall organize and direct the activities of the company in accordance with the law and the general meeting resolutions.
- (2) (Supplemented, SG 84/2000) The company shall be represented by the manager. Where several managers have been appointed each one of them may act independently, unless the articles provide otherwise. Other restrictions to the representative power of the manager shall not have effect for third parties.

- (3) (Amended, SG 84/2000) In the commercial register shall be registered the name of the manager, who shall present a notary certified consent with a specimen of the signature. The registration shall be published in the State Gazette.

Prohibition on Competition
Article 142

- (1) Without the consent of the company the manager may not:
1. effect commercial transactions in his own or in a third party's name;
 2. participate in partnerships and partnerships limited by shares, and in limited liability companies;
 3. hold positions in managing organs of other companies.
- (2) The limitations under paragraph 1 shall apply when the activities carried out are similar to those of the company.
- (3) For violations of his obligations under paragraph 1 the manager, when not a partner, may be dismissed without notice and without compensation. He shall owe compensation for damages caused to the company.

Company Books
Article 143

- (1) The company shall keep a book of interests and minutes book on the general meeting resolutions.
- (2) The value of each partner's interest, the payments made and all relevant changes thereto shall be recorded in the book of interests.
- (3) The manager shall be responsible for the regular keeping of the company books.

Comptroller
Article 144

- (1) The articles may provide for the appointment of a comptroller (comptrollers) who shall supervise the observance of the articles, the taking of proper care of the company's property and shall report to the general meeting.
- (2) The following may not be comptrollers:
1. the managers, their deputies and company employees;
 2. spouses, descendants or ascendants and collateral relatives to the third degree of the persons under the preceding item;
 3. persons who with a sentence have been deprived of the right to hold a position of financial accountability.
- (3) In a single person company the comptroller shall be appointed by the owner.

Liability of the Manager and the Comptroller
Article 145

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

Auditors
Article 146

- (1) The company's annual financial statement shall be audited by one or several auditors who shall be certified public accountants.
- (2) Such audit shall be a condition for approving the annual financial statement.
- (3) The auditors shall be appointed by the general meeting before the expiration of the calendar year. They shall be liable for the proper and unbiased audit and for maintaining confidentiality.
- (4) (New, SG 84/2000) The audited and approved annual financial statement shall be presented to the commercial register and statement concerning this shall be published in the State Gazette, unless the Law Stipulates that the annual financial statement of the company may not be audited by certified public accounts.

Management of a Single Person Limited Liability Company
Article 147

- (1) The single owner of the capital shall manage and represent the company either personally or through an appointed by it manager. In case the owner is a legal person the manager of such legal person or a person designated by him shall manage the company.
- (2) (Amended, SG 84/2000) The single owner of the capital shall resolve on the issues falling within the powers of the general meeting, and a protocol in the required form for the general meeting resolutions shall be made.
- (3) (New, SG 84/2000) The contracts between the single owner and the company in case it is represented by the single owner shall be concluded in a written form.

Section IV Amending the Articles of Incorporation

Increase of Registered Capital
Article 148

- (1) The registered capital may be increased through:
 1. increasing the value of the interests;
 2. subscribing new interests;
 3. admitting new partners.
- (2) The partners may increase the value of the interests pro rata to their holdings, unless the articles of incorporation or the general meeting resolution provide otherwise.

Reduction of Registered Capital **Article 149**

- (1) (Amended – SG 70/1998, SG 84/2000) The registered capital may be reduced to the minimal amount stipulated by the Law by a resolution to amend the articles of incorporation and as observing the requirements of Articles 150 and 151. In these cases, it shall be possible to increase or decrease the capital simultaneously under the conditions of Art. 203.
- (2) The resolution shall state the purpose of the reduction, its amount and the manner through which it shall be accomplished.
- (3) The reduction may be effected through:
 1. reducing the value of interests;
 2. cancellation of the interest of a partner which has terminated its participation;
 3. relieving of the obligation to pay up the unpaid portion of the registered capital.

Notice to Creditors **Article 150**

- (1) The resolution to reduce the registered capital shall be published in the State Gazette. In the notice the company shall state that it is ready to provide security for claims or to pay its obligations as of the date of publication to the creditors which do not agree with the reduction.
- (2) The creditor's consent for the reduction shall be assumed if within three months of the publication they do not express in writing their objection.
- (3) (Repealed, SG 84/2000)

Registration of the Reduction **Article 151**

- (1) The amendment to the articles with which the registered capital is reduced shall be registered upon expiration of the time period specified in the previous article.
- (2) Attached to the application for registration shall be proof of observance of the requirements of Article 150 and a statement in writing of the manager that either security has been provided or the debt has been repaid to the creditors which have not consented to the reduction.

Managers' Liability **Article 152**

Should the data for registration of the reduction provided by the manager prove to be untrue, he shall be liable for the damages suffered by the creditors to the extent they could not be satisfied by the company. In the case of several managers they shall be liable jointly and severally.

Payments Pursuant to Reduction
Article 153

(Supplemented, SG 84/2000) Payments to the partners pursuant to a reduction of the registered capital may be made only after the reduction has been registered in the commercial register and the disagreed with the reduction creditors have received indemnification or payment.

Section V Dissolution and Liquidation of the Company

Dissolution of the Company
Article 154

- (1) The company shall be dissolved:
 1. with the expiration of the term set in the articles;
 2. (Amended, SG 84/2000) upon decision of the partners adopted with a $\frac{3}{4}$ majority of the interests, unless the articles provide otherwise;
 3. through a consolidation or merger with a joint stock company or another limited liability company;
 4. upon being declared bankrupt;
 5. by a decision of the district court in cases provided for by law.
- (2) The articles may provide for other grounds for dissolution of the company.

Dissolution by a Decision of the Court
Article 155

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

1. an action by the partners showing serious cause. The action shall be brought against the company if the plaintiffs' interests represent more than one fifth of the registered capital;
2. (Amended, SG 84/2000) an action by the public attorney where the company's activities are in contradiction to the Law.

Liquidation of a Company
Article 156

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

Dissolution of a Single Person Limited Liability Company
Article 157

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

Chapter 14

JOINT STOCK COMPANY

Section I General Provisions

Definition
Article 158

- (1) A joint stock company is a company the capital stock of which is divided into shares. The company shall be liable before its creditors with its assets.
- (2) The trade name of the joint stock company shall include the extension "aktsionerno druzhestvo" [joint stock company] or the abbreviation "AD".

Number of Founders
Article 159

- (1) (Amended, SG 84/2000) The founders of a joint stock company might be one or more than one natural or legal persons.
- (2) In certain cases provided by law a joint stock company may be formed by one person. The constitutive deed shall approve the by-laws, specify the system of management and appoint the first supervisory board or board of directors and set their mandate.

Founders
Article 160

- (1) (Amended, SG 84/2000) Founders are those persons who have registered shares at the constitutive deed of the company.
- (2) Persons declared bankrupt may not be founders.

Capital and Shares
Article 161

- (1) The capital stock and the value of the shares shall be designated in BGN.
- (2) (Amended, SG No. 100/1997, SG 84/2000) The minimum value of the capital stock shall be 50,000 BGN.

- (3) The minimum amount of the capital stock required for performing banking or insurance activities shall be determined by a separate law.
- (4) (Supplemented, SG 84/2000) The capital stock must be fully subscribed. The company cannot subscribe shares from its capital stock. In case the said prohibition is violated, the founders shall be jointly liable for the installments for the registered stocks.

Nominal Value of a Share

Article 162 (Amended, SG 84/2000)

The minimum nominal value of a share shall be 1 BGN . Larger nominal values of shares must be determined in integer BGN.

Section II Incorporation

Constituent Meeting

Article 163 (Amended – SG No. 63/1995, 84/2000)

- (1) The joint stock company shall be constituted on a constituent meeting where participants shall be all persons that register shares. A proxy having written explicit letter of attorney with a notary certified signature might represent a founder at the constituent meeting.
- (2) Shares shall be registered at the constituent meeting.
- (3) The constituent meeting shall:
 1. adopt a resolution on incorporating the company;
 2. adopt the by-laws;
 3. establish the size of the of the expenses on constitution;
 4. appoint a supervisory board or, respectively, a board of directors.
- (4) The resolutions on items 1-3 of the preceding paragraph shall be adopted unanimously and a protocol shall be issued for which Art. 232 shall apply.
- (5) In case a joint stock company is founded by one person, shall be issued a constituent act.

Content of the Prospectus

Article 164 (Repealed – SG No. 63/1995)

Content of the By-laws

Article 165 (Amended – SG 84/2000)

The by-laws shall contain:

1. the trade name, the seat and the registered office of the company;
2. the purposes and the term, if any;
3. the amount of the capital stock, the type and number of shares and the nominal value of each share;

4. the company's bodies and their mandate and number of members;
5. the type and value of the non-monetary contributions, if any, the persons making them, the number and nominal value of the shares which they shall receive;
6. the advantages, if any, which the said founders, by name, have reserved for themselves; if such are stipulated;
7. the founders' right to appoint the first supervisory board or board of directors of the company and to determine its mandate, if such a mandate is foreseen,;
8. the way of the profit distribution;
9. the way of convening the general meeting;
10. other terms with respect to the incorporation, existence and dissolution of the company.

Installments **Article 166**

- (1) (Amended – SG 84/2000) Monetary installments shall be made to a bank account of the company opened by the managing board, respectively the board of directors, with an indication of the name of the payer, and any payments with deposited sums shall be effected with unanimous decision of the said body.
- (2) The provisions of Articles 72 and 73 shall apply mutatis mutandis to non-monetary contributions.
- (3) (New, SG 84/2000) If within 3 months term managing board, respectively the board of directors, does not certify to the bank that the company has been claimed for registration, the payers can draw back the full size of the installments.

Interim Certificate **Article 167**

- (1) (Amended – SG 84/2000) The shareholders receive interim certificates signed by an authorized member of the managing board, respectively the board of directors, for their installments to subscribe shares.
- (2) The shareholders shall receive their shares upon presentation of interim certificates.

Constituent Meeting **Article 168** (Repealed, SG 84/2000)

Incorporation without Subscription **Article 169**

The raising of capital may also be done at the constituent meeting, if the remaining requirements have been met. In this case at least two persons which have subscribed shares and which represent at least half of the subscribed capital must be present.

Objectives of the Constituent Meeting
Article 170 (Repealed, SG 84/2000)

Incorporation of a Company with the Subscribed Capital
Article 171 (Repealed, SG 84/2000)

Content of the By-Laws
Article 172

Founders' Liability (Repealed, SG 84/2000)
Article 173

Requirement for Registration of the Company
Article 174

- (1) For the registration of a joint stock company in the commercial register it shall be necessary that:
 1. the by-laws have been adopted;
 2. the full amount of the capital stock has been subscribed;
 3. (Amended, SG 84/2000) The stipulated by the by-laws part of the value of the share to be paid up but not less than 25 per cent of the nominal or the stipulated by the by-laws emission value;
 4. the members of the board of directors or, respectively, the supervisory board have been appointed;
 5. the remaining requirements of the law have been fulfilled.
- (2) (Amended, SG 84/2000) The data pursuant to Article 165, items 1-4, 5/only the type and the value of the non-monetary installment shall be registered/ and 10 shall be entered in the commercial register and the entry shall be published. The date of the court decision for entry in the commercial register shall also be published. The constituent protocol and the list with the persons who have registered shares at the company's constitution shall be certified by the managing board, respectively the board of directors and shall be presented to the register.
- (3) (New – SG 114/1999) In order, insurance and banking transactions, acting as a investment intermediary, investment company, stock exchange to enter in the commercial register, as well as other activities for which the Law provides an accomplishment with a permission from a state body, the said permission shall be presented.
- (4) (New – SG 84/2000) In case of amendment and supplement of the company statute, the person/s representing the joint stock company shall certify a copy of the company statute with all the amendments and supplements by the respective date and shall present it at the commercial register.

Section III Shares

Nominal Value of the Shares. Denominations
Article 175

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

- (2) A joint stock company may not issue shares of a different nominal value.
- (3) Shares may be issued in denominations of 1, 5, 10 and multiples of 10 shares.

Issue Price

Article 176

- (1) The issue price is the price at which the shares shall be purchased by the founders or, respectively, the subscribers in case the capital is raised through subscription.
- (2) The issue price shall not be lower than the nominal value. Shares may also be subscribed at a price higher than the nominal value.
- (3) The difference between the nominal value and the issue price shall be set aside for the company's reserve fund.

Indivisibility

Article 177

Shares are indivisible. Where a share belongs to several persons they shall exercise their rights in it jointly by designating a proxy.

Types of Shares

Article 178

- (1) Shares may be registered or bearer shares. Preferred shares may also be issued.
- (4) (New, SG 84/2000) The joint stock company may also issue non-cash shares. The term for issuing and transacting with the non-cash shares shall be determined by a Law.
- (5) (Previous Par. 2, SG 84/2000) Bearer shares shall not be delivered until payment of their nominal value or issue price.
- (4) (Previous Par. 3, SG 84/2000) Where bearer shares are delivered before payment of the full issue price the amount of the installments shall be indicated on them.

Shareholders' Register

Article 179

The joint stock company shall keep a shareholders' register in which the names and addresses of the owners of registered shares shall be recorded and the type, nominal value and issue price, quantity and serial numbers of the shares shall be indicated. The same shall be applied for interim certificates.

Exchange of Shares

Article 180 (Amended, SG 84/2000)

Bearer shares shall be exchanged for registered shares and vice versa upon request of the shareholder after payment in full of their price, in case the by-laws provide the terms for it.

Shareholders' Rights Article 181

- (1) A share entitles its owner to one vote in the general meeting of shareholders, to a dividend and to a share in the assets in case of liquidation in proportion to the nominal value of the share.
- (2) Where a company issues shares with special rights this must be indicated and provided for in the by-laws.
- (3) (Supplemented, SG 84/2000) The shares that provide equal rights form a separate class. The restriction of rights of an individual shareholder from one class shall not be permitted.

Preferred Shares Article 182

- (1) Preferred shares may provide a guaranteed or additional dividend or share in the company's assets in case of liquidation, as well as other rights provided for in this Law or the by-laws. The by-laws may provide that preferred shares have no voting rights, which must be indicated on the respective share.
- (2) Preferred shares having no voting rights shall be included in the nominal value of the capital stock.
- (3) (New – SG No. 63/1995) It shall not be allowed more than 1/2 of the shares to be non-voting shares.
- (4) (Former Paragraph 3 SG 63/1995) Where a dividend due from a preferred share without voting rights is not paid in the course of 1 year and the delayed payment is not made during the following year together with the dividend due for that following year, the preferred share shall acquire voting rights pending payment of the delayed dividends. In this case the preferred shares shall be taken into account in determining the quorum and majority.
- (5) (Former Paragraph 4 SG 63/1995) In order to adopt a resolution with which the advantages arising from the nonvoting preferred shares are to be restricted, it shall be necessary to obtain the consent of the preferred shareholders, which shall convene at a separate meeting. The meeting may conduct business if not less than 50 per cent of the preferred shares are represented. Resolutions shall be adopted with a vote of at least three quarters of the shares so represented. The preferred shares shall acquire the right to vote upon the removal of the advantages.

Contents of a Share Article 183

- (1) A share shall contain:
 1. the designation 'share' for a denomination of one or 'shares' for larger denominations, preceded by the respective number thereof;
 2. type of the shares;
 3. the number of the denomination and the serial numbers of the shares comprised therein;

4. the trade name and seat of the joint-stock company;
 5. the amount of the capital stock;
 6. the total number of shares, their individual nominal value and their denomination structure;
 7. the coupons and their maturity;
 8. the signatures of two persons having authority to bind the company, and the date of issue.
- (2) (New – SG No. 63/1995) A printed signature on the share shall also be considered valid signature.
- (3) (Former Paragraph 2 SG 63/1995) Filled in on the face of a registered share shall be the name of its first owner.

Coupons **Article 184**

- (1) Unless otherwise provided in the by-laws, shares shall be issued with dividend coupons for 20 years.
- (2) Coupons may not be transferred separately from the shares.
- (3) A coupon shall carry the designation 'Coupon', the trade name of the joint stock company, the number of the coupon, indication as to the share and its denomination, and the year for which dividend is payable on presentation thereof.

Transfer of Shares **Article 185**

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

Liability of Transferor of Registered Shares **Article 186**

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

Transfer of Interim Certificates **Article 187**

- (1) An interim certificate may not be transferred prior to the incorporation of a company.
- (2) Transfers of interim certificates shall be subject to the provisions of Article 185, paragraph 2.

Acquisition of Own Shares

Article 187a (New – SG 63/1995, Amended – SG 70/ 1998 and SG 114/ 1999-Repealed; New – SG 84/2000)

- (1) A company may acquire its own shares only:
 1. For reduction of capital under Article 201, item 2;
 2. For universal legal succession except merger or incorporation;
 3. If it is free of charge;
 4. If it is engaged in, by occupation in transactions with securities and acquires the shares in implementation of third party order;
 5. In case of expulsion of shareholder on the terms of Art. 189, Par. 2 and 3;
 6. In case of duress execution for obligations to the company;
 7. In case of buy-back of shares.
- (2) The shares shall be paid in full size in cases of item 2, 6, 7 and 8 of the previous paragraph;
- (3) The company shall terminate the exercising the rights of the shares to the moment of their transfer;
- (4) The total nominal value of the own shares on Par.1, except these on item 1 and 7, cannot exceed 10 % of the capital. The exceeding the said value shares shall be transferred within three years.
- (5) If the shares acquired in the case of Par. 1, items 2-8 are not transferred in the term on Par 4, they shall be considered invalid and Art 200, item 2 shall apply.
- (6) The own shares of the company shall not be taken into consideration in determining the net value of the company assets under Art. 247, Par. 2.

Buy-back of shares

Article 187b (New – SG 63/1995, Amended – SG 114/1999, Repealed; New – SG 84/2000)

- (1) The company may buy-back own shares on the grounds of a resolution of the general meeting that determines:
 1. the maximum number of shares subject to buy-back;
 2. the terms and conditions upon the board of directors or the managing board shall carry the buy-back in period not longer than 18 months;
 3. the minimal and maximal price of the buy-back.
- (2) The decisions under Par. 1 shall be passed with a majority of the represented capital, and if buy-back is not stipulated by the By-laws – by a majority of 2/3 of the shares represented.
- (3) The buy-back shall be carried respectively, in compliance with Art. 247a, Par. 2.

Privilege for Buy-back Shares
Article 187c (New – SG 84/2000)

- (1) The by-laws may provide for the issuing of shares that shall be subject to buy-back under terms and conditions determined in the by-laws.
- (2) The company shall present to commercial register the proposal for the buy-back and the announcement for it shall be published in the State Gazette.
- (3) The buy-back shall be carried out only by sums designated for distribution under Art. 247a, Par. 1, 2 and 3.
- (4) The company shall be obliged to form reserves in amount of the value of all buy-back shares under Par. 1. The reserves might be distributed among the shareholders only in case of decrease of the capital with the buy-back shares and also for increase of capital.

Inadmissible Acquisition of Own Shares
Article 187d (New – SG 84/2000)

If the company has acquired own shares in violation of Art. 187a-187c, it shall be obliged to transfer the said shares within one year from the acquisition. Otherwise the shares shall be invalidated and Art. 200, item 2 shall apply.

Disclosure of information
Article 187e (New – SG 84/2000)

The annual financial statement shall obligatory inform:

1. the number and value of the acquired during the year own stocks;
2. the legal grounds for the acquisitions during the year and the price paid;
3. the number and nominal value of the own shares.

Equalized to Own Shares Acquisition Cases
Article 187f (New – SG 84/2000)

- (1) The rules of Art. 187a—187e shall also apply when:
 1. shares of the company are acquired and owned by one person for the account of the company;
 2. shares of the company are acquired and owned by another company, where the first company directly or indirectly possesses majority of the voting rights or directly or indirectly can exercise control over the second company.
 3. The company accepts own shares or shares under item 2 as a pawn.
- (2) When the company has registered own shares at the time of its constitution or capital increase, Art. 187a, Par. 3, Art. 187d and 187e shall apply.
- (3) The company shall not grant loans to third party or secure the acquisition of its own stocks by third party. The restriction shall not apply for transactions where one of the party is a commercial bank or non-banking financial institutions and the transaction is concluded at their usual activity.

Section IV Contributions

Obligation to Make a Contribution Article 188

- (1) The shareholders shall be obligated to make contributions for the shares subscribed, which shall cover the fixed by the by-laws portion of the value of the shares.
- (2) Partial contributions may vary for individual shareholders, if the by-laws provide so expressly.

Consequences of Delaying Contributions Article 189

- (1) The shareholders which have not made their contributions within the specified time periods shall owe interest, unless the by-laws do not provide for liquidated damages. In case of a delayed non-monetary contribution, compensation for actual damage suffered may be claimed.
- (2) Shareholders whose contributions are overdue, if they do not make the due contributions within one month of written notice to do so, shall be deemed expelled. The notice must be published in the State Gazette unless the transfer of the shares is subject to the consent of the company.
- (3) A shareholder so expelled shall lose its shares and any contributions made. The shares of a shareholder so expelled shall be canceled and destroyed. The company shall offer for sale new shares substituting the canceled ones. The contributions made by the expelled shareholder shall be appropriated to the company's reserve fund.

Interest Article 190

- (1) The shareholders shall not be paid interest on contributions made, except in cases provided for in the by-laws.
- (2) (Amended – SG 84 2000) Where the shareholders have made partial contributions in different proportions, interest shall be due on the difference, unless the by-laws provide otherwise. Such interest shall be paid from the profit before the payment of dividend according to Art. 247 regardless the general meeting resolution for the profit distribution.
- (3) The fruits derived from contributions made prior to incorporation shall be in the company's favor, unless the by-laws provide otherwise.

Security Article 191

The by-laws may provide that the shareholders shall provide security for the portion not contributed.

Section V Increase of the Capital Stock

Prerequisites

Article 192

- (1) The capital stock may be increased by issuing new shares, by increasing the nominal value of shares already issued, or by converting debentures into shares pursuant to Article 215.
- (2) The general meeting of shareholders resolution to increase the capital stock shall be adopted by a two thirds majority of the votes of the shares represented at the meeting. The by-laws may provide for a larger majority, as well as for additional conditions.
- (3) Where shares of various classes exist, the resolution shall be adopted by each class at a separate meeting.
- (4) Where the new shares are to be sold at a price exceeding their nominal value, the minimum sale price shall be specified in the general meeting resolution.
- (5) An increase of the capital stock is admissible only after the specified by the by-laws amount has been fully paid up.
- (6) (New – SG 84/2000) In the case of increase of capital in violation of Art. 161, par. 4 the members of the managing board or board of directors, shall be jointly liable for the contributions for the registered own shares.
- (7) (New – SG 56/1995, prev. par. 6 – amended, SG 84/2000) In the case of increase of capital Chapter Fourteen, Sub-section II shall apply respectively and increase of the capital stock through subscription shall be carried out under the terms and conditions established by the Law.
- (8) (New – SG 114/1999, prev. par. 7 – amended, SG 84/2000) For entering in the register the increase of the capital stock through subscription, shall be presented a prospectus except the cases when such is not required by the Law.

Requirements for the entry of the increase of the capital

Article 192a

- (1) In order the capital increase to be entered in the commercial register, it shall be necessary:
 1. the new shares to be registered;
 2. at least 25% of nominal value of the new shares to have been paid;
 3. the difference between the nominal and the issued value of the new shares to have been paid;
- (2) If the new shares have not been registered in full, the capital shall be increased only with the value of the registered shares in case the decision of then general meeting for the increase permits such possibility.
- (3) The list with the persons registered the new shares shall be presented to the commercial register certified by the managing board, respectively the board of directors.

Increase of the Capital Stock by Non-Monetary Contributions

Article 193

Where the capital stock is increased by non-monetary contributions, the general meeting resolution shall specify the subject of each contribution, the contributor, and the nominal value of shares given for such contribution.

Preferential Right of Shareholders

Article 194

- (1) (Amended – SG 84/2000) Each shareholder is entitled to acquire a part of the new shares in proportion to its share in the capital stock prior to the increase.
- (2) (Amended – SG 84/2000) In case of shares of different class the right under Par. 1 shall valid for the shareholders of the respective class. The rest of the shareholders shall exercise their privilege after the shareholders of the class from which are registered the new shares.
- (3) (New – SG 84/2000) The right under Par. 1 and 2 shall be lapsed within a term determined by the general meeting, but not less than a month after the publication in the State Gazette of the invitation for registration of the shares. The invitation for registration of new shares shall be entered into the commercial register after presenting the decision for the increase of the capital
- (4) (New – SG 84/2000) The shareholders' right under the par. 1 and 2 may be restricted or forfeited pursuant to a general meeting resolution passed with three quarters of the votes of the shares represented. The managing board, respectively the board of directors shall present a report concerning the reasons for the restriction or forfeiting of the privilege and shall motivate the issued value of the new shares. The decision of the general meeting shall be presented at the commercial register and published.

Conditional Increase of the Capital Stock

Article 195

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

Increase of the Capital Stock by the Supervisory Board (Board of Directors)

Article 196 (Amended – SG 84/2000)

- (1) (Previous Art. 196-Amended – SG 84/2000) The by-laws may empower the managing board, or the board of directors as the case may be, to increase the capital stock up to a certain nominal amount in the course of five years from the date of incorporation, by issuing new shares. A resolution to the same effect may also be passed by amending the by-laws in compliance with the requirements of Art. 192, Par. 3, for a period not exceeding five years from the date of registration of the amendment.
- (2) (New – SG 84/2000) Art. 194, Par. 1 and 2 shall apply in case of capital increase under the previous paragraph.
- (3) (New – SG 84/2000) The managing board, respectively the board of directors may dismiss shareholder or restrict shareholder's right under Art. 194, Par. 1 only if the by-laws or the general meeting resolution passed by majority of 2/3 of the shares represented, empowers the mentioned bodies for the said action.

Increase of the Capital Stock from Company Funds **Article 197**

- (1) The general meeting may resolve to increase the capital stock by partial capitalisation of profits. The resolution shall be adopted within three months from the date that the annual statement for the previous year is approved, with a majority of the votes of three quarters of the shares represented at the meeting.
- (2) The company's balance sheet shall be presented and the fact that the increase is from the company's own funds shall be explicitly stated upon filing the resolution to increase the capital stock for registration with the court.
- (3) (Amended – SG 84/2000) The new shares shall be allocated among shareholders, including the company when it possesses own stocks, on a pro rata basis. Any general meeting resolution in contravention of the latter provision shall be null and void.

Receipt of Shares **Article 198**

- (1) Upon registering the increase of the capital stock pursuant to the preceding article, the supervisory board, or the board of directors as the case may be, shall, without delay, invite the shareholders to receive their shares.
- (2) New bearer shares which have not been claimed within one year of the date that the resolution to increase the capital stock was published in the State Gazette shall be sold on the stock exchange. The shareholders' rights shall lapse, and moneys from the sale shall be appropriated to the company's reserve fund.

Section VI Reducing the Capital Stock

Ordinary Reduction **Article 199**

- (1) A reduction of the capital stock shall be implemented by a general meeting resolution.
- (2) (Amended – SG 84/2000) If there are several classes of shares, resolution of each class of shareholders shall be necessary to reduce the capital stock.
- (3) The resolution shall set forth the purpose of the reduction and the method by which it is to be effected.

Methods of Reduction **Article 200**

The capital stock may be reduced:

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

Reduction of Capital Stock by Cancellation of Shares
Article 201

- (1) Shares may be canceled forcibly or after their acquisition by the company.
- (2) (Amended – SG 84/2000) Forcible cancellation of shares shall be allowed if the by-laws provides for such and the shares have been registered under this condition.
- (3) The prerequisites for, and the method of, forcible cancellation shall be set forth in the by-laws.

Protection of Creditors
Article 202 (Amended – SG 84/2000)

- (1) The rules of Art. 150-3 shall apply for creditors whose claims have arisen prior to publication of the resolution on reduction.
- (2) The rules of Par. 1 shall not apply when the reduction of the capital has been made with the purpose of covering the losses. In this case the shareholders shall not be released from the obligation to make installments.
- (3) The rules of Par. 1 shall not apply also when the reduction is made with own shares which have not been paid in full, and have been acquired gratuitously or by or by means under Art. 247a, Par. 1-3. In these cases Art. 187c, Par. 4 shall apply respectively

Regime of Security or Payment
Article 203

- (1) (Amended, SG No. 83/1999; 84/2000) The capital of the company may be simultaneously decreased and increased, so that the decrease shall have effect only if the increase is carried out.
- (2) In the cases under Par. 1 the capital might be decreased beneath the minimum level required by the Law if with the increase of the capital the minimum level is achieved.
- (3) The rule of Art 202, Par. 1 shall not apply if, as a result of the capital increase, the level of it before the change is not achieved or exceeded.

Section VII Debentures

Procedure for Issuing Debentures
Article 204

- (1) (Amended, SG 114/1999) Debentures /Bonds/ may be issued by a joint stock company at least two years after it has entered in the commercial register and if two annual statements have been approved by the general meeting.
- (2) (Amended, SG 114/1999) The requirements under paragraph 1 shall not apply to debentures issued or guaranteed by the State or banks.

- (3) Resolutions to issue debentures may be adopted only by the general meeting of shareholders.
- (4) Debentures of same issue and same nominal value shall rank pari passu.
- (5) (New – SG No. 63/1995) Debentures may be in the form of debenture stock and debenture certificates. The rules for shares stipulated in this Law shall apply to the issue, transfer and pledge of debenture stock and debenture certificates.

Requirements and Procedure for Offering **Article 205**

- (1) (Repealed – SG No. 63/1995)
- (2) The commencement of the offering shall be advertised in the State Gazette.
- (3) Debenture subscribers shall be provided with the general meeting resolution on issuing the loan and the annual financial statements for the preceding two years.

Closing of Offering **Article 206**

- (1) The raising of moneys and the delivery of the debentures shall be performed by a bank or specialised firm.
- (2) Subscribers shall pay the relevant moneys into a special account with a bank specified by the company. The sums in the said account may not be used prior to the announcement that the offering has closed.
- (3) The offering shall close when the advertised amount of the debenture loan has been subscribed or upon expiration of its term.
- (4) The general meeting of shareholders shall determine the terms under which the loan shall be deemed contracted, and where the value subscribed for is in excess or in deficit of the amount initially announced, the general meeting of shareholders shall cause the supervisory board, or the board of directors as the case may be, to announce the closing of the offering.
- (5) Should the offering be closed short of compliance with the terms provided for the contracting of the loan, moneys paid up shall be reimbursed to the subscribers together with such interest as accrued by the bank.

Issuing Preferred Debentures **Article 207**

A company may not issue new debentures on preferential terms without the consent of the general meeting of debenture-holders.

First General Meeting of Debenture-Holders **Article 208**

Within one month from the closing date of the offering the organs of the joint stock company shall call a general meeting of debenture-holders. The notice of the meeting shall be published. The meeting may transact business if not less than one tenth of the subscribed loan is represented.

Representation of Debenture-Holders

Article 209

- (1) The holders of debentures of the same issue shall form a group for the protection of their interests before the company.
- (2) The group shall be represented by trustees elected by the general meeting of debenture-holders. These trustees may not be more than three.

Limitations on Representation

Article 210

- (1) The following may not be trustees as per the preceding article:
 1. the debtor company;
 2. other companies which hold more than one tenth of the debtor company's capital or in which the debtor company holds more than one tenth of the capital;
 3. companies which have guaranteed, in part or in total, the liabilities assumed;
 4. members of the supervisory board, the managing board or the board of directors of the company, or descendants, ascendants and spouses thereof;
 5. persons who are prohibited by law from serving on company governing bodies;
- (2) Trustees may be recalled by a general meeting resolution of debenture-holders.

Powers of the Trustee

Article 211

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

Participation of Trustees in the General Meeting of Shareholders

Article 212

- (1) The trustees of debenture-holders may participate in the general meeting of shareholders without the right to vote. They may obtain information under the same terms as shareholders.
- (2) Where decisions are adopted concerning the performance of obligations under the terms of the debenture loan, the general meeting of shareholders shall hear the opinion of the debenture-holders' trustees.

Remuneration of Trustees

Article 213

- (1) The remuneration of the debenture-holders' trustees shall be fixed by the company and shall be paid on its account. Should the company fail to fix such remuneration, the general meeting of debenture-holders shall do so.
- (2) Should the company object to the amount so fixed, the remuneration shall be fixed by an order of the district court upon application by the trustees.

General Meeting of Debenture-Holders
Article 214

- (1) The general meeting of debenture-holders shall be called by the trustees of the debenture-holders.
- (2) The general meeting may also be called upon the request of the holders of not less than 10 per cent of the debentures, or, if liquidation proceedings have commenced, upon the request of the liquidators of the company.
- (3) The trustees of the debenture-holders shall be bound in duty to call the general meeting of debenture-holders upon receipt of notice from the governing bodies of the joint stock company as to:
 1. a proposed amendment of the company's purposes or type, or for transformation of the company;
 2. a new issue of preferred debentures.
- (4) Each issue of debentures shall constitute a separate general meeting.
- (5) The provisions for the general meeting of shareholders shall apply mutatis mutandis to the general meeting of debenture-holders.
- (6) The general meeting of shareholders shall be bound in duty to review a general meeting of debenture-holders resolution.

Section VIII Conversion of Debentures into Shares

Resolution on Conversion of Debentures into Shares
Article 215

- (1) The general meeting may resolve on the issuing of convertible debentures. This type of debentures may not be issued by companies in which the State owns more than 50 per cent of the capital stock. The shareholders may subscribe preferentially such debentures under the terms which apply to a subscription for a new issue of shares.
- (2) The procedure for the conversion of debentures into shares shall be specified in the general meeting resolution on the issuing.
- (3) The general meeting of shareholders may lay down the terms under which holders of debentures which are not redeemable by conversion into shares may so convert them.
- (4) The issue price of the converted debentures may not be lower than the nominal value of the shares which the debenture-holders would acquire by conversion.
- (5) In case of reduction of the capital stock because of losses through a reduction of the number of shares or of the nominal value thereof, the rights of debenture-holders shall be reduced proportionally.

Terms of Validity of Resolution to Issue of New Debentures
Article 216

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

Conversion upon Increase of Capital Stock
Article 217

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

Registration of the Altered Capital Stock
Article 218

The managing board, or the board of directors as the case may be, shall register any changes in the capital stock occurring as a result of conversion of debentures into shares.

Section IX Joint Stock Company Organs

Types of Organs
Article 219

- (1) (Previous Art. 219 – SG 84 – 2000) The joint stock company organs shall be:
1. the general meeting of shareholders;
 2. the board of directors (one-tier system), or the supervisory board and the managing board (two-tier system).
- (2) (New – SG 84 – 2000) The sole owner of the capital of a sole owned joint stock company shall be competent on the issues of competence of the general meeting.

Subsection I General Meeting of Shareholders

Composition of the General Meeting
Article 220

- (1) The general meeting comprises the voting shareholders. A voting shareholder may participate in a general meeting either in person or by proxy.
- (2) The members of the board of directors, or of the supervisory board and managing board as the case may be, shall participate in general meeting proceedings without the right to vote, unless such members are shareholders.

Competence
Article 221

The general meeting shall:

1. amend the by-laws;

2. resolve on increase or reduction of the capital stock;
3. resolve on transformation and dissolution of the company;
4. elect and recall the members of the board of directors, or of the supervisory board as the case may be, and determine their remuneration;
5. appoint and dismiss CPA auditors;
6. approve the annual financial statement as certified by the appointed auditor;
7. resolve on issuing of debentures;
8. appoint liquidators upon dissolution of the company, except in the event of bankruptcy;
9. relieve of responsibility the members of the supervisory board and managing board, or of the board of directors as the case may be;
10. resolve on other matters which by virtue of the law or the by-laws are in its competence.

Holding of General Meeting **Article 222**

- (1) A general meeting of shareholders shall be held at least once a year. The first general meeting may be held at any time within 18 months of incorporation.
- (2) (New – SG 84 – 2000) In case the losses exceed the half of the size of the capital, the general meeting shall be convened not later than 3 months of the losses establishment.
- (3) (Previous Par. 2 – SG 84 2000) The general meeting shall elect a chairman and a secretary of the meeting, unless the by-laws provide otherwise.

Convening the General Meeting **Article 223**

- (1) The general meeting shall be convened by the board of directors, or by the managing board as the case may be. A general meeting may also be convened by the supervisory board, as well as on the request of the owners of not less than one tenth of the stock.
- (2) (Amended, SG No 33/1999) Should the request of the owners of not less than one tenth of the capital not be granted within one month after the date of the request or the General Meeting is not called within three months after the date of request, the district court may convene the General Meeting or empower the shareholders which have so requested it, or a representative thereof, to convene the Meeting.
- (3) (Amended, SG No. 100/1997, 84/2000) The general meeting shall be convened by notice in the State Gazette. If the company has not issued bearer stocks, the by-laws may provide for convening the meeting only with written notice.
- (4) As a minimum the notice shall state:
 1. the trade name and seat of the company;

2. the place, date and hour of the meeting;
 3. the type of general meeting;
 4. the formalities, if provided for in the by-laws, to be satisfied for attendance and exercise of the right to vote;
 5. the agenda and business to be transacted, and the draft resolutions.
- (5) (Amended, SG No. 100/1997) The time period from the publication to the opening of the meeting shall not be less than 30 days.

Right to Information

Article 224

All papers relative to the agenda of a general meeting must be placed at the disposal of the shareholders not later than the date of publication or mailing of the notice thereof. Such papers shall be available free of charge to any shareholder on demand.

List of Participants

Article 225

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

Proxy

Article 226

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

Quorum of Shareholders

Article 227

The by-laws may provide for a quorum of the shareholders. In the absence of such quorum a new meeting date shall be set which shall not be later than one month, and the general meeting at such latter date shall be valid regardless of the shares represented. The date of such second meeting may be stated in the original notice.

Voting

Article 228

- (1) Voting rights shall originate upon payment of the contribution, unless otherwise provided in the by-laws.
- (2) Where a proposed resolution affects the rights of a class of shareholders, each class shall vote separately.

Conflict of Interest

Article 229

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

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

Majority
Article 230

- (1) General meeting resolutions shall be passed by majority vote of the shares represented, unless the law or the by-laws provide otherwise.
- (2) Resolutions under 221, items 1–3, shall require a majority of at least two thirds of the shares represented. The by-laws may provide for another majority for these cases.

Minority
Article 230a (New – SG 84/2000)

The shareholders representing 5% of the capital shall be entitled to:

1. to claim against the members of the supervisory and the managing board for the cause of damages to the company before the district court.
2. To require from the general meeting or district court the appointment of a controller who shall be authorized to inspect the annual audit report and to work out a report on his findings.

Resolutions
Article 231

- (1) The general meeting may not pass resolutions on matters of which there has been no notification or advertisement pursuant to Article 223, unless all shareholders are present or are represented at the meeting and no one objects to the submission of such matters to debate.
- (2) General meeting resolutions shall take effect immediately, unless such effect is deferred.
- (3) (Amended, SG No. 100/1997, 84/2000) Resolutions to amend the by-laws, increase or reduce the capital stock, transform or dissolve the company, appoint or recall members of the boards, as well as to appoint liquidators, shall be registered in the commercial register and shall take effect after registration in the commercial register.

Minutes
Article 232

- (1) The minutes of a general meeting shall be kept in a special book and shall comprise:
 1. the place, date and hour of the meeting;
 2. the names of the chairman and the secretary, and of the vote tellers;
 3. the attendance of the managing and the supervisory board, and of other persons which are not shareholders;
 4. the motions made on the substance of the debate;
 5. the votes taken and the results thereof;
 6. the objections made.

- (2) The minutes of the meeting shall be signed by the chairman and the secretary, and by the vote tellers.
- (3) Attached to the minutes shall be:
 1. the list of participants;
 2. the documents relative to the convening of the meeting.
- (4) The minutes and the documents attached thereto shall be kept on file for not less than five years. Any shareholder shall have the right to inspect the file on demand.

Resolutions of the Sole Owner
Article 232a (New – SG 84 – 2000)

A written protocol for the resolutions of the sole owner of the company shall be required.

Subsection II General Provisions for the Two Systems of Administration

Terms of Office
Article 233

- (1) The members of the board of directors, the supervisory board and managing board shall be elected for not more than a five-year term of office, unless a shorter term is provided for in the by-laws.
- (2) The members of the first board of directors, or of the first supervisory board as the case may be, shall be elected for not more than a three-year term of office.
- (3) Directors may be reelected for any number of terms.
- (4) The members might be dismissed of the duties even before the end of the mandate for which they have been elected.

Directors
Article 234

- (1) A director may be any natural person possessing capacity. Where the by-laws so provide, a director may be a legal person. In this case the legal person shall designate a representative for performance of its duties on the board. The legal person shall bear unlimited liability and shall be liable jointly and severally with the other directors for the liabilities arising from acts of its representative.
- (2) A person may not be a director, if it:
 1. has been a member of an executive or controlling body during the preceding 2 years from the date of the decision to dissolve the company on grounds of bankruptcy and there remain unsatisfied creditors;
 2. (Repealed – SG 84/2000)
 3. does not meet other requirements provided for in the by-laws.

Representative Powers
Article 235

- (1) The members of the board of directors, or of the managing board as the case may be, shall represent the company collectively, unless otherwise provided by the by-laws.
- (2) The board of directors, or, as the case may be, the managing board subject to approval by the supervisory board, may delegate authority to one or several of its members to represent the company. The authority so delegated may at any time be revoked.
- (3) The names of the authorized representatives shall be registered in the commercial register and published in the State Gazette. For registration they shall present notarized signatures.
- (4) Restrictions on the representative power of the board of directors or the managing board or the persons authorized by them on the rules of Par. 2 shall not have effect to third parties.
- (5) The authorization and the revocation thereof shall be binding upon third parties after registration and publication.

Contracts of the sole owner
Article 235 (New – SG 84 – 2000)

The contracts between the sole owner of the company and the company itself when it is represented by him, shall be concluded in writing.

Special Requirements for Validity of Some Resolutions
Article 236

- (1) The managing board may pass resolutions with the prior approval of the supervisory board or with a unanimous resolution of the board of directors, on:
 1. closing down or transfer of enterprises or of substantial parts thereof;
 2. substantially altering the company's business;
 3. substantial organisational changes;
 4. long-term cooperation which is material to the company or the termination of such cooperation;
 5. establishment of a branch.
- (2) Objections that such acts have been performed in contravention of the preceding paragraph shall not be binding upon bona fide third parties.

Rights and Obligations
Article 237

- (1) The directors shall have equal rights and obligations, regardless of:
 1. any internal division of functions among the directors;
 2. (Supplemented, SG 84 – 2000) the provisions which confer managerial and representative authority to officers.

- (2) The directors must perform their functions in the interest of the company and not disclose the company's secrets even after they are no longer directors.
- (3) (New, SG 84–2000) The chairman of the supervisory board, respectively of the board of directors shall conclude the management contracts and the representative contract with the executive members.

Quorum and Majority **Article 238**

- (1) The boards may pass resolutions if at least half the directors are present, whether in person or represented by another director. No director present may represent more than one absent director.
- (2) Resolutions shall be passed by a simple majority, unless otherwise provided by the by-laws.
- (3) The by-laws may provide that the board may pass resolutions in absentia if all directors have stated in writing their approval for the resolution.

Minutes **Article 239**

Minutes shall be kept of all resolutions of the managing board, the supervisory board and the board of directors which shall be signed by all present members of the respective board.

Liability **Article 240**

- (1) The directors shall deposit a guarantee for their management of the affairs of the company in an amount determined by the general meeting, but not less than their three month gross income. The guarantee may be in the form of shares or debentures deposited with the company.
- (2) The directors shall be liable jointly and severally before the company for any damages caused through a fault of theirs.
- (3) Any director may be held harmless if it is established that it has no fault for the damage suffered by the company

Subsection III Two Tier System

Managing Board **Article 241**

- (1) The joint stock company shall be managed by a managing board which shall act under the control of a supervisory board.
- (2) The members of the managing board shall be appointed by the supervisory board, which shall determine their remuneration and shall have the right to recall them at any moment.

- (3) No person may simultaneously serve on both the managing board and the supervisory board of one company.
- (4) The number of members of the managing board shall be determined by the by-laws, but may not exceed nine.
- (5) The rules of procedure of the managing board shall be approved by the supervisory board.

Supervisory Board
Article 242

- (1) The supervisory board may not take part in the management of the company. The supervisory board shall represent the company only in its relationship with the managing board.
- (2) (Amended – SG 84 – 2000) The members of the supervisory board shall be appointed by the general meeting. Their number may be from three to seven persons.
- (3) The supervisory board shall adopt its own rules of procedure and shall appoint a chairman and vice chairman from among its members.
- (4) The chairman shall call meetings of the supervisory board on his own initiative, as well as upon request by the members of the supervisory board or the members of the managing board.

Reporting and Supervision
Article 243

- (1) The managing board shall report on its activity to the supervisory board at least once every three months.
- (2) The managing board shall immediately inform the chairman of the supervisory board of all circumstances which have arisen which are material to the company.
- (3) The supervisory board may at any time require that the managing board provide information or a report on any matter concerning the company.
- (4) The supervisory board may carry out any necessary investigations in performance of its duties. For purposes of such investigation it may employ the services of experts.

Subsection IV One Tier System

Board of Directors
Article 244

- (1) (Amended – SG 84 – 2000) The company shall be managed and represented by a board of directors. The board of directors shall consist of minimum three and maximum nine persons.
- (2) The board of directors shall adopt its own rules of procedure and shall elect a chairman and vice chairman from among its members.

- (3) The board of directors shall meet regularly not less than once every three months to discuss the company's state of affairs and prospects for development.
- (4) The management of the company shall be delegated by the board of directors to one or several directors, who shall be termed officers. The officers shall be a minority of the directors and may at any time be replaced.
- (5) Each of the officers must immediately inform the chairman of the board of all circumstances which have arisen which are material to the company.
- (6) Each director may request that the chairman call a meeting to discuss particular matters.

Section X Annual Closing of Accounts and Distribution of Profits

Documents

Article 245

Each year not later than the last day of February the board of directors, or the managing board as the case may be, shall draw up the annual report and the financial statement for the previous calendar year, and shall submit these to the certified public accountants appointed by the general meeting.

Reserve Fund

Article 246

- (1) The company shall set up a reserve fund.
- (2) The sources of financing the reserve fund shall be:
 1. At least one tenth of profit which shall be set aside until the fund's assets reach one tenth or more of the company's capital stock or such other larger proportion as the by-laws may provide;
 2. the proceeds obtained in excess of the nominal value of shares and debentures upon their issuing;
 3. the total of the additional payments made by the shareholders for preferences given them with shares;
 4. other sources provided for by the by-laws or by a general meeting resolution.
- (3) Disbursements from the reserve fund may be made only for:
 1. covering losses for the current year;
 2. covering losses for the previous year.
- (4) When the assets of the reserve fund exceed one tenth of the company's capital stock, or any other larger proportion thereof as may be provided for in the by-laws, the excess amount may be used for increase of the capital stock.

Contents of Annual Report

Article 247

The annual report shall comprise a review of the company's operations over the year and its current state of affairs, and the accounting notes to the annual financial statement.

Dividend and Interest Payments

Article 247a (New – SG 84 – 2000)

- (1) The dividends and interests under Art. 190, Par. 2 shall be paid only if according to the inspected and approved on the rules of Section XI audit report for the respective year, the net value of the assets reduced with the sum of the dividends and interests to be paid is not less than the sum of the capital of the company, Fund Reserve and other funds the company is obliged to establish by the Law or by-laws.
- (2) Under the meaning of the previous paragraph, the net value of the assets shall be the difference between the rights and obligation of the company according to its balance sheet.
- (3) The payments under Par. 1 shall be made to size of the profit of the company for the respective year, the non-distributed profit of the previous years, the part of the Reserve Fund and other funds of the company exceeding the minimum determined by the Law or the by-laws, and reduced with the uncovered losses of the preceding years and the sum of the deductions for the Reserve Fund and other funds which the company is obliged to establish by the Law or by-laws.
- (4) If payment in lack of the prerequisites of Par. 1-3 have been made, the shareholders shall be obliged to return the received sums only if the company proves that they have known or might have known for the lack of the said prerequisites.

Section XI Annual Audit

Object and Scope of Audit

Article 248

- (1) The annual financial statement shall be audited by the certified public accountants appointed by the general meeting.
- (2) The audit shall have as its object to ascertain whether the provisions of the Law on Accountancy and the by-laws on annual closing have been observed.

Appointment and Responsibility of Certified Public Accountants

Article 249

- (1) Where the general meeting has failed by the end of the calendar year to appoint Certified Public Accountants, the Court shall, upon request of the board of directors, or of the managing or the supervisory board as the case may be, or of an individual shareholder appoint Certified Public Accountants.
- (2) The Certified Public Accountants shall assume responsibility for the bona fide and unbiased performance of audit, and nondisclosure of secrets.

Report of Certified Public Accountants

Article 250

Upon receipt of the report of the Certified Public Accountants, the managing board shall submit it to the supervisory board, together with the annual financial statement and annual report. The managing board shall also submit the draft resolution on distribution of profit to be discussed by the general meeting.

Approval of Annual Closing of Accounts
Article 251

- (1) The supervisory board shall verify the annual financial statement, the annual report and the draft on distribution of profit, and shall, upon approval thereof, resolve to call a regular general meeting of shareholders.
- (2) In the one-tier system the draft on distribution of profit shall be prepared by the board of directors, which shall then convene the general meeting.
- (3) The annual financial statement may not be approved by the general meeting without an audit by Certified Public Accountants.
- (4) (Amended – SG 84 – 2000) The approved by the general meeting annual financial statement shall be presented to the commercial register and an announcement of this shall published in the State Gazette.

Section XII Dissolution

Grounds for Dissolution
Article 252

A joint stock company shall be dissolved:

1. by resolution of the general meeting of shareholders;
2. upon the expiration of the time period for which it was formed. The general meeting may pass a resolution to dissolve the company prior to the expiration of the said period;
3. upon a declaration of bankruptcy;
4. by a ruling of the court with which the company is registered upon an action brought by the public attorney where the company pursues objectives prohibited by law;
5. when the capital drops below the minimum required by law for one year. If within this period the general meeting fails to pass a resolution to dissolve the company, the dissolution shall be effected pursuant to item 4;
6. upon the occurring of the grounds provided for in the by-laws.

Chapter 15

PARTNERSHIP LIMITED BY SHARES

Partnership Limited by Shares Defined
Article 253

- (1) A partnership limited by shares shall be formed by articles of incorporation, whereby limited partners are issued with shares against their contributions to the capital. The limited partners shall be not less than three.
- (2) The provisions for the joint stock company shall apply mutatis mutandis to the partnership limited by shares, unless this chapter provides otherwise.

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

Founders
Article 254

- (1) The partnership limited by shares shall be formed by the general partners. They shall have the right to select shareholders among subscribers.
- (2) The general partners shall draw up the by-laws and shall convene the constituent meeting.

Contributions
Article 255

- (1) The amount of the partners' contributions shall be specified by the by-laws.
- (2) (Repealed – SG 103/1993)

Partnership Organs
Article 256

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

General Meeting
Article 257

- (1) Only limited partners shall have the right to vote in the general meeting. General partners, even when they own shares, shall take part in the meeting in a consultative capacity.
- (2) The powers of the general meeting shall be set forth in the by-laws.
- (3) The general meeting shall submit to consideration and resolve on the requests of limited partners for auditing the activities of the partnership.

Board of Directors
Article 258

The board of directors shall consist of the general partners.

Adoption and Amendment of the By-Laws
Article 259

- (1) The by-laws shall be adopted and amended, and the partnership shall be dissolved, subject to the consent of the general partners.
- (2) The partnership shall not be dissolved with the death or bankruptcy of a limited partner, unless the by-laws provide otherwise.

Liquidation Proceeds
Article 260

The liquidation proceeds of each partner shall be proportionate to its contributions in the partnership.

Chapter 16

TRANSFORMATION OF COMPANIES

Section I General Provisions

Admitting Transformation **Article 261**

- (1) Any company may be transformed into another type of company, may merge into another company, split into several companies, split off from itself another company or participate in the formation of a new company through consolidation.
- (2) The companies shall be liable jointly and severally for obligations arising from the split or splitting off.
- (3) (Repealed – SG 84 -2000)

Procedure for Transformation **Article 262**

- (1) A company shall be transformed subject to consent by the partners, or a general meeting resolution as the case may be. The consent, or resolution, shall be registered in the commercial register of the seats of the respective companies. The application for registration shall be filed within two months of the resolution.
- (2) Upon transformation, the deeds required for the company which is newly formed and the company which is being dissolved shall be filed with the application for registration.

Issue of Permit **Article 262a** (New – SG No. 52/1998)

Permit for merger or consolidation of companies is issued under conditions and procedure prescribed by a separate law. The court files merger or consolidation in the commercial register after permit is presented in case issue of a permit is compulsory.

Creditors' Security **Article 263**

- (1) The resolution on consolidation or merger shall be published. Within six months from the date of publication the creditors of the companies concerned may claim payment or security in accordance with their rights. The assets of the dissolved company which have been transferred to the new company, or to the company into which the former company has merged as the case may be, shall be managed separately until the expiration of the six month time period.
- (2) The general partners in dissolved companies shall remain liable to creditors for obligations assumed prior to the transformation.
- (3) The managers of the new company shall be liable to creditors for the separate management of the assets pursuant to paragraph 1.

Section II Special Provisions

Procedure for Transformation of a Joint Stock Company Article 264

A resolution to transform a joint stock company into another type of company shall be valid if not less than two years have elapsed from its formation and the financial statements for the two years have been approved. The said resolution shall be passed with a two thirds majority of the shares represented. In determining the majority, the company's shares and the nonvoting shares shall be deducted from the capital stock. The by-laws may provide for a greater majority, as well as for other requirements.

Transformation of a Joint Stock Company into a Limited Liability Company Article 265

Where a joint stock company is transformed into a limited liability company, each shareholder shall exchange its stock for an equivalent share in the registered capital.

Chapter 17

LIQUIDATION

Commencement of Liquidation Article 266

- (1) Liquidation shall be carried out after the dissolution of a company.
- (2) (New, SG No. 83/1996) The term for completion of the liquidation shall be determined by the General Meeting of the limited liability company and the joint-stock company, and for other companies, by unanimous decision of the partners with unlimited liability. Such a term shall also be determined by the court in its decision for appointing liquidators. Where necessary, the term determined as above may be extended.
- (3) (Former Paragraph 2 SG 83/1996, Amended – SG 84 – 2000) The liquidators shall be registered in the commercial register where shall be presented their notary certified specimen signatures.
- (4) (Former Paragraph 3, Amended – SG No. 83/1996) The Court of registration may, where important reasons exist, appoint or dismiss liquidators on application by the partners, or, respectively, by the shareholders which own at least one twentieth of the stock.
- (5) (New, SG No. 83/1996) The remuneration of the liquidators shall be fixed by:
 1. the General Meeting of the limited liability company or the joint-stock company;
 2. the partners with unlimited liability in a company, unanimously;
 3. the court, where the liquidators have been appointed by it.
- (6) (New, SG No. 83/1996) The liquidators shall be liable for their activities related to the liquidation in the same way as the managers and the other executive bodies of companies.

Notice to Creditors
Article 267

Upon declaring the dissolution of the company the liquidators must invite its creditors to make their claims. The notice shall be in writing and delivered to known creditors, and shall also be published.

Duties of Liquidators
Article 268

- (1) A liquidator shall be obliged to consummate pending transactions, to collect payments due, to convert the company's assets into cash and satisfy its creditors. A liquidator may not enter into new transactions unless so warranted for the purposes of liquidation.
- (2) A liquidator may, subject to the consent of the partners or, respectively, the shareholders, and the consent of the creditors, transfer to them particular items of the assets under liquidation, provided that this does not prejudice the rights of the remaining partners and creditors.
- (3) The liquidators must inform the tax administration of the liquidation which has commenced.

Representation
Article 269

- (1) The liquidators shall represent the company and shall have the rights and obligations of its executive organ.
- (2) The liquidators may represent a company only jointly. A single liquidator may accept legal statements addressed to the company.

Opening Balance Sheet and Report
Article 270

- (1) The liquidators shall draw up a balance sheet as of the moment of dissolution of the company, and explanatory notes thereto. At the end of each year the liquidators shall close accounts and present a financial statement and annual report to the governing body.
- (2) The governing body shall resolve on approval of the opening balance sheet, the annual closing of accounts, and on holding the liquidators harmless.

Merger of a company in liquidation
Article 270a (New, SG No. 83/1996)

- (1) A company in liquidation may merge into another company:
 1. by decision of the General Meeting of the limited liability company or the joint-stock company;
 2. by unanimous decision of the partners with unlimited liability in other companies.

- (2) The provisions of Article 263 shall be observed in case of a merger.
- (3) After entering the merger in the commercial register the liquidation shall be terminated. The application for entering shall be filed by the company into which the other company is merging. The managing body of the same company shall make decision on the report of liquidators and their liability.

Distribution of Assets

Article 271

Upon satisfaction of the creditors, the remaining assets shall be distributed among the partners, or among the shareholders as the case may be.

Protection of Creditors

Article 272

- (1) (Amended, SG No. 83/1996) The company's assets shall not be distributed before six months have passed from the date that the notice to the creditors was published.
- (2) Should a creditor duly notified not assert its claim, the sum owed to it shall be deposited in a bank account in its name.
- (3) Where a liability is disputed, assets shall not be distributed until the creditor concerned has been secured.
- (4) (New, SG No. 83/1996) The managing body of the company may, upon satisfaction of the creditors, write off any bad amounts receivable of the company. Such decision shall be taken by simple majority.

The Break and Termination of the Liquidation Proceedings in Opening the Bankruptcy Proceedings

Article 272a (New – SG 84 2000)

- (1) The liquidation proceeding of the company shall be stopped since the date of the decision for opening the bankruptcy proceedings. The liquidation proceedings shall be terminated since the decision under Art 630 enters into force.
The court shall declare the bankruptcy of the company – debtor under Art. 630, Par. 2 with the decision for opening the bankruptcy proceedings.
- (2) In the cases under Par. 1 the court on bankruptcy shall be obliged to send a written notice to the court on liquidation in the same day.

Report and Balance Sheet of the Liquidator in Case of Termination of His Activity

Article 272b (New – SG 84 2000)

- (1) In case bankruptcy proceedings has been opened for a company in liquidation, the Liquidator shall be obliged to present at the court on bankruptcy the balance sheet with final date the decision for opening the bankruptcy proceedings and a report on his activity under Art. 270 within 7 days since the termination of the bankruptcy proceedings.
- (2) The appointed assignee in bankruptcy the debtor or creditor might object on the balance and report under Par. 1 within 7 days after they are presented at the court.

- (3) The court shall state on the objection with a "definition" which is final.
- (4) If in the term of Par 2 an objection is not presented at the court, the balance sheet and the report shall be considered approved.
- (5) While the liquidation proceedings is stopped, the Liquidator shall not have the right to carry out the duties provided in Chapter 17.

Closing of Liquidation Proceedings

Article 273

- (1) (Supplemented SG 84 – 2000) When all liabilities have been settled and the remaining assets distributed, the liquidator shall apply for deletion of the company from the Commercial Register. The decision on deletion shall be published in the State Gazette if the founding of the company has been subject to a publication.
- (2) Should at some later time the need arise for further liquidation proceedings, the court shall, on application by the person concerned, appoint liquidators, either the previous or new ones.

Continuation of a Company after Dissolution

Article 274

- (1) When a company is dissolved due to expiration of the specified time period or upon a resolution of the competent company organs, they may decide to continue its activities, unless the distribution of assets has commenced.
- (2) A resolution pursuant to paragraph 1 shall be passed:
 1. in case of a joint stock company, by a majority of at least three quarters of the shares represented;
 2. in case of another company, unanimously.
- (3) The liquidators shall file the resolution to continue the company for registration in the Commercial Register.

Chapter 18

COMMERCIAL GROUPS

Section I Consortium

Definition

Article 275

A consortium is a contractual grouping of merchants for carrying out specified activities.

Applicable Provisions

Article 276

The respective rules either for partnerships under civil law or for the company in the form of which a consortium has been organized shall apply to consortia.

Section II Holding Company

Definition Article 277

- (1) A holding company shall be a joint stock company, a partnership limited by shares or a limited liability company the purpose of which is to participate under any form in other companies or in their management, regardless of whether it carries on manufacturing or commercial activities of its own.
- (2) At least 25 percent of the capital stock of a holding company must be invested directly in subsidiary companies.
- (3) A subsidiary company is a company in which a holding company owns or controls, directly or indirectly, at least 25 per cent of the stocks or shares and is in a position to appoint, directly or indirectly, a majority of the directors.

Purposes Article 278

- (1) The purposes for which a holding company is set up may be:
 1. acquisition, management, valuation and sale of interest in Bulgarian or foreign companies;
 2. acquisition, management and sale of debentures;
 3. acquisition, valuation and sale of patents, assigning licences for the use of patents of companies in which the holding company owns an interest;
 4. financing of companies in which the holding company owns an interest.
- (2) A holding company may not:
 1. participate in a partnership which is not a legal person;
 2. acquire licences which are not intended for use by the companies controlled by it;
 3. acquire real property which is not required by its needs. The acquisition of stock in real estate companies is permitted.

Taxation of Holding Activities Article 279 (Repealed, SG No. 59/1996)

Credits Given by Holding Companies Article 280

- (1) A holding company may extend loans only to companies in which it participates directly or which it controls.
- (2) The amount of the extended loans may not exceed ten times the capital stock of the holding company.
- (3) The amount of the deposits of subsidiary companies and enterprises in a holding company may not exceed three times the amount of the capital stock.

Chapter 19

APPLICABLE LAW

Law Applicable to Sole Proprietors

Article 281

The legal status of a sole proprietor shall be governed by the law of the country in which he is registered.

Law Applicable to Companies

Article 282

- (1) The incorporation, transformation and dissolution of companies, the manner of their representation, as well as the rights and obligations of the partners shall be governed by the law of the country in which the respective company is registered.
- (2) If a company is registered in more than one country, the law of the country in which, according to the by-laws, the company's place of management is situated shall apply.
- (3) For branches of companies, the law of registration of the branch shall apply.

Law Applicable to Agency

Article 283

The agency contract shall be governed by the law of the country in which the agent carries on its activities, regardless of the place where the contract was made.

Chapter 20

ADMINISTRATIVE PENAL PROVISIONS

Violations and Fines

Article 284

- (1) (Amended – SG 103 – 1993/ SG 84 – 2000) A fine of at least BGN 100, but not exceeding BGN 500, shall be imposed on any person under an obligation pursuant to this Law which does not apply for registration within the prescribed time periods or does not present documents or signatures provided for in this Law.
- (2) If, after a fine has been imposed, the person under an obligation does not apply for registration or does not present the documents or signatures within the time period determined by the court, further fines pursuant to paragraph 1 shall be imposed upon such person until the acts are performed.
- (3) Fines pursuant to the previous paragraphs shall also be imposed upon officials who, when they are obliged to do so:
 1. have not informed officially the respective district court of the occurrence of a circumstance which is subject to registration;
 2. do not undertake the necessary action for registration.

- (4) (New – SG 84 – 2000) Liable person under this Law who does not indicate in his commercial correspondence the data under Art. 13, shall be fined with 100 to 500 BGN.
- (5) (Previous Par. 4, SG 84 – 2000) Fines shall be imposed by the district court. The court's resolution may be appealed with a particular appeal.

Article 285

- (1) For non-performance of the obligation under Article 7, paragraph 3 a fine or, respectively, a financial sanction, equal to BGN 50 shall be imposed on the merchant.
- (2) The statements for establishing the violations shall be drawn up by the mayors of communities, and the penal orders shall be issued by the mayors of municipalities or persons designated by them.
- (3) The establishment of the violations, the issuing, appeal and enforcement of the penal orders shall be done pursuant to the Law on Administrative Violations and Penalties.

Part III

COMMERCIAL TRANSACTIONS

Chapter 21

GENERAL

Section I General Provisions

Definition of Commercial Transaction Article 286

- (1) A Commercial transaction shall be any transaction concluded by a merchant, related to the occupation exercised by him.
- (2) Commercial transactions shall also be the transactions under Article 1, paragraph 1, regardless of the capacity of the persons effecting them.
- (3) In case of doubt it shall be considered that transactions concluded by a merchant are related to his occupation.

Applicability of Provisions on Commercial Transactions Article 287

The provisions on commercial transactions shall apply to both parties if the transaction is considered commercial for one of the parties and this Law does not provided otherwise.

Sources Article 288

The provisions of civil legislation shall apply to matters of commercial transactions not regulated by this Law, and where it is inadequate, the commercial customs shall apply. Where commercial customs vary, the customs of the place of performance shall apply.

Abuse of Right Article 289

The exercising of a right arising from a commercial transaction shall be inadmissible if it is exercised with the sole intention of causing injury to the other party.

Section II Conclusion of commercial transaction

Public Invitation Article 290

- (1) Catalogues, price-lists, tariffs and the like, as well as announcements though the mass media or otherwise addressed to an indefinite number of persons, shall be deemed to be an invitation to make an offer in accordance with them.
- (2) If the offer under paragraph 1 is not accepted without just cause the author of the invitation shall be held liable for the damages incurred by the offerer.

Public Offer
Article 291

An offer for entering into a transaction may also be addressed to an indefinite number of persons, including through the mass media. It should contain both the total quantity offered and the time limit for accepting the offer. In this case the offerer shall be bound until the quantity is exhausted within the specified time limit.

Silence Equal to Acceptance
Article 292

- (1) An offer to a merchant with whom the offerer has lasting commercial relations shall be considered accepted if not immediately rejected.
- (2) In the event of rejection of the offer under paragraph 1, the merchant shall be bound to safeguard whatever has been sent to him at the expense of the offerer, unless he has been secured for the costs or the safeguarding does not cause him unusual inconvenience.

Form
Article 293

- (1) To be valid a commercial transactions shall require a written or other form only in the cases provided for by a law.
- (2) A statement on execution, performance or termination of a commercial transaction shall be null and void unless made in the form established by a law or by the parties.
- (3) A party may not refer to nullity should its behaviour imply that it has not contested the validity of the statement.
- (4) The written form shall be deemed met if the statement has been technically recorded in a way that permits it to be reproduced.
- (5) In the event of statements made by telefax or telex, the written form shall be deemed met if the books and documents documenting the operation of these apparatuses rule out incorrect reproduction of the statement.
- (6) Where a specific form has been provided for the conclusion of a commercial transaction, this form shall also be required for any amendments to the transaction.

Interest
Article 294

- (1) Interest shall be due between merchants unless otherwise agreed.
- (2) Interest on interest shall be due only if so agreed.

Permission or Approval by a State Authority
Article 295

- (1) Where the validity of a commercial transaction requires permission or approval by a state authority, the transaction becomes valid when permission is granted.

- (2) The party who has undertaken to request permission or approval must make immediately the necessary reasonable efforts and bear the costs related with that, and must inform the other party of the result.

Confirmation by Third Party
Article 296

- (1) In the event a transaction has been concluded subject to confirmation by a third party, it shall become valid upon confirmation.
- (2) The party who is responsible for obtaining the confirmation must inform immediately the other party of the result.
- (3) Where within three months following the conclusion of a transaction the other party has not been informed of the result, it may decline to proceed with the transaction, unless another time period has been agreed upon.

Financial Duress
Article 297

A commercial transaction concluded between merchants may not be voided on grounds of financial duress or due to manifestly unfavourable terms.

Commercial Transactions under General Terms
Article 298

- (1) A merchant may specify in advance general terms for transactions concluded by him. They shall become binding upon the other party should it:
 1. declare in writing their acceptance;
 2. be a merchant and has known or been obliged to know them and has failed to object to them immediately.
- (2) If a written form has been provided for the validity of a transaction, the general terms established by the merchant shall be binding upon the other party only if submitted to it upon execution of the transaction.
- (3) In the event of conflict between what was agreed upon by the parties and the general terms, the terms agreed upon shall govern.

Determination of Provisions by Third Parties
Article 299

- (1) Where the parties have agreed that a third party shall determine particular provisions, such provisions shall become binding upon the parties only if the third party has determined them in accordance with the objective of the contract, the remainder of its contents and commercial custom.
- (2) Should the third party fail to make the determination or makes it in a manner inconsistent with paragraph 1, either party may petition the court to make the determination.

Supplementing of the Contract by the Court
Article 300

Where the parties agree to supplement the contract upon the occurrence of certain circumstances, and should they fail to reach agreement in the event of such occurrence, either party may petition the court to do so. When rendering its decision the court shall take in consideration the objective of the contract, the remainder of its contents and commercial custom.

Actions without Authority for Representation
Article 301

Where a person acts on behalf of a merchant without authority for representation, it shall be deemed that the merchant confirms such actions provided he has not objected immediately after learning of them.

Section III Performance

Due Care
Article 302

A debtor in a transaction which is commercial with respect to him, shall exercise the care of a good husband.

Term
Article 303

Where a contract does not specify a term for performance of an obligation, provided the nature of the transaction or the commercial custom do not require otherwise, the performance may be requested and may be made at any time during working hours at the place of performance.

Joint and Several Obligations
Article 304

Persons who undertake a joint obligation upon conclusion of a commercial transaction shall be considered joint and several debtors, unless it follows otherwise from the transaction.

Non-cash Payment
Article 305

Where payment is effected by debiting and crediting bank accounts, it shall be deemed completed at the time of crediting the account of the creditor.

Section IV Non-performance

Force Majeure
Article 306

- (1) A debtor in a commercial transaction shall not be liable for failure to perform due to force majeure. Where the debtor was already in default, he may not invoke force majeure.
- (2) A force majeure shall be an unforeseen or unavoidable event of an extraordinary nature which has occurred after the conclusion of the contract.

- (3) A debtor who cannot perform due to force majeure shall notify the other party in writing within a reasonable time about the nature of the force majeure, and its potential consequences for the contract. In case of failure to notify, compensation shall be due for the damages resulting from such failure.
- (4) The performance of obligations and the related counter-obligations shall be suspended for the duration of the force majeure.
- (5) Should the duration of the force majeure be such that the creditor loses its interest in the performance, he shall be entitled to terminate the contract. The debtor shall also have the same right.

Business Frustration

Article 307

A court may, upon request by one of the parties, modify or terminate the contract entirely or in part, in the event of the occurrence of such circumstances which the parties could not and were not obliged to foresee, and should the preservation of the contract be contrary to fairness and good faith.

Earnest Money

Article 308

- (1) Where upon the conclusion of a contract one of the parties has given or promised something in case it backs out, it may renounce the contract if its performance has not commenced. The party which backs out shall be bound to pay earnest money, and if it has given such earnest money upon conclusion of the contract, the party shall forfeit it.
- (2) When the contract is performed, the earnest money shall be paid back or set off. It shall also be paid back in the event of termination of the contract by mutual agreement.

Liquidated Damages

Article 309

The liquidated damages due under a commercial transaction concluded between merchants may not be reduced on grounds of excessive amounts.

Section V Commercial security

Commercial Pledge

Article 310

- (1) A contract for commercial pledge which secures rights ensuing from a commercial transaction shall be considered concluded in the event of:
 1. pledge of movable items and bearer securities – upon their delivery to the creditor or to another person on his account;
 2. pledge of securities to order – by endorsement for security and delivery to the creditor.

- (2) Entitled to a pledge by operation of law shall be creditors in the cases provided for in this Law.
- (3) In the event of transfer of a secured receivable the pledge shall be considered transferred upon delivery of the pledged object, unless the transferor has agreed to hold it as another person within the meaning of paragraph 1, item 1.

Satisfaction of the Pledgee Creditor **Article 311**

- (1) Where the pledge contract has been concluded in writing with a valid date and the parties have agreed that, should the debtor be in delay, the satisfaction from the pledge may be effected without court intervention, the creditor shall be entitled to sell on his own the pledged item or securities, if they have a market or stock exchange price. The creditor shall be bound to immediately notify the pledgor of the sale and to pay him the remainder of the price obtained.
- (2) Creditors under Article 310, paragraph 2, shall also be entitled to the rights under paragraph 1.

Pledge without Surrender of Possession **Article 312**

The pledgor may keep the pledged item in his possession in the cases and in compliance with the procedure specified by a law.

Pledge over Perishables **Article 313**

If the pledged item is perishable, the creditor may sell it, provided the item has a market or commodity exchange price, and deposit the amount with a bank as his security. The creditor must notify the pledgor immediately of the sale.

Set-off of Yield from Pledged Item **Article 314**

Where the pledged item produces yield, the pledge contract may provide for the right of the creditor to collect such yield on account of the debt.

Commercial lien **Article 315**

- (1) A merchant shall be entitled to a lien for his due claim from another merchant, under a transaction concluded between them, on the movables and securities of the debtor received by that merchant in a lawful manner. Such right shall exist as long as the merchant has in his possession the movables and the securities.
- (2) The lien shall also exist where:
 1. the ownership of the items has passed to the creditor, but he must transfer it back;
 2. the ownership of the items has been transferred to a third party with regard to the debtor to the creditor, but he should transfer it back to the debtor.

- (3) The lien shall also have effect against the third parties to the extent objections the creditor may have against the claim of the debtor for delivery of the item may be raised against them.
- (4) The lien shall cease to exist if the debtor has ordered otherwise prior to the delivery of the item, or if the creditor has undertaken to act in respect of the item in a specific manner.
- (5) The lien may also be exercised for sums receivable which have not become due:
 1. if the debtor has entered bankruptcy proceedings;
 2. if a compulsory execution undertaken against the debtor has failed.
- (6) The lien shall be retained, if the debtor has ordered otherwise prior to the delivery of the item or if the creditor has undertaken to act in respect of the item in a specified manner, provided the circumstances under paragraph 5 have come to the knowledge of the creditor after the delivery of the item.

Section VI Transfer of Rights

Transfer of Order Negotiable Instruments Article 316

- (1) An instruction issued to order and addressed to a merchant for payment of money, delivery of securities or other fungible goods, and which does not set the performance as subject to counter performance, may be transferred by endorsement. This shall also apply to documents for obligations issued to order by a merchant for items as above, if the performance thereof is not conditioned upon counter performance.
- (2) Transferred by endorsement may also be bills of lading, consignment notes, warehouse warrants, notes for marine loans and transport insurance policies, provided they have been issued to order.

Effect of the Endorsement Article 317

- (1) All rights embodied in the endorsed negotiable instruments are assigned through endorsement.
- (2) The debtor shall be bound to perform only against presentation of the negotiable instrument, with mark thereon indicating that the obligation for which it has been issued has been paid.
- (3) The provisions for bills of exchange shall apply mutatis mutandis to the form of the endorsement, the identification of the possessor and the verification of identification, as well as to the obligation of the possessor to deliver the negotiable instrument.

Chapter 22

COMMERCIAL SALE

Section I General

Definition **Article 318**

- (1) A commercial sale shall be a sale which constitutes a commercial transaction pursuant to the provisions of this Law.
- (2) A sale the subject of which is an item for personal consumption and where the buyer is a natural person, shall not be a commercial sale.

Term for Delivery **Article 319**

Where no term has been agreed for delivery of the goods, the buyer may demand delivery within a reasonable term.

Obligation for Notification **Article 320**

Where it has been agreed that the goods will be accepted at the warehouse of the seller, the parties shall determine within what time limits and in what manner the seller must notify the buyer that the goods are ready for delivery. Where that has not been determined, the notification shall be at least three days prior to the date of delivery, and should the parties be situated in different localities – at least five days before that date.

Documents Pertaining to the Goods **Article 321**

Upon request of the buyer the seller shall be obliged to issue an invoice, and also other documents as agreed between the parties.

Service **Article 322**

The seller shall be obliged to provide the necessary service according to the commercial practice, unless otherwise agreed.

Compensation **Article 323**

Should the sale be avoided and within an appropriate period of time after the avoidance the buyer has purchased replacement goods, or the seller has re-sold the goods, the party seeking compensation may receive the difference between the sale price and the price of the replacement transaction, as well as compensation.

Inspection of the Goods **Article 324**

The buyer shall inspect the goods in the course of time as necessary in view of the circumstances, and where the goods fail to meet the requirements, he shall immediately notify

the seller. If the buyer fails to do so, the goods shall be considered approved as complying to the requirements, except for hidden defects.

Obligation for Keeping
Article 325

- (1) In the event of refusal to accept goods forwarded from another place, the buyer shall be obliged to keep them with the care of good merchant for the time period usually needed by the buyer to give his instructions. Should the seller be in delay, the buyer may deliver the goods for keeping to a third party, notifying the seller thereof.
- (2) Should the goods be perishable, or where their keeping is related to considerable costs and inconveniences, the buyer may sell them on account of the seller.
- (3) Where no instructions have been given pursuant to paragraph 1, the buyer shall be liable only for intentional acts or gross negligence.

Determination of Price
Article 326

- (1) The price shall be determined by the parties upon conclusion of the contract.
- (2) Where the price has not been determined and there is no agreement as to how to determine it, it shall be considered that the parties have agreed to the price usually paid upon conclusion of sale of the same type of goods under similar circumstances.
- (3) Where the price is calculated on the basis of weight of the goods, the tare shall be deducted. This rule shall also apply where substances other than the goods are used for the purpose of preservation of goods.

Time of Payment
Article 327

- (1) The buyer shall be obliged to pay the price upon delivery of the goods or of the documents entitling him to receive the goods, unless otherwise agreed.
- (2) If the seller has undertaken to forward the goods, he shall be entitled to demand that this happens only against payment of the price or presentation of evidence for payment thereof.

Delay of Receipt
Article 328

- (1) Where the buyer is in delay of receipt of goods, the seller may:
 1. deliver the goods for safekeeping;
 2. sell the goods at market prices or at a public auction, after notification to the buyer thereof, informing him of the time and place of the sale or auction;
 3. in the case of perishable goods to sell them without prior notice.
- (2) The delivery for safekeeping and the sales under paragraph 1 shall be on the account and risk of buyer.

Section II Special rules For some Sales

Transit Sale Article 329

- (1) The parties may agree that the seller deliver the goods to a third party indicated by the buyer.
- (2) The seller shall be obliged to notify the buyer of the forwarding of the goods to the third party, sending him also copies of the documents accompanying the goods.
- (3) The price may be paid by the third party.

Distribution of Costs Pertaining to Delivery of Goods Article 330

- (1) Where the goods have to be forwarded to a place other than the place of delivery, the costs pertaining to forwarding and transportation shall be on account of the buyer.
- (2) It shall be assumed that the seller has undertaken the costs of loading and transportation, if delivery has been agreed franco a specific point other than the point of delivery.
- (3) The costs pertaining to forwarding and transportation, as well as the distribution of other costs related to the performance of the contract, may be determined by reference to general terms elaborated by international and other institutions.

Sale with Additional Specification Article 331

The parties may agree on a term during which the buyer shall specify the object of sale. In case of delay of the buyer, the seller may either do so or avoid the contract.

Sale with Periodic Performance Article 332

In the case of a sale with periodic performance where the parties have agreed that seller may perform in advance, what has been given in excess during the preceding period shall be deducted from what is due.

Sale with Buy-back Clause Article 333

A sale with a buy-back clause must be in writing and with a fixed term for exercising the right of buy-back. The right of buy-back shall lapse upon expiration of the term.

Sale with Advance Payment of the Price Article 334

The agreement for advance payment of the price must be in writing. If the seller fails to deliver the goods, he shall owe interest from the date of receipt of the price. In such a case the price paid shall be considered earnest money.

Installment Sale
Article 335

- (1) An installment sale shall be valid if executed in writing.
- (2) The failure to pay installments not exceeding one-fifth of the price of the goods, shall not be a reason for cancellation of the contract.
- (3) If the sale is avoided due to the buyer's failure to perform, the seller may also claim compensation.

Sale by Assignment of Negotiable Instruments
Article 336

In the case of sale of goods by assignment of a negotiable instrument the seller shall be relieved from the obligation to deliver the goods, by assigning the negotiable instrument to the buyer. The buyer shall be bound to pay the price immediately and at the point of delivery of the documents, unless otherwise agreed.

Section III Sale at Public Auction with Open Bidding

Publicity
Article 337

The seller shall provide publicity of the auction terms by announcement in at least one daily.

Binding Force of Proposal
Article 338

A participant in the auction shall be bound by his proposal in compliance with the terms of the auction.

Assignment of the Goods
Article 339

The person who conducts the bidding shall assign the goods to the bidder who has offered the highest price. The sale shall be considered concluded by assignment of the goods.

Payment
Article 340

The buyer shall be bound to pay the price immediately, unless otherwise provided by the terms of the auction. The seller may cancel the contract if the buyer fails to fulfill this obligation.

Nullification of Sale
Article 341

An auction sale concluded as a result of acts contrary to the law or good morals may be declared null and void upon the request of any interested party, within ten days following the assignment. In the case of an action for payment of the price, the buyer may demand nullification of the sale by means of an objection.

Chapter 23

LEASING CONTRACT

Definition **Article 342**

- (1) Under a leasing contract the lessor undertakes to provide an item for use against payment.
- (2) Under a financial leasing contract the lessor undertakes to obtain an item from a third party under terms specified by the lessee, and to provide that item to the lessee for use against payment.
- (3) The lessee may acquire the item during the term of the contract or after the expiration thereof.

Risk **Article 343**

In the case of a financial lease the risk of accidental destruction or damages to the article shall be on the account of the lessee.

Obligations of Lessor **Article 344**

- (1) The lessor shall undertake the obligations of lessor pursuant to Article 230 of the Law on Obligations and Contracts.
- (2) The lessor under a financial lease shall be bound to transfer its rights in respect of the third party concurrently with the transfer of title of the item.

Obligations of the Lessee **Article 345**

- (1) The lessee shall undertake the obligations of lessee pursuant to Articles 232 and 233, paragraph 2, of the Law on Obligations and Contracts, as well as the obligation to return the item upon expiration of the term of the contract.
- (2) The costs pertaining to maintenance of the item shall be on the account of the lessee.

Sub-leasing **Article 346**

The lessee may give the item to be used by another party with the consent of the lessor.

Reference **Article 347**

- (1) The rules of this Chapter shall also apply mutatis mutandis to leasing of an enterprise.
- (2) The rules relevant to lease contracts shall apply mutatis mutandis to leasing contracts with the exception of Article 229, paragraphs 1 and 3, Article 231, paragraphs 1 and 2, Article 233, paragraph 1, Article 235, Article 236, paragraph 1, Articles 237, 238 and 239 of the Law on Obligations and Contracts.

Chapter 24

COMMISSION MERCHANT CONTRACT

Definition**Article 348**

- (1) Under a commission merchant contract the commission merchant shall undertake, for a commission, to perform on his own behalf and on the account of the principal one or more transactions.
- (2) The provisions on the contract of mandate shall apply mutatis mutandis to the relationship between the principal and the commission merchant, unless otherwise provided in this Chapter.

Effect**Article 349**

- (1) Under a transaction concluded with a third party for performance of the mandate, rights and obligations shall also arise for the commission merchant in the case where he has informed the third party of the principal's name.
- (2) The rights acquired by the commission merchant or granted thereto by the principal, shall be deemed, with respect to the commission merchant's creditors, rights of the principal even before their transfer to the principal.
- (3) The commission merchant shall be bound to meet the obligations and to exercise the rights ensuing from the transaction with the third party.
- (4) The principal may exercise the rights and may be compelled to meet the obligations towards a third party only after the transfer thereof by the commission merchant.

Obligations of the Commission Merchant**Article 350**

- (1) The commission merchant must perform the mandate with the care of good husband.
- (2) Where the commission merchant has performed the mandate under conditions more favourable than those set by the principal, the benefit shall belong to the principal.
- (3) In the case of receipt of goods from another location, the commission merchant must inspect them immediately after receipt, and should he ascertain any defects or losses he must notify forthwith the principal thereof and provide the necessary evidence.
- (4) Should any changes occur in the goods which would depreciate them, and where there is no sufficient time available to wait for the instructions of the principal or the principal is in delay, the commission merchant may sell the goods at prices lower than the specified by the principal, provided in this way he protects the principal from greater damages.

- (5) The commission merchant shall be bound to insure the goods received from the principal or from the third party under the executive transaction, provided the principal has given instructions to that effect.

Deviation from the Mandate Article 351

- (1) Should the commission merchant deviate from the mandate, the principal shall not be obliged to recognize the transaction executed on his account, and may claim damages. This rule shall not apply where such deviation has been made in the interest of the principal and the commission merchant was not able to request in advance new instructions, or did not receive a timely response to his inquiry.
- (2) A commission merchant who sells at a lower price or buys at a higher price than the one set by the principal, must notify the latter immediately thereof. If the principal does not immediately refuse to accept the transaction it shall be deemed that he has approved it.
- (3) Where the commission merchant states that he shall bear the difference in prices, the principal may not refuse to accept the transaction.
- (4) The principal may not refuse to accept a transaction, even though the commission merchant has not expressed readiness to bear the difference in prices, provided the commission merchant has ascertained that it was not possible to perform the transaction at the price set by the principal, and that by performing the transaction he has protected the principal from greater damages.

Notification to the Principal Article 352

- (1) Where the third party is in default of its obligations, and also if damages are inflicted by anyone to the property acquired or held by the commission merchant on account of the principal, the commission merchant shall be bound to notify immediately the principal and to provide the necessary evidence.
- (2) Upon receipt of notification that the third party is in default of its obligations under the executive transaction, the principal shall be entitled to request from the commission merchant to transfer immediately to him the rights in respect of such party.

Transaction on Credit Article 353

A commission merchant authorized to conclude a transaction on credit shall be liable before the principal for the performance of the obligations by the third party, provided he has been or should have been of knowledge that the third party is unable to pay.

Commission Contract Del Credere Article 354

Where the commission merchant has guaranteed to the principal for the obligation of the third party, he shall be liable jointly and severally with the third party and shall be entitled to separate compensation.

Accounting
Article 355

The commission merchant shall be bound to account before the principal and to transfer to him the results of the transaction executed.

Obligations of the Principal
Article 356

- (1) The principal shall be obliged to accept from the commission merchant the results of the transaction executed, to inspect the goods acquired for him and to notify immediately the commission merchant of any defects or losses, as well as to undertake the obligations undertaken by the commission merchant towards the third party.
- (2) The principal shall be bound to pay the commission merchant the expenses made in relation to the execution of the mandate, and the remuneration agreed upon. Where no remuneration has been agreed, the customary sum shall be due.

Pledge Right of the Commission Merchant
Article 357

The commission merchant shall be entitled to a pledge on the items acquired by him on account of the principal, or which the principal has delivered to him.

Entering into Executive Transaction
Article 358

- (1) Where subject of the mandate is the purchase or sale of goods or securities which have market or stock exchange prices, the commission merchant may state that he himself sells to the principal or buys from him the goods or securities at such prices. In such case the amount of the remuneration shall be reduced in half.
- (2) The commission merchant shall be assumed a party to the sale provided he has notified the principal of the carrying out of the mandate without indicating a third party.

Refusal by the Commission Merchant
Article 359

- (1) Unless otherwise provided in the contract, the commission merchant may not refuse to carry out an undertaken mandate, except in the case of termination of the contract due to default of the principle. The termination shall be effected in writing, whereas the commission contract shall remain in force for two weeks as from the date on which the principal has received notification from the commission merchant of the refusal.
- (2) If the commission merchant refuses to carry out an undertaken mandate because of a breach of the commission contract by the principal, the commission merchant shall be entitled to a commission and to compensation for any expenses made.
- (3) A principal who has been notified of the refusal of the commission merchant to carry out an undertaken mandate shall be bound, within one month following the date of notification for refusal, to dispose of his property which is in the possession of the commission merchant.

- (4) Where the principal fails within the above term to dispose of the property which is in the possession of the commission merchant, the commission merchant shall be entitled to deliver such property for safekeeping on account of the principal or, in order to cover his claims towards the principal, to sell such property at the best prices for the principal.

Withdrawal of Mandate

Article 360

Should the principal withdraw his mandate entirely or in part, before the commission merchant has concluded the respective transactions with third parties, he shall be bound to pay the commission merchant the remuneration and the costs incurred for transactions concluded by him before the withdrawal. In such case the principal shall have the obligation pursuant to Article 359, paragraph 3.

Chapter 25

FORWARDING CONTRACT

Definition

Article 361

- (1) Under a forwarding contract a forwarding agent shall undertake, for compensation, to conclude a contract for transportation of cargo in his own name and on account of the principal.
- (2) The provisions for commission merchant contract shall apply mutatis mutandis to all matters not covered by this Chapter.

Forwarding Agent – Carrier

Article 362

The forwarding agent may carry out the transportation himself, entirely or in part. In such case he shall have the rights and obligations of a carrier as well.

Several forwarding agents

Article 363

The forwarding agent may assign to subsequent forwarding agents the carrying out of the activities under Article 361, even without authorisation therefor from the principal.

Obligation for Notification

Article 364

- (1) The principal shall be bound to notify the forwarding agent about any special characteristics of the cargo.
- (2) Should the packing of the cargo be inappropriate for transportation, the forwarding agent shall be bound to notify the principal thereof.

Compliance with Principal's Instructions
Article 365

- (1) The forwarding agent shall be bound to comply to the instructions of the principal pertaining to the route, direction and manner of transportation, as well as to the selection of carriers and subsequent forwarding agents.
- (2) Should the forwarding agent deviate from the instructions of the principal, he shall be liable for damages, unless he proves that such could also have occurred even if he had complied to the instructions.

Limitation of Actions
Article 366

An action for damages under a forwarding contract may be brought within one year.

Chapter 26

CONTRACT OF CARRIAGE

Definition
Article 367

Under a contract of carriage a carrier shall undertake to carry out for compensation the transportation of a person, luggage or cargo to a certain place.

Obligations of the Carrier
Article 368

- (1) A carrier shall be bound to carry out the transportation within the specified term, to keep the cargo as from its acceptance to the delivery, to notify the consignee about the arrival of the cargo and to deliver the cargo at the point of destination.
- (2) Where no consignment note has been issued, the carrier shall follow the instructions of the consignor about return of the cargo or delivery of the cargo to another person, if he has not delivered the cargo or the bill of lading.

Obligations of the Carrier for Transportation of Passengers
Article 369

A carrier shall be bound to ensure to passengers appropriate conveniences and safety according to the type of transport vehicle and the distance of transportation.

Obligations of the Consignor
Article 370

- (1) A consignor shall be bound to deliver the cargo to the carrier in a state allowing it to undergo transportation, according to its type and special requirements for various types of cargo.
- (2) The consignor shall deliver to the carrier together with the cargo also the documents needed in order to deliver the cargo to the consignee.

- (3) Where the packing is obviously inappropriate, the carrier may accept the cargo, provided the consignor declares in writing that any damages that may occur shall be on his own account.

Consignment Note
Article 371

- (1) The consignor may request the carrier to issue him a consignment note for the delivered cargo, which may also be issued to order.
- (2) Where a consignment note has been issued, the cargo shall be delivered to the bearer of the note who has established himself as such.

Freightage
Article 372

- (1) The consignor shall pay the freightage upon the conclusion of the contract, unless otherwise agreed.
- (2) Where freightage has not been paid by the consignor, it shall be paid by the consignee upon acceptance of the cargo.

Liability for Losses and Damages
Article 373

- (1) The carrier shall be liable for losses, destruction or damages to the cargo, except where the damages are due to force majeure, to the characteristics of the cargo, or to obviously inappropriate packing, if the consignor has declared his consent pursuant to Article 370, paragraph 3.
- (2) Pursuant to the provisions of paragraph 1 the carrier shall be liable for damages due to delay in performing the transportation.
- (3) An arrangement to relieve from liability under paragraphs 1 and 2 shall be invalid.
- (4) If some lost cargo, for which the consignee has been compensated, is later on found, the carrier shall notify thereof the consignee after taking the necessary measures to preserve it. Should the consignee accept the cargo, he shall owe reimbursement of the compensation received. In the case of rejection, the carrier may sell the cargo himself.
- (5) After delivery of the cargo the carrier shall be liable only if he has been notified about damages not later than one month following the delivery.

Liability in the Case of Subsequent Carriers
Article 374

- (1) Where a carrier performs the transportation entirely or in part with the participation of other carriers, he shall be liable for their actions to the time of delivery of the cargo.

- (2) Each subsequent carrier shall enter into the contract and must exercise the rights of the preceding carriers, as stipulated in the contract of carriage. All carriers shall be liable jointly and severally.

Pledge Right
Article 375

A carrier shall be entitled to a pledge on the cargo for his dues under the contract. This right shall be exercised by the last carrier and shall exist until the rights of all carriers are satisfied.

Obligation for Keeping the Cargo
Article 376

Where it is not possible to find the consignee at the address indicated, or if he refuses to accept the cargo, the carrier shall be obliged to keep it or to deliver it for keeping to another party, notifying the consignor thereof in due time. In the case of perishable cargo, the rules for sale of items in the case of delay of a creditor, shall apply.

Transportation of Luggage
Article 377

The respective rules for transportation of cargo shall apply to transportation of luggage.

Limitation of Actions
Article 378

An action for damages under a contract of carriage may be brought within one year, commencing:

1. for cargo – from the date of delivery to the consignee, and where the cargo has not been delivered – from the date on which it should have been delivered;
2. for passengers, in the case of death or bodily injury – from the date of occurrence thereof or the date of coming of knowledge thereof, but not later than three years.

Special Rules
Article 379

The special rules for individual types of transportation shall be governed by separate Laws.

Chapter 27

INSURANCE CONTRACT

Section I General Provisions

Definition
Article 380

Under an insurance contract an insurer shall be bound to undertake a certain risk in return for payment of a premium, and where an insurance event occurs – to pay to the assured or to a third party beneficiary an insurance indemnity or an amount of money.

Form
Article 381

- (1) An insurance contract is concluded in writing as an insurance policy or another instrument in writing.
- (2) An insurance policy must contain:
 1. the names and addresses of the parties;
 2. the subject matter of the insurance;
 3. the risks covered;
 4. the term of the contract, as well as the commencement and the end of the insurance coverage;
 5. the sum insured or the manner of its calculation;
 6. the insurance premium or the manner of its calculation, as well as the term for payment thereof;
 7. date and place of issue;
 8. signatures of the parties.
- (3) An insurance policy to the benefit of a third party must also contain the name or the capacity of the beneficiary.

Payment of First Premium
Article 382

The contract shall come into force upon payment of the first premium, unless otherwise agreed.

Obligation for Declaration
Article 383

- (1) Upon conclusion of the contract the assured shall be obliged to declare the material circumstances of his knowledge and of importance to the risk.
- (2) Material circumstances under paragraph 1 shall be considered to be those for which the insurer has put questions in writing.
- (3) A failure to answer a question, without concealing material circumstances to the risk, shall not be reason for invalidity or for modification of the contract.

Intentional Incorrect Declaration or Holding Back
Article 384

- (1) If the assured has intentionally incorrectly declared or held back circumstances under which the insurer would not have concluded the contract had he been of knowledge thereof, the insurer may terminate the contract. He may exercise that right within one month after coming of knowledge of such circumstance.
- (2) In cases under paragraph 1 the insurer shall retain the premiums paid and shall be entitled to claim payment thereof for the period to the termination of the contract.

- (3) Where the intentionally incorrectly declared or held back circumstance is of such a nature that the insurer would have concluded the contract, but under different conditions, he may request modification of the contract. This right may be exercised within one month after coming of knowledge of such circumstance. If the assured does not accept the proposal for modification of the contract within two weeks following the receipt of such proposal, the contract shall be terminated with the consequences pursuant to paragraph 2.
- (4) Where in the cases under paragraph 1 an insurance event occurs, the insurer may refuse to pay insurance indemnity or the sum insured, only provided the incorrectly declared or held back circumstance has affected the occurrence of the event.
- (5) Where the assured has concluded the contract through proxy or on account of a third party, it shall be sufficient that the concealed circumstance was known by the assured or his proxy, or the third party, respectively.

Unintentional Incorrect Declaration Article 385

- (1) Where upon conclusion of the contract the parties have not been of knowledge of the circumstance under Article 383, paragraph 1, each of them may, within two weeks after coming of knowledge of such circumstance, propose amendment to the contract.
- (2) If the other party does not accept the proposal under paragraph 1 within two weeks following its receipt, the proposing party may terminate the contract and notify the other party in writing thereof.
- (3) Should the contract be terminated, the insurer shall reimburse a portion of the premium corresponding to that part of the contract term which has not expired.
- (4) In case of occurrence of an insurance event before the amendment or termination of the contract, the insurer may not refuse to pay insurance indemnity or the sum insured, but may reduce them according to the ratio between the amount of premiums paid and the premiums to be paid in compliance with the actual risk.

Declaration of Newly Occurred Circumstances Article 386

- (1) Throughout the duration of the contract the assured shall be obliged to declare before the insurer any newly occurred circumstances, for which the insurer has put questions in writing at the time of conclusion of the contract. The declaration of circumstances should be effected forthwith after coming of knowledge thereof.
- (2) Articles 384 and 385 shall apply mutatis mutandis in the case of default of the obligation under paragraph 1.

Insurance Premium Article 387

- (1) The first premium, as well as the lump premium, shall be paid upon delivery of the policy, unless otherwise agreed.

- (2) Current premiums shall be paid within the agreed terms. In the case of default of payment the insurer may reduce the sum insured, modify the contract, or terminate the contract.
- (3) (Amended, SG No. 58/1997) The insurer may exercise the rights under paragraph 2 not earlier than fifteen days from the date on which the assured has received notice in writing.
- (4) Where it was agreed that the insurance coverage shall commence without the first premium being paid, the insurer shall be entitled to request payment thereof with interest for delay.

Prevention of Damages
Article 388

- (1) The assured shall be obliged to take measures to protect the property insured from damages.
- (2) The assured shall be obliged to comply with the instructions of the insurer and the competent authorities for elimination of sources of hazards of damages, and to allow access of the insurer for inspections.

Obligation for Notification
Article 389

- (1) In the case of occurrence of an insurance event the assured shall be bound to notify the insurer within seven days after coming of knowledge thereof, unless the general conditions provide another appropriate term.
- (2) The assured shall be obliged to make efforts to restrict the damages.
- (3) The assured shall be obliged to allow the insurer to make visual inspection, and to provide the requested documents relevant to the ascertainment of the event and the amount of damages.

Insurance Payment
Article 390

- (1) In the case of occurrence of an insurance event the insurer shall be obliged to pay the indemnity or the sum insured.
- (2) The insurer shall indemnify separately the assured for expenses he has made to restrict the damages, provided he has acted with the appropriate care, even where his efforts have been without success.
- (3) The insured shall not owe compensation for loss of profit, unless otherwise agreed.
- (4) The insurer shall be relieved from his obligations under paragraphs 1 and 2, if the insurance event has been deliberately caused by the assured or by a third party beneficiary.
- (5) The insurer shall not be liable for amounts exceeding the sum insured.

Insurance Interest
Article 391

- (1) An insurance contract where there is no interest in the insurance shall be invalid.
- (2) The contract shall be terminated if the interest ceases to exist in the course of the duration of the contract.
- (3) The assured shall be entitled to claim reimbursement of premiums paid, except where he has been or should have been of knowledge of the lack of interest.

Limitation
Article 392

Rights under an insurance contract shall expire by limitation after three years, and under "liability" insurance after five years from the date of occurrence of the insurance event.

Compulsory Execution
Article 393

Compulsory execution for the sum insured under "life" and "accident" insurances shall not be allowed, as well as for the indemnity under "liability" insurance. Compulsory execution for insurance indemnity under property insurances shall be allowed in cases where it may be directed against the property insured.

Section II Property Insurance

Subject of Contract
Article 394

The subject of a contract for property insurance may be any right that may be evaluated in money for the assured.

Conclusion of Contract without Authorization
Article 395

- (1) A person who in his own name insures the property of another, shall be personally liable for payment of the insurance premium.
- (2) Where the premium has been regularly paid, the approval of the contract shall be valid even where provided after the occurrence of the insurance event.

Sum Insured
Article 396

- (1) The amount for which property is insured may not exceed its actual value. Actual value shall be considered the value for which another property of the same quality could be purchased to substitute the insured property.
- (2) The insurer shall be entitled to inspect the property in order to ascertain the actual value.

Over Insurance
Article 397

- (1) Where a sum insured has been agreed which exceeds the actual value of the property insured, the contract shall remain in force, whereas the sum insured shall be reduced to the amount of the actual value.
- (2) The insurer shall not be obliged to return the part of the premium corresponding to the difference between the sum insured and the actual value, unless the assured has acted in good faith.

Under Insurance
Article 398

- (1) Where a sum insured has been agreed which is less than the actual value of the property insured, and the insured item has been destroyed or damaged, the indemnity shall be determined in accordance with the ratio of the sum insured to the actual value.
- (2) Where the insurance contract has been concluded against first risk, the full amount of damages shall be compensated, provided it does not exceed the sum insured.

Insurance Indemnity
Article 399

- (1) (Amended, SG No. 58/1997) In the case of occurrence of an insurance event the insurer shall be obliged to pay the insurance indemnity within the agreed time period. Such time period may not be longer than fifteen days and shall commence as from the date on which the assured has fulfilled his obligations under Article 389.
- (2) The indemnity shall be equal to the amount of damages as of the date of occurrence of the event.

Partial Destruction
Article 400

In the case of partial destruction of the insured property it shall be considered insured to an amount equal to the difference between the initial and the paid sum insured.

Transfer of insured property
Article 401

- (1) Where the insured property has been transferred, the successor shall subrogate for the rights under the contract, unless otherwise agreed.
- (2) The successor shall be liable jointly and severally for the premium not paid prior to the subrogation.
- (3) The insurer shall be entitled to claim the premium from the transferor, as long as he is not informed of the transfer.
- (4) The insurer and the successor may renounce the contract by notification to the other party, made not later than 30 days as from coming of knowledge of the transfer.

Subrogation into the Rights of the Assured
Article 402

- (1) By payment of the insurance indemnity the insurer shall subrogate to the rights of the assured against the person who has caused the damage.
- (2) Where the person who has caused the damage is a spouse, a relative of ascending or descending line or their spouse, as well as where he belongs to the household of the assured, the insured shall have the rights under paragraph 1 if that person has acted intentionally.
- (3) The assured shall be obliged to cooperate with the insurer in exercising his rights against the person who has caused the damage.
- (4) Where the property of the person who has caused the damage is insufficient, the insurer shall be satisfied after the assured.

Insurance Against Transportation Risks
Article 403

- (1) An insurance contract for road, air and river transportation shall cover all risks to which the cargo is exposed, unless otherwise agreed.
- (2) The cargo transported may be insured to the market price it has at the point of destination.
- (3) An insurance contract shall come into force by delivery of the cargo for transportation and shall continue until the delivery to the consignee, inclusive of re-loading and warehousing, unless otherwise agreed.
- (4) The insurer shall not cover risks after discontinuing the transportation or deviation from the route, unless otherwise agreed.
- (5) If the consignee under the transportation contract accepts the cargo before the damages have been ascertained, the insurer shall not be liable for compensation.
- (6) If the damages could not be visually noticed on the outside upon delivery, but have been ascertained thereafter within the term provided for by the rules for the respective type of transportation, the insurer shall owe compensation only if the consignee notifies him thereof, but not later than fifteen days following the receipt of the cargo.

Subscription Insurance
Article 404

- (1) The subscription insurance contract shall provide coverage of the rights of the assured for a certain period of time.
- (2) The assured shall be obliged to notify in advance the insurer about the property insured in each individual case, by a procedure provided in the contract. In such cases the insurer shall be obliged to issue separate documents upon request by the assured.
- (3) Each of the parties shall be entitled to terminate the contract by a one-month advance notice in writing, unless otherwise agreed.

Section III "Liability" Insurance

Definition Article 405

Under contract for "liability" insurance the insurer shall be obliged to cover, within the sum provided in the contract, the liability of the assured for property and non-property damages which he has caused to third parties.

Notification Article 406

- (1) The assured shall be obliged to notify within seven days the insurer of circumstances which could result in occurrence of "liability". Within the same term the assured shall be obliged to notify the insurer about claims raised against him, or payments that he has effected.
- (2) In the case of an action brought by the injured party, the assured must request the insurer be summoned as a party to the court proceedings.

Direct Claim Article 407

- (1) The injured party to which the assured is liable shall be entitled to claim indemnity directly from the insurer.
- (2) The insurer shall be liable to the injured party in the case where the assured has caused the damages thereto intentionally as well. In such case he shall be entitled to a recourse action against the assured for sums he has paid to the injured party.
- (3) The insurer shall be entitled to make the objections ensuing from the contract and from the liability of the assured, with the exception of objections under Article 389.

Settlement Article 408

A settlement between the injured party and the assured, as well as the recognition of the obligation by the assured, shall have effect for the insurer provided he approves them.

Right of the Assured Article 409

The assured shall be entitled to claim from the insurer the insurance indemnity, provided he has satisfied the injured party.

Section IV "Life" and "Accident" Insurances

Subject of Contract Article 410

"Life" and "accident" insurance contracts shall be concluded against events relevant to the life, health or bodily integrity of the assured or of a third party.

Sum Insured Article 411

- (1) Upon the occurrence of an insurance event or of certain conditions specified in the contract, the insurer shall be obliged to pay to the assured the sum insured, to an amount specified in the insurance contract.
- (2) The assured or the third party beneficiary shall be entitled to a sum insured also in cases where the person who has caused the damages is obliged to indemnify the assured or has already indemnified him, as well as where the assured has received payment under another insurance contract.
- (3) In the case of "life" or "accident" insurances an insurer who has paid the sum insured may not subrogate to the rights of the assured against the person who has caused the event.

Insurance on the Life of a Third Party Article 412

- (1) A "life" or "accident" insurance contract on the life of a third party shall have effect only where concluded with the consent of such party provided in writing. This rule shall not apply to a spouse, a relative of descending or ascending line.
- (2) The third party under paragraph 1 may object at any time in writing before the insurer, who shall be obliged to terminate the contract.
- (3) In the case of death of the third party under the age of forty years, as well as of an incapacitated person, the insurance shall be invalid. The insurer shall be obliged to return the premiums received on the basis of such contracts.
- (4) Should the assured die before the third party, the contract shall be terminated, unless otherwise agreed.
- (5) In the case under paragraph (4), if the "life" insurance has been maintained for at least two years, the insurer shall be obliged to pay to the heirs of the assured or to the third party beneficiary the premium reserve under the insurance.

Mutual Insurances Article 413

- (1) A contract for mutual insurance may be concluded by spouses, persons of kinship and partners to a partnership pursuant to Article 357 of the Law on Obligations and Contracts, as well as by partners to a general partnership company.
- (2) In the event of divorce the mutual insurances shall be split. This rule shall not apply if the contract has been concluded in favour of a child of the dissolved marriage.

"Life" and "Accident" Insurance in Favour of a Third Party Article 414

- (1) The assured may determine the third party beneficiary at any time upon the conclusion of a "life" or "accident" insurance contract, as well as at any time of its duration.

- (2) Where the insurance is taken on the life of a third party, the beneficiary must provide his consent in writing.
- (3) Where the insurance contract has been concluded in favour of the children of the assured, beneficiaries shall also be the children born after the conclusion of the contract, unless otherwise provided.
- (4) Where the insurance contract has been concluded in favour of a spouse of the assured, the right shall belong to the person married to the assured as of the date of occurrence of the event, unless otherwise agreed.
- (5) Where there are several beneficiaries, they shall have equal rights, unless otherwise agreed.
- (6) Should the third party die before the assured, the sum insured shall be paid to the assured.
- (7) The third party-beneficiary shall forfeit his rights under the contract if he has intentionally caused the insurance event.
- (8) If the creditors of the assured cancel the insurance contract, the third party-beneficiary shall be liable to the amount received, but not more than the premiums paid.

Right of the Third Party Beneficiary **Article 415**

- (1) The sum insured shall not be included in the estate of the assured, even where his heirs have been specified as beneficiaries.
- (2) Where the beneficiary is a heir, he shall be entitled to the sum insured, even if he refuses the inheritance.

Risks Excluded **Article 416**

- (1) The insurer shall be relieved of his obligations under the contract, if:
 1. the assured commits suicide intentionally before the expiration of one year after conclusion of the contract;
 2. the bodily injury, the damage to the bodily integrity, the loss of working capacity or the death occur upon commitment by the assured of a crime of a general nature;
 3. the death has occurred upon execution of capital punishment;
 4. the death occurred in the course of war or military activities, unless otherwise agreed.
- (2) Provided the premiums have been paid for at least two full years in the case of "life" insurance, the insurer shall pay to the heirs of the assured or the third party-beneficiary the premium reserve under the insurance.

Payment of Premium
Article 417

- (1) Should the assured under "life" insurance fail to pay a due premium, the insurer may not seek payment thereof by court procedure.
- (2) The insurer shall be obliged to invite the assured in writing to pay the premium within a period of time which may not be less than one month following the receipt of the request.
- (3) Where the premium is not paid, the insurer may reduce the sum insured to the amount of the buy-off sum, provided the premium has been paid for at least two years. Otherwise the insurer may cancel the contract.
- (4) Should an insurance event occur before the reduction of the sum insured or the cancellation of the contract pursuant to paragraph 3, it shall be assumed that the sum insured has been reduced or that the contract has been cancelled.

Right to Buy off
Article 418

- (1) In the case of "life" insurance, upon request of the assured the insurer shall be obliged to pay the buy-off value of the policy, provided at least two years have expired from the commencement of the insurance and the premiums have been regularly paid.
- (2) The policy should indicate the conditions under which the assured may request payment of the buy-off value, as well as the manner of calculation of such an amount.
- (3) Where the insurance has been taken out in favour of a third party and he has declared that he accepts the arrangement in his favour, the right to the buy-off value shall belong to the third party.

Chapter 28

CONTRACT FOR CURRENT ACCOUNT

Contents
Article 419

- (1) Under a contract for current account two persons, where at least one of them is a merchant, may agree the amounts receivable and payable ensuing from their mutual relations to be kept under one account, which shall be periodically settled. The party to the benefit of which a balance exists at the time of settlement, may demand it together with interest from the date of settlement of the account even though interest may have already been included therein.
- (2) The settlement of the account shall be effected at the end of the calendar year, unless otherwise agreed, and shall be confirmed by the parties in writing. Should a declaration of any of the parties be invalid, the action may be brought within one year thereafter.
- (3) A contract for current account may be terminated by a one-month advance notice in writing even before settlement of the account, unless otherwise agreed, whereas the party with a balance to his benefit may demand its payment.

Chapter 29

BANKING TRANSACTIONS

Section I Contract of Bank Deposit

Ordinary Deposit **Article 420**

- (1) Under a contract of bank deposit a bank shall undertake to keep for consideration the submitted thereto bank notes, securities or other movable items.
- (2) The depositor may at any time demand the return of a deposited item, even where it has been agreed that the deposit shall continue for a certain period of time. In such a case the depositor shall owe payment only for the duration of time of keeping the article, but he should pay the bank the expenses incurred thereby in view of the agreed duration of the deposit.

Monetary Deposit **Article 421**

- (1) In the case of a monetary deposit the bank shall owe the sum of money to the depositor in the same currency and to the same amount, as well as the agreed interest.
- (2) In the case of early withdrawal of sums from a time cash deposit, interest shall be due as for demand deposit, unless otherwise agreed.

Documents for Deposit **Article 422**

- (1) In the case of a monetary deposit the bank shall issue to the depositor documents for all contributions to and payments from the deposit.
- (2) In the case of a difference between the data under the bank batch and the document issued by the bank to the depositor, the data in the issued document shall be assumed to be true, until proven to the contrary.
- (3) If the deposit document issued is lost, destroyed or stolen, the depositor shall be obliged to notify forthwith the bank in writing. The bank shall not be liable if before the receipt of such notification it has paid in good faith a sum to a person, who appeared authorized to receive such sum on the grounds of indisputable circumstances.

Authorization **Article 423**

A proxy may draw sums from a monetary deposit, provided the power of attorney bears a signature certified by the notary public.

Management of Securities**Article 424**

A bank may undertake to manage deposited securities by exercising the rights thereon, unless otherwise agreed.

Conditioned Deposit and Deposit in Favour of a Third Party**Article 425**

In the case of a conditioned deposit or in favour of a third party, if the condition does not occur or the third party dies, the deposited monies, securities or other movable articles shall be returned to the depositor.

Section II Current Account Contract**Definition and Form****Article 426**

- (1) Under a current account contract a bank shall open an account of a person through which it shall, in return for payment, accept and effect on his instructions payments within the limits of the amounts available.
- (2) A current account contract shall be concluded in writing.

Fees, Expenses and Interest**Article 427**

- (1) The holder of the account shall owe to the bank a fee and the expenses made pertaining to operations effected.
- (2) The bank shall owe to the holder the interest agreed.

Notification**Article 428**

The bank shall notify the holder of an account about operations effected, by a procedure and manner agreed between them, and unless otherwise agreed, monthly in writing. Provided the holder does contest the operation in writing within two weeks following the receipt of the notification, it shall be considered that he has approved it.

Application of other Provisions**Article 429**

The provisions of the contract of mandate shall apply mutatis mutandis to the current account contract unless the circumstances indicate otherwise.

Section III Contract for Bank Credit

Definition and Form

Article 430

- (1) Under a contract for bank credit a bank shall be obliged to provide to a borrower a sum of money for a certain purpose and under agreed conditions and term, and the borrower undertakes to use the sum as agreed and to return it upon expiration of the term.
- (2) The borrower shall pay interest on the credit, as agreed with the bank.
- (3) The contract for bank credit shall be concluded in writing.

Necessary Information

Article 431

The borrower shall be obliged to provide the bank with the necessary information relevant to the conclusion and performance of the contract.

Early Claim

Article 432

- (1) Further to the cases provided for in the contract, the bank may request early return of the sum under the credit, where:
 1. the credit is not used for the purpose for which it has been received;
 2. the borrower provides untrue information;
 3. the security becomes insufficient and is not supplemented within a term set by request therefor;
 4. the borrower fails to return other loans to the bank due to serious aggravation of his financial status.
- (2) In the case under paragraph 1, sub-paragraph 4, the bank shall provide a sufficient time period before exercising its right for early return of the sum.

Section IV Letter of Credit

Definition

Article 433

- (1) By a letter of credit a bank shall order another bank to pay to the person indicated in the letter of credit a sum up to a specified amount.
- (2) The letter of credit may be forwarded to several banks and in different settlements.

Rights and Obligations

Article 434

- (1) The person authorized to receive the sum shall be obliged to pay the issuing bank's fees and expenses.
- (2) The payer bank shall be obliged to note down the sum paid on the letter of credit. Its submission to the payer bank in the case under Article 433, paragraph 1, shall not be a prerequisite for payment.

Section V Documentary Letter of Credit

Definition and Form

Article 435

- (1) A documentary letter of credit shall be a unilateral declaration in writing by a bank, by which it undertakes to pay to the person indicated in the documentary letter of credit the sum of the documentary letter of credit, provided he submits to the bank within the term specified in the documentary letter of credit the documents listed therein, and fulfills its other conditions. A documentary letter of credit shall come into force after notification of the person.
- (2) A bank may assign to another bank the receipt of documents, their verification, the compliance with other conditions under the documentary letter of credit and the payment of the amount.
- (3) The verification of the documents shall be prima facie.
- (4) Only the conditions specified in the documentary letter of credit shall be of importance for payment of the sum under the documentary letter of credit.
- (5) The obligations under the documentary letter of credit shall cease upon expiration of the term.

Irrevocability of the Documentary Letter of Credit

Article 436

Unless anything else ensues from the documentary letter of credit, it shall be considered irrevocable and may be revoked or modified only with the consent of the third party.

Revocable Documentary Letter of Credit

Article 437

A revocable documentary letter of credit may be revoked unilaterally by the bank, as long as it is not carried out.

Divisibility and Non-Transferability of a Documentary Letter of Credit

Article 438

A documentary letter of credit shall be divisible and non-transferable, unless otherwise ensues therefrom.

Confirmed Documentary Letter of Credit

Article 439

Where an irrevocable documentary letter of credit is confirmed by another bank, it shall undertake to pay on its own and directly the sum under the letter of credit.

Mandate and Documentary Letter of Credit

Article 440

The provisions for contract of mandate shall apply to the relations between the principal and the bank which has opened the documentary letter of credit, as well as between the banks under the documentary letter of credit.

Fee

Article 441

The principal shall owe a fee to the bank.

Section VI Bank Guarantee

Definition and Form

Article 442

Under a bank guarantee a bank undertakes in writing to pay to the person specified in the guarantee a certain sum of money in compliance with the conditions provided therein.

Section VII Bank Collection. Bank Documentary Collection

Definition of Bank Collection

Article 443

Under a contract for bank collection a bank undertakes, for a fee, to collect by mandate from the principal his cash receivable or to effect another action for collection.

Definition of Bank Documentary Collection

Article 444

Under a contract for bank documentary collection the bank by mandate from the principal undertakes to deliver, in return for remuneration, to another person documents entitling him to dispose with goods, or other documents against payment of an amount which the bank undertakes to collect, or against effect of other actions for collection.

Rights and Obligations

Article 445

- (1) The principal should pay to the bank the agreed expenses.
- (2) Upon performance of bank collection and of bank documentary collection the bank shall be liable only for incorrect performance of the instructions provided. It shall not be obliged to verify the form and compliance of documents.
- (3) A bank which uses the services of another bank in view of performing the orders of the principal, shall do so on his account.

Subsidiary Applicable Provisions

Article 466

Unless the circumstances indicate otherwise the provisions for contract of mandate shall apply mutatis mutandis to the bank collection and the bank documentary collection.

Special Provision

Article 447

Contracts for bank collection and for bank documentary collection shall not be terminated upon the death of the principal.

Section VIII Bank Transfer

Definition

Article 448

Under a contract for bank transfer the principal shall extend to the bank a certain monetary sum with orders to be paid to a person specified thereby.

Execution
Article 449

- (1) The principal may cancel or modify an order for transfer prior to its performance.
- (2) Where prior to the performance of the transfer the bank has notified the payee of the order, it may not be cancelled or modified.

Obligation for Fees and Expenses
Article 450

The principal shall owe to the bank fees and the expenses made by the latter related to the transfer.

Section IX Contract for Bank Safe Deposit Box

Definition
Article 451

- (1) Under a contract for a bank safe deposit box a bank accepts for a certain period of time to keep for consideration bank notes, securities, other items and documents. Access to the contents of the safe deposit box shall belong only to the user.
- (2) The contract for safe deposit box may be with declared or not declared contents of the deposit before the bank.
- (3) The bank shall not have the right to possess a copy of the key to the safe deposit box delivered to the user.

Prohibited Items
Article 452

- (1) No items may be placed in the safe deposit box which could endanger the safety of the box and the bank, as well as items the acceptance of which is prohibited by law.
- (2) The bank shall control in an appropriate manner the compliance with the requirement under paragraph 1, without disclosure of the contents of the deposit, in the case it has not been declared.
- (3) In the case of non-compliance with the obligation under paragraph 1, the bank may cancel the contract forthwith.

Rights of the Bank on Default of Payment
Article 453

- (1) Where a contract is cancelled due to default on payment of the agreed remuneration, the bank may demand the opening and ascertainment of the contents of the safe deposit box, with participation of a notary public. The items found in the safe deposit box shall remain for keeping with the bank, to which indemnity shall be due for expenses as well as a fee.

- (2) For its dues under the contract the bank shall be entitled to lien on the deposit in the safe deposit box.

Liability in the Case of Force Majeure

Article 454

The bank shall be liable to the user should the deposit be destroyed due to force majeure.

Chapter 30

BILL OF EXCHANGE

Section I General Provisions

Contents

Article 455

A bill of exchange shall contain:

1. the title "bill of exchange" in the text of the document in the language in which the document has been written;
2. unconditional order to pay a certain sum of money;
3. name of the person who must pay (drawee);
4. maturity;
5. place of payment;
6. name of the person to whom or to whose order the sum must be paid (payee);
7. date and place of issue;
8. signature of the drawer.

Incomplete Contents

Article 456

- (1) A document which does not contain any of the requisites listed in Article 455, shall not be a bill of exchange, except for the cases specified in the paragraphs below.
- (2) A bill of exchange in which no maturity has been specified, shall be deemed payable on demand.
- (3) A bill of exchange in which no place of payment has been specified, shall be deemed payable at the place indicated next to the name of the drawee, which shall be assumed to be the place of residence of the drawee.
- (4) A bill of exchange in which no place of issue has been indicated, shall be considered to be issued at the place indicated next to the name of the drawer.

Bill of Exchange to the Order of the Drawer and Against the Drawer**Article 457**

A bill of exchange may be issued to the order of the drawer himself, as well as against the drawer.

Place of Payment**Article 458**

- (1) A bill of exchange may be payable at the place of residence of a third party, at the place of residence of the drawee, or at another place.
- (2) Where the drawer has specified in the bill of exchange a place of payment other than the place of residence of the drawee, without indicating a third party with whom the payment is to be effected, the drawee may determine this third party upon acceptance. It shall be assumed, unless otherwise agreed, that the drawee has undertaken to pay personally at the place of payment specified in the bill of exchange.
- (3) Where a bill of exchange is payable at the place of residence of the drawee, he may indicate upon acceptance an address within the same locality where the payment is to be effected.

Obligation for Interest**Article 459**

- (1) In a bill of exchange payable on demand or within a certain term after presentation, the drawer may undertake an obligation for interest on the amount. In the case of any other bill of exchange such an obligation shall be considered null and void.
- (2) The amount of the interest must be indicated in the bill of exchange.
- (3) Interest shall be charged as from the date of issue of the bill of exchange, unless another date has been specified.

Differences in the Sum**Article 460**

- (1) Where the sum has been written in the bill of exchange in figures and in words, in the case of difference the sum written in words shall be valid.
- (2) Where the sum has been written in the bill of exchange several times in words or in figures, in the case of difference the smallest sum shall be valid.

Validity of Signatures

Article 461

Should a bill of exchange bear signatures of persons who may not undertake obligations under a bill of exchange, false signatures, signatures of non-existent persons or signatures which, for some other reason, may not bind the persons who have signed or on behalf of whom the bill of exchange has been signed, the obligations of the other persons who have signed shall be valid.

Signature Without Authorization

Article 462

A person who signs a bill of exchange as an agent without having such authority, or who exceeds his authority by doing so, shall be personally liable under the bill of exchange, and should he pay, he shall have the same rights as would have the represented person.

Liability of the Drawer

Article 463

- (1) The drawer shall be liable for the acceptance and payment of a bill of exchange.
- (2) The drawer may be relieved of liability for acceptance, but he may not be relieved from liability for payment.

Blank bill of Exchange

Article 464

If a bill of exchange, which has not been filled in at issue, is filled in not as agreed, the default on the agreed may not be counterposed against the bearer unless he has acquired the bill of exchange through abuse of authority or gross negligence.

Objections of Debtors

Article 465

Debtors under a bill of exchange may not use against the bearer objections based on their personal relationship with the drawer or with some of the former bearers, unless the bearer did not act in good faith in acquiring the bill of exchange.

Section II Endorsement

Transfer of a Bill of Exchange

Article 466

- (1) Any bill of exchange, even where not explicitly issued to order, may be transferred by endorsement.
- (2) Where the drawer has written in the bill of exchange the words "not to order" or another phrase of equivalent meaning, the bill of exchange shall be transferred under the procedure for transfer of receivables.
- (3) A bill of exchange may be endorsed to the drawee, the drawer or any other person who has undertaken obligations under the bill of exchange. Such persons may again endorse the bill of exchange.

Requirements
Article 467

- (1) An endorsement may not be conditional.
- (2) A partial endorsement shall be null and void.
- (3) An endorsement to the bearer shall have the same effect as a blank endorsement.

Form
Article 468

- (1) The endorsement must be written on the bill of exchange or on a sheet of paper attached thereto (allonge). It must be signed by the endorser.
- (2) The endorsement need not specify the person in whose favour it was made, or it may contain only the signature of the endorser (blank endorsement). In order to be valid, a blank endorsement must be written on the back of the bill of exchange or the allonge.

Effect
Article 469

- (1) An endorsement shall transfer all the rights under a bill of exchange.
- (2) In the case of a blank endorsement, the bearer may:
 1. fill in the blank space with his own name or the name of another person;
 2. make a blank endorsement on the bill of exchange;
 3. deliver the bill of exchange to another person, without filling in the blank space and without endorsing it.

Liability of the Endorser
Article 470

- (1) The endorser shall be liable for the acceptance and payment of the bill of exchange, unless otherwise agreed.
- (2) An endorser may prohibit further endorsement. In such case he shall not be liable before the persons to whom the bill of exchange has been endorsed subsequently.

Bearer
Article 471

- (1) The holder of a bill of exchange shall be deemed the legitimate bearer, provided his right ensues from the continuous order of endorsements, even where the last endorsement has been a blank endorsement. Crossed out endorsements shall be considered non-existent. Where a blank endorsement is followed by another endorsement, it shall be deemed that the signatory has acquired the bill of exchange by the blank endorsement.

- (2) Where a person has been deprived of possession of the bill of exchange in any way, the bearer, who shall ascertain his right pursuant to paragraph 1, shall not be obliged to deliver it, unless where it was acquired in bad faith or by gross negligence.

Endorsement by Authorization
Article 472

- (1) In the case of endorsement with provision "to be received", "for collection", "by authorization" or another phrase to the meaning of authorization, the bearer may exercise all the rights on the bill of exchange, but he may transfer it only with endorsement by authorization. In such case the persons liable may use against the bearer only the objections they could counterpose against the endorser.
- (2) The authorization contained in an endorsement by authorization shall not be terminated upon the death or the legal disability of the authorizing person.

Endorsement for Security
Article 473

- (1) In the case of endorsement with provision "for guarantee", "for pledge" or another phrase with the meaning of security, the bearer may exercise all the rights on the bill of exchange, but he may transfer it only with endorsement by authorization.
- (2) Debtors may not put against the bearer objections based on their personal relationship with the endorser, unless the bearer has acted in bad faith in acquiring the bill of exchange.

Endorsement after Maturity or Protest
Article 474

- (1) An endorsement made after maturity shall have the same effect as an endorsement made before that. An endorsement made after the protest, due to default of payment or after expiration of the term for protest, shall have the effect of the transfer of a receivable.
- (2) It shall be assumed, until proven to the contrary, that an endorsement without a date has been made before expiration of the term for protest.

Section III Acceptance

Presentation for Acceptance
Article 475

A bill of exchange may be presented to the drawee for acceptance at his place of residence by the bearer or the holder before maturity.

Instruction or Prohibition for Presentation
Article 476

- (1) The drawer may prescribe in the bill of exchange that it should be presented for acceptance, and also to specify a term for that. He may prescribe that the bill of exchange should not be presented for acceptance before a specified term.

- (2) The drawer may prohibit in the bill of exchange its presentation for acceptance, unless it is payable by a third party or at a place other than the place of residence of the drawee, or if it is payable within a specified term after the presentation.
- (3) Each endorser may prescribe that the bill of exchange be presented for acceptance, as well as to specify a term therefor, unless the drawer has prohibited presentation for acceptance.

Term for Presentation
Article 477

- (1) A bill of exchange payable within a certain period after presentation must be presented for acceptance within one year of its issue. The drawer may reduce or extend that term.
- (2) The terms under paragraph 1 may be reduced by the endorsers.

Secondary Presentation
Article 478

- (1) Upon presentation, the drawee may request that the bill of exchange be presented to him again on the next day. The interested parties may not object that such a request has not been satisfied, unless it has been indicated in the protest.
- (2) The bearer shall not be obliged to deliver to the drawee the bill of exchange which was presented for acceptance.

Form of Acceptance
Article 479

- (1) The acceptance shall be written on the bill of exchange with the word "accepted", or with another word of equivalent meaning, and shall be signed by the drawee. The signature of the drawee on the face of the bill of exchange shall be considered acceptance.
- (2) Where the bill of exchange is payable within a certain term following the presentation, or if it should be presented for acceptance within a specified term by virtue of a special provision, the acceptance must indicate the date on which this was done, unless the bearer requires the date of presentation to be indicated. If there is no date indicated, in order to preserve his recourse actions against the endorsers and the drawer, the bearer must ascertain the lack of date by protest.

Unconditional Acceptance
Article 480

- (1) Acceptance may not be effected under condition.
- (2) The drawee may limit the acceptance to part of the sum.
- (3) Any other modification of the contents of the bill of exchange upon its acceptance shall be considered rejection of acceptance, but the drawee shall be liable in compliance with the conditions of his acceptance.

Effect of Acceptance**Article 481**

- (1) Upon acceptance the drawee undertakes to pay the bill on maturity.
- (2) In case of default of payment the bearer, even where he is the drawer, shall have an action against the drawee pursuant to Articles 505 and 506.

Repeal of Acceptance**Article 482**

- (1) If the drawee who has accepted the bill of exchange has crossed out the acceptance before return of the bill, the acceptance shall be considered repealed. It shall be assumed, until proven to the contrary, that the crossing out has been effected before the return of the bill of exchange.
- (2) Where the drawee has notified in writing the bearer or some of the persons who have signed the bill of exchange of the acceptance, he shall be liable before them in accordance with the conditions of acceptance.

Section IV Bill of exchange guarantee**Definition****Article 483**

The payment of a bill of exchange may be secured entirely or in part through a guarantee. The guarantee may be given by a third party or by a person whose signature has already been put on the bill of exchange.

Form**Article 484**

- (1) The guarantee shall be put on the bill of exchange or on the allonge. It shall be expressed by the words "as guarantee" or another phrase of equivalent meaning, and must be signed by the guarantor.
- (2) The signature on the face of the bill of exchange shall be considered a guarantee, unless it is the signature of the drawee or the drawer.
- (3) Where the guarantor has not indicated for whom he guarantees, it shall be considered that the guarantee is for the drawer.

Liability of the Guarantor**Article 485**

- (1) The guarantor shall be liable in the same way as the person for whom he has guaranteed.
- (2) The obligation of the guarantor shall be valid also where the obligation for which it has been undertaken is not valid for any reason whatsoever, except for defect in the form.
- (3) The guarantor who has paid the bill of exchange shall assume the rights under it against the person for whom he has provided the guarantee, and against all persons liable to that person under the bill of exchange.

Section V Maturity

Manner of Determination Article 486

- (1) The maturity of a bill of exchange may be:
 1. upon presentation;
 2. after a certain term after the presentation;
 3. after a certain term after the issue;
 4. on a certain date.
- (2) A bill of exchange issued with maturity specified in some other way or by subsequent maturity, shall be null and void.

Sight Bill of Exchange Article 487

- (1) A sight bill of exchange shall be payable upon presentation. It must be presented for payment within one year following its issue. The drawer may specify a shorter or a longer term. The endorsers may reduce the terms for presentation.
- (2) If the drawer notes down that the sight bill of exchange should not be presented for payment before a specified date, the term for presentation shall commence as from that date.

Usance Bill of Exchange Article 488

- (1) Maturity of a usance bill of exchange shall be determined as from the date of acceptance or as from the date of protest.
- (2) Where no protest exists, it shall be considered that the acceptance without indication of date has been made by the drawee on the last date of the term for presentation for acceptance.

Interpretation of Terms Article 489

- (1) Maturity of a bill of exchange payable one or several months after its issue or presentation, shall be on the respective day of the month for effect of the payment. If there is no such day of that month, maturity shall fall on the last day of the month.
- (2) Where maturity has been set in the beginning, in the middle or at the end of the month, these phrases shall be understood to mean the first, the fifteenth or the last day of the month.
- (3) The phrase "half month" shall be understood to mean a term of fifteen days.

Applicable Calendar
Article 490

- (1) Where the bill of exchange is payable on a specific date at a place where the calendar is different from that at the place of issue, maturity shall be determined in accordance with the calendar at the place of payment.
- (2) Where a bill of exchange, issued and payable at places with different calendars, is payable within a set term after the issue, the date of issue and maturity shall be determined by the calendar at the place of payment.
- (3) The terms for presentation of the bill of exchange shall be calculated pursuant to the rules of paragraphs 1 and 2.
- (4) Paragraphs 1, 2 and 3 shall not apply if something else follows from a provision in the bill of exchange or from its contents.

Section VI Payment

Term for Presentation for Payment
Article 491

A bill of exchange payable on a certain day or within a specified term after its issue or presentation, must be presented for payment on maturity or on one the next two working days.

Indication of payment
Article 492

- (1) Upon payment the drawee may request the bearer to surrender to him the bill of exchange and to indicate thereon that it has been paid.
- (2) The bearer may not reject partial payment.
- (3) In the case of partial payment the drawee may request the payment to be indicated on the bill of exchange and receipt to that effect to be issued to him.

Payment before and on Maturity Date
Article 493

- (1) The bearer shall not be obliged to accept payment of the bill of exchange before maturity date.
- (2) A drawee who pays before maturity date shall pay on his own risk.
- (3) A person who pays on maturity date shall be relieved from his obligation, unless he has acted with gross negligence. He shall be obliged to verify the correct order of endorsements, but not the signatures of the endorsers.

Currency of Payment
Article 494

- (1) Where the sum of the bill of exchange has been quoted in currency which has no exchange rate at the place of payment, the amount may be paid in local currency according to its value as on maturity. Where the debtor is in delay, the bearer may by his own choice request the sum under the bill of exchange to be paid in local currency at the exchange rate on maturity or as of the date of payment.
- (2) The exchange rate of the foreign currency shall be determined in accordance with commercial custom at the place of payment. However, the drawer may set in the bill of exchange the rate at which the amount should be calculated.
- (3) Paragraphs 1 and 2 shall not apply if the drawer has stipulated that payment should be effected in a specified currency.
- (4) Where a bill of exchange is payable in a currency which has the same name but different values in the country of issue and the country of payment, the bill of exchange shall be assumed to be paid in the currency of the country of payment.

Deposit of the Amount
Article 495

Where the bill of exchange is not presented for payment within the term under Article 491, the debtor may deposit the amount with a bank, at the risk and the expenses of the bearer.

Section VII Protest

Types of Protest
Article 496

A refusal of acceptance or payment must be ascertained by protest due to default on acceptance or default on payment.

Protest to Default on Acceptance
Article 497

- (1) A protest due to default on acceptance must be made within the terms specified for presentation for acceptance. If in the case stipulated under Article 478, paragraph 1, the first presentation has been effected on the last date of the term, the protest may be effected on the next date.
- (2) The protest on default of acceptance shall relieve the bearer from presentation of the bill of exchange for payment, and also from protest due to default on payment.

Protest to Default on Payment
Article 498

A protest to default on payment of a bill of exchange payable on a certain date or within a certain term after the issue or after the presentation, must be made on one of the two business days after the date specified for payment. If the bill of exchange is payable upon presentation, the protest must be made within the terms under Article 497, paragraph (1).

Notification for Default on Acceptance or Default on Payment
Article 499

- (1) The bearer should notify his immediate endorser and the drawer for the default on acceptance and the default on payment within four business days following the date of protest, and in the case of provision "sans frais" – after the date of presentation. Each endorser shall be obliged within two business days following the date of receipt of notification to notify his immediate endorser thereof, indicating the names and addresses of those who have made the preceding notifications, up to the drawer. Time periods shall run from the date of receipt of the preceding notification.
- (2) Where pursuant to paragraph 1 notification was made to a person who signed the bill of exchange, it must be made within the same term also to his guarantor.
- (3) Where an endorser has not indicated his address or has done so illegibly, the notification must be made to the endorser preceding him.
- (4) A notification may also be effected by return of the bill of exchange. The person obliged to make notification must prove that he has done so within the specified term.
- (5) A person who fails to make the notification within the time periods specified in paragraphs 1 – 4, shall be liable for damages to the amount of the sum under the bill of exchange.

Relief from Protest
Article 500

- (1) The drawer, as well as any endorser or guarantor through a provision "sans frais", "sans protest" or a phrase of equivalent meaning signed on the bill of exchange, may relieve the bearer from making a protest to default on acceptance or default on payment, in order to lodge his recourse actions.
- (2) The provision of paragraph 1 shall not relieve the bearer from the obligation to present the bill of exchange in due time and to make the relevant notifications. The burden of proof that the above time periods have not been observed shall be on the person referring to such a circumstance.
- (3) The provision stipulated by the drawer shall have effect in respect of all persons who have signed the bill of exchange. A provision written by an endorser or a guarantor shall have effect only in respect of himself. Where despite the provision written by the drawer the bearer lodges a protest, the expenses shall be on his account, and where the provision has been written by an endorser or a guarantor, all persons who have signed shall be liable for the expenses.

Making a Protest
Article 501

A protest shall be made upon a request in writing from the bearer by the notary public at the place of payment or acceptance.

Contents of the Protest
Article 502

- (1) A protest shall contain:
 1. a full transcript of the document with all endorsements and notes;
 2. the names of the persons in favour of whom and against whom the protest is being made;
 3. the inquiry to the person against whom the protest is made, the response given or a note that the person has not responded or could not be found;
 4. in the case of acceptance or payment through an intermediary – indication of by whom, for whom and how it has been given;
 5. place and date of the protest;
 6. signature and stamp of the notary public.
- (2) The making of the protest shall be indicated on the document.

Protest against Several Persons
Article 503

Where acceptance or payment of a bill of exchange, a promissory note or a cheque are to be requested from several persons, one protest against all persons may be made.

Entry of Protest
Article 504

- (1) The notary public must enter in the register the contents of the protest thus made and issue transcripts to the interested parties.
- (2) The original of the protest shall be delivered to the bearer.

Section VIII Recourse Actions

Grounds
Article 505

- (1) Where a bill of exchange has not been paid on maturity, the bearer may bring recourse actions against the endorsers, the drawer and the other liable persons.
- (2) additionally recourse actions may be brought before maturity, provided:
 1. the drawee rejects acceptance of the bill of exchange, entirely or in part;
 2. bankruptcy proceedings have been instigated against the drawee, notwithstanding whether he has accepted the bill of exchange or not;
 3. the drawee has discontinued his payments or the compulsory execution on his property has provided no result;
 4. bankruptcy proceedings have been instigated against the drawer of the bill of exchange whose acceptance was refused.

Subject of the Recourse Action
Article 506

- (1) The bearer shall be entitled to claim from the persons against whom he has brought the recourse action:
 1. the sum under the bill of exchange which has not been accepted or has not been paid, together with interest if so agreed;
 2. interest due by operation of law as from maturity date;
 3. expenses related to the protest, the notifications made and other expenses;
 4. commission which, unless otherwise agreed, shall amount to one third of one percent of the sum under the bill of exchange, and which may not exceed that amount.
- (2) Where the recourse action has been brought before maturity, the interest from the date of bringing the recourse action to maturity to the amount of the official discount rate of the central bank at the place of residence of the bearer shall be deducted from the sum of the bill of exchange.

Action of the Debtor Who Has Paid
Article 507

A person who has paid the bill of exchange may claim from the persons obliged before him:

1. the amount he has paid;
2. interest due by operation of law on the amount paid as from the date of payment;
3. the costs incurred;
4. commission pursuant to Article 506, paragraph 1, item 4.

Delivery of the Bill of Exchange against Payment
Article 508

- (1) Each of the persons liable under the bill of exchange, against whom a recourse action has been brought or may be brought, shall be entitled to request that upon payment the bill of exchange be delivered to him together with the protest, and that a receipt be issued.
- (2) Each endorser who has paid the bill of exchange may cross out his endorsement and the endorsements of the subsequent endorsers.

Recourse Action after Partial Acceptance
Article 509

If a recourse action has been brought after partial acceptance, the person who has paid the amount for which the bill of exchange has not been accepted, may request the payment made to be noted on the bill and a receipt to be issued to him. The bearer must also deliver to him a certified transcript of the bill of exchange and the protest, so that the person who has paid may bring subsequent recourse actions.

Recourse Action upon Discontinuance of Payments

Article 510

If a drawee has discontinued his payments, notwithstanding whether he has accepted the bill of exchange, as well as if a compulsory execution against him proves without result, the bearer shall be entitled to bring a recourse action after presentation of the bill of exchange for payment to the drawer and after making a protest.

Recourse Action in the Case of Bankruptcy

Article 511

- (1) If bankruptcy proceedings have been instigated against the drawee, notwithstanding whether he has accepted the bill of exchange, as well as in cases of instigated bankruptcy proceedings against the drawer of a bill of exchange which is not subject to acceptance, the decision for instigating bankruptcy proceedings shall be sufficient grounds for the bearer to bring his recourse action.
- (2) If bankruptcy proceedings have been instigated against a drawee, notwithstanding whether he has accepted the bill of exchange, or against the drawer of the bill of exchange whose acceptance has been refused, a court decision shall be required additionally.

Recourse Bill of Exchange

Article 512

- (1) Whoever is entitled to a recourse action may exercise it by issuing against some of the persons liable before him a new bill of exchange (recourse bill of exchange), which shall be a sight bill of exchange and shall be payable at the place of residence of that person, unless otherwise agreed.
- (2) The recourse bill of exchange shall cover further to the amounts under Articles 506 and 507 also other expenses.
- (3) Where the recourse bill of exchange has been issued to bearer, the amount shall be determined according to the rate of the sight bill of exchange issued at the place of payment of the initial bill of exchange, and payable at the place of residence of the preceding endorser.
- (4) If the recourse bill of exchange has been issued by an endorser, its sum shall be determined according to the rate of the sight bill of exchange, issued at the place of residence of the drawer of the recourse bill of exchange, and payable at the place of residence of the preceding endorser.

Joint and Several Liability

Article 513

- (1) The persons who have issued, accepted and endorsed the bill of exchange, or who have provided a guarantee, shall be liable jointly and severally before the bearer.
- (2) The bearer may bring his actions against all persons liable under the bill of exchange, jointly or severally, without taking in consideration the order in which they have become liable. Entitled to the same right shall be any liable person who has paid the bill of exchange, in respect of persons who have become liable before him.

- (3) The bearer who has brought an action against one of the debtors under the bill of exchange, shall not forfeit his rights against the other debtors, including those who have signed after the one against whom he has brought the action.

Omission of Terms
Article 514

- (1) The bearer shall forfeit his rights against the endorsers, the drawer and the other liable persons, with the exception of the drawee, if he misses the terms:
 1. for presentation of the sight bill of exchange or the usance bill of exchange;
 2. for making a protest due to default on acceptance or on payment;
 3. for presentation for payment under a "sans frais" provision.
- (2) If the bearer misses the term specified by the drawer for presentation of the bill of exchange for acceptance, he shall forfeit his right to recourse for default on acceptance and on payment, unless it ensues from the contents of the bill of exchange that the drawer wanted to exclude only the liability for acceptance.
- (3) Where the provision with a term for presentation is included in an endorsement, only the endorser may refer to it.

Force Majeure
Article 515

- (1) Where the presentation of the bill of exchange or the lodging of a protest within the specified time periods are prevented by force majeure, the time periods shall be extended, respectively.
- (2) The bearer shall be obliged to notify forthwith his immediate endorser of the force majeure, and to note that notification on the bill of exchange or the allonge, indicating the place, date and signing thereunder, as well as to meet his obligations pursuant to Article 499.
- (3) After termination of the force majeure, the bearer must immediately present the bill of exchange for acceptance or payment, and lodge a protest, if necessary.
- (4) If the force majeure continues for more than thirty days after maturity, a recourse action may be brought without need for presentation or protest.
- (5) For a sight bill of exchange or a usance bill of exchange, the thirty day period shall commence from the date on which the bearer has informed his immediate endorser. This notification may be effected before expiration of the period for presentation. In the case of a usance bill of exchange, the thirty day time period shall be extended by the time period specified in the bill of exchange after presentation.
- (6) Circumstances relevant to the person of the bearer, or to the person to whom he has assigned the presentation of the bill of exchange or the effecting of the protest, shall not be deemed force majeure.

Section IX Brokerage

Broker Article 516

- (1) The drawer, the endorser or the guarantor may appoint one person – a broker – who where necessary may accept the bill of exchange or pay.
- (2) A broker may be any third party and any person liable under the bill of exchange, except the drawee who has already accepted it.
- (3) The broker shall be obliged to notify within two business days the person for whom he has been operating. If the broker fails to meet this term he shall be held liable for damages to the amount of the sum of the bill of exchange.
- (4) In the cases under paragraphs 2 and 3 the bill of exchange may be accepted or paid for honour by a broker acting for some of the debtors under the bill of exchange against whom a recourse action could be brought.

Acceptance Article 517

- (1) Acceptance through a broker shall be allowed in all cases where before maturity the bearer may bring his recourse action, except where the presentation of the bill of exchange for acceptance has been prohibited.
- (2) Where a person has been indicated in the bill of exchange for the purpose of acceptance or payment in case of necessity, the bearer may bring his recourse action before maturity against the person who has added the address, as well as against the persons who have signed after him, only if he has presented the bill of exchange to the person indicated at that address, and has ascertained the rejection by that person by means of a protest.
- (3) Except for the cases under paragraph 2 the bearer may refuse acceptance through a broker. If he accepts the brokerage, he shall forfeit the recourse he had before maturity against the person for whom acceptance has been effected, and against those who have signed after him.

Form Article 518

The acceptance through a broker shall be noted on the bill of exchange and shall be signed by the broker. If the broker does not indicate for whom the acceptance was made, it shall be assumed to be for the drawer.

Liability of the Broker Article 519

- (1) A broker who has accepted the bill of exchange shall be liable in respect of the bearer and the persons who have signed after the person for whom the brokerage has been effected, in the same way as him.

- (2) Notwithstanding the acceptance through a broker, the person for whom it has been effected, and the persons liable before him, may request from the bearer, against payment of the amount under Article 506, delivery of the bill of exchange, the protest and the receipt.

Payment
Article 520

- (1) Payment through broker shall be allowed where the bearer may lodge his recourse on maturity date or before maturity.
- (2) The payment should be for the whole sum owed by the person for whom the brokerage has been effected, and should be done not later than on the date after expiration of the term for protest due to default on payment.

Presentation and Protest
Article 521

- (1) If the bill of exchange has been accepted for honour by a person with a place of residence at the place of payment, or if a person with a place of residence at the same place has been specified for payment in case of necessity, the bearer should present the bill of exchange to those persons not later than on the date following the date of expiration of the term for protest due to default on payment, and if necessary – to make such protest.
- (2) If the protest has not been made in due time, the person who has specified the address for payment in case of necessity, or for whom the bill of exchange has been accepted for honour, as well as those who have signed after him, shall be relieved of their obligation.

Consequences from Refusal of the Bearer
Article 522

A bearer who refuses to accept payment through a broker shall forfeit his recourse action against those who would be relieved from their obligation due to the brokerage.

Ascertainment of Payment
Article 523

- (1) Payment through a broker shall be ascertained by a receipt on the bill of exchange, indicating for whom it has been paid, and if there is no such indication it shall be assumed that payment has been effected for the drawer.
- (2) The bill of exchange and the protest shall be delivered to the broker who has paid.

Rights of the Broker
Article 524

- (1) The broker who has paid shall acquire the rights under the bill of exchange against the person for whom he has paid, and against the persons liable to him under the bill of exchange. He may not endorse the bill of exchange.

- (2) The persons who have signed the bill of exchange after the person for whom it has been paid, shall be relieved of their obligation.
- (3) Where several persons have offered payment through a broker, priority should be given to the broker whose payment would relieve the highest number of debtors under the bill of exchange. The person who has paid contrary to the preceding sentence, being of knowledge of the circumstances, shall forfeit his recourse action against the persons who would have been relieved.

Section X Set of copies and Transcripts

Issue of Equivalent Copies Article 525

- (1) The bill of exchange may be issued in several equivalent copies. They should be numbered in the text, and where this has not been done each copy shall be considered a separate bill of exchange.
- (2) Where it has not been stated in the bill of exchange that it has been issued in one copy, each bearer may request the issue of more copies on his own account, up to the drawer. The endorsers must reproduce their endorsements on the new copies.

Payment under One of the Copies Article 526

- (1) The payment under one of the copies shall relieve all liable persons even without special provision therefor. However, the drawee shall be liable under all accepted copies which have not been returned to him.
- (2) An endorser who has transferred the copies to different persons, as well as the subsequent endorsers, shall be liable under all copies signed by them, if they have not been returned to them.

Forwarding of a Copy for Acceptance Article 527

- (1) A person who has forwarded one of the copies for acceptance must indicate in the remaining copies the name of the person who holds the forwarded copy. This person shall be obliged to deliver it to the bearer of another copy who has established himself as such.
- (2) Should delivery be rejected, the bearer may bring his recourse action, ascertaining by protest that:
 1. the copy forwarded for acceptance has not been delivered to him upon request;
 2. the acceptance or payment could not have been effected on the basis of another copy.

Transcripts
Article 528

- (1) All bearers of a bill of exchange shall be entitled to make transcripts.
- (2) A transcript should reproduce exactly the original with the endorsements and all other notes thereon, and to indicate the end of the transcript.
- (3) A guarantee may be given on a transcript and it may be endorsed. A transcript shall have effect against persons who have put their signatures on the bill of exchange before the transcript, only if presented together with the original.

Original and Transcripts
Article 529

- (1) A transcript shall indicate the holder of the original, who shall be obliged to deliver it to the bearer of the transcript who has established himself as such.
- (2) Should the holder refuse to deliver the original, the bearer may exercise his recourse rights against the endorsers and the guarantors under the transcript, after ascertaining by protest that the original has not been delivered to him.
- (3) If the original contains the provision "valid hereafter shall be only endorsements on the transcript" after the last endorsement before making of the transcript, or a phrase of equivalent meaning, any endorsement written thereafter on the original shall be invalid.

Section XI Amendments

Effect of Amendments
Article 530

In case of amendments to the text of the bill of exchange, the persons who have signed after the amendments shall be liable under the provisions of the text amended, and those who have signed before the amendments shall be liable pursuant to the initial text.

Section XII Limitation of Actions

Limitation time Periods
Article 531

- (1) Actions against the drawee under the bill of exchange shall expire by limitation after three years following maturity.
- (2) Actions of the bearer against the endorsers and against the drawer shall expire by limitation after one year from the date of the duly made protest or from maturity, provided the bill of exchange contains the provision "sans frais".
- (3) Actions of the endorsers Among themselves and against the drawer shall expire by limitation after six months from the date on which the endorser has paid the bill of exchange, or from the date on which an action was brought against him.

Interruption of Limitation**Article 532**

The limitation shall be interrupted only with respect of the person against whom an act has been carried out.

Prohibition for Extension of Time Periods**Article 533**

The time periods established under this Law for obligations under bills of exchange may not be extended.

Section XIII Unmerited Gain**Action on Grounds of Unmerited Gain****Article 534**

- (1) Where the bearer of a bill of exchange, a promissory note or a cheque forfeits the right to an action under them due to expiration by limitation or non-performance of the necessary acts for retaining the rights thereunder, he may claim from the drawer or the drawee the sum which they have gained to his detriment.
- (2) The action under paragraph 1 shall expire by limitation after three years. This term shall commence from the date of forfeiture of the actions under the bill of exchange, the promissory note or the cheque.

Chapter 31

PROMISSORY NOTE

Contents**Article 535**

A promissory note shall contain:

1. the title "promissory note" in the text of the document in the language in which the document has been written;
2. unconditional promise for payment of a certain sum of money;
3. maturity;
4. place of payment;
5. name of the person to whom or to whose order the sum must be paid;
6. date and place of issue;
7. signature of the drawer.

Incomplete Contents
Article 536

- (1) A document which does not contain some of the requisites listed under Article 535, shall not be promissory note, except for the cases specified under paragraphs 2, 3 and 4.
- (2) A promissory note in which no maturity date has been indicated shall be considered payable upon presentation.
- (3) The place of issue shall be assumed to be the place of payment and place of residence of the drawer, unless otherwise agreed.
- (4) A promissory note in which no place of issue has been indicated, shall be assumed issued at the place indicated next to the name of the drawer.

Reference to the provisions on the bill of exchange
Article 537

The provisions on the bill of exchange shall apply mutatis mutandis, inasmuch as compatible to its nature, to the promissory note.

Obligations of the drawer
Article 538

- (1) The drawer of a promissory note shall be liable in the same way as the drawee of the bill of exchange.
- (2) A promissory note payable within a certain time period following the presentation, must be presented to the drawer pursuant to the terms under Article 477. The drawer shall certify on the document its presentation, write the date and put his signature. The time period after the presentation shall commence from the date certified by the drawer on the note. The refusal of the drawer to certify the presentation or to write the date shall be ascertained by protest pursuant to Article 496, the date of which shall be considered the beginning of the time period after presentation.

Chapter 32

CHEQUE

Section I Issue and form

Contents
Article 539

A cheque shall contain:

1. the title "cheque" in the text of the document in the language in which the document has been written;
2. unconditional order for payment of a certain sum of money;

3. name of the person, who should pay (drawee);
4. date and place of issue;
5. place of payment;
6. signature of the drawer.

Incomplete contents **Article 540**

- (1) A document which does not contain some of the requisites indicated under Article 539, shall not be a cheque, except in the cases, specified in paragraphs 2, 3 and 4.
- (2) A cheque in which no place of payment has been indicated, shall be considered payable at the place indicated next to the name of the drawee. Where there are several places indicated, the cheque shall be payable only at the first place indicated.
- (3) If no other place has been indicated, a cheque shall be paid at the place of domicile of the drawee.
- (4) A cheque in which the place of issue has not been indicated, shall be considered issued at the place indicated next to the name of the drawer.

Issue **Article 541**

- (1) A cheque payable in the Republic of Bulgaria may be issued only against a bank.
- (2) The drawer of the cheque must have coverage with the drawee.
- (3) The drawee shall be obliged to pay the cheque to the amount of coverage, if he has explicit or tacit agreement with the drawer.
- (4) A cheque shall be valid even where the provisions of paragraphs 2 and 3 have not been complied to.

Invalidity of acceptance **Article 542**

A cheque shall not be subject to acceptance. A note of acceptance on the cheque shall be invalid.

Types of cheques **Article 543**

- (1) A cheque may be issued:
 1. to a certain person with or without explicit provision "to order";
 2. to a certain person with provision "not to order" or another equivalent provision;
 3. to bearer.

- (2) A cheque in favour of a certain person with provision "or to bearer" or another phrase of equivalent meaning, shall have the same effect as a cheque to bearer.
- (3) A cheque in which the name of the person in whose favour it has been issued is not indicated, shall be deemed a cheque to bearer.

Cheque to the order of the drawer or against the drawer
Article 544

- (1) A cheque may be issued to the drawer or to his order.
- (2) A cheque may not be drawn on the drawer, except where issued between different branches of a merchant.

Inapplicability of interest
Article 545

A provision for interest included in a cheque shall be invalid.

Cheque payable with a third party
Article 546

A cheque may be payable with a third party at the domicile of the drawee or at another place only if the third party is a bank.

Liability of the drawer
Article 547

The drawer shall be liable for payment of the cheque. Any provision relieving him from liability shall be invalid.

Section II Endorsement

Requirements to the endorsement
Article 548

The provisions on endorsement of bills of exchange shall apply to the cheque, with the following exceptions:

1. the endorsement of the drawee shall be invalid;
2. the endorsement in favour of the drawee shall only have the effect of a receipt, except where the endorsement has been made between different branches of a merchant.

Endorsement on a cheque to bearer
Article 549

The endorsement on a cheque to bearer shall make the endorser liable pursuant to the rules for recourse. Such an endorsement shall not transform the cheque into a cheque to order.

Prohibition for guarantee by the drawee
Article 550

The drawee may not be guarantor on a cheque.

Section III Payment

Payment on demand Article 551

- (1) A cheque shall be payable always on demand. Any provision to the contrary shall be invalid.
- (2) A cheque presented for payment before the date indicated as date of issue, shall be payable on the date of presentation.

Term for presentation Article 552

A cheque must be presented for payment within eight days following the date of its issue.

Withdrawal Article 553

- (1) A cheque may be withdrawn by the drawer after expiration of the term for presentation.
- (2) Where a cheque has not been withdrawn, the drawee may pay it after the expiration of the term for presentation as well.

Death or legal disability of the drawer Article 554

The death or legal disability of the drawer occurring after the issue, shall not affect the effect of the cheque.

Section IV Crossed cheque and cheque directed to account

Crossed cheque Article 555

- (1) The drawer and the bearer of a cheque may cross it with the effect described in Article 556.
- (2) The crossing shall be done with two parallel lines on the face.
- (3) The crossing may be general or special. The crossing shall be general where it does not contain any provision between the two lines, or contains the provision "bank" or another phrase of equivalent meaning. The crossing shall be special if the name of a bank is written between the two lines.
- (4) A general crossing may be transformed into special, but a special crossing may not be transformed into general.

Effect of a crossed cheque
Article 556

- (1) A cheque with general crossing may be paid only to a bank or to a customer of the drawee.
- (2) A cheque with special crossing may be paid only to the bank indicated or should that bank be the drawee – to its customer. The bank indicated may assign the receiving of the sum under the cheque to another bank.
- (3) A cheque may have only one special crossing. Two special crossing are allowed only where one of them is for payment through a clearing house. A cheque which is not in compliance with this provision, may not be paid.
- (4) A drawee who violates the requirements of paragraphs 1, 2 and 3 shall be liable for damages to the amount of the sum under the cheque.

Cheque directed to an account
Article 557

- (1) The drawer and the bearer of a cheque may prohibit its payment in cash by writing on the face of the cheque the provision "account payee" or another phrase of equivalent meaning.
- (2) In the case under paragraph (1) the payment can be effected only to an account. In the case where the account has been indicated as well, the drawee may transfer the sum only to the indicated account. The indication of the account may be done by the drawer and by any holder of the cheque who has established his identity as such.
- (3) The crossing out of the provision "account payee" shall be null and void.
- (4) A drawee who has paid in violation of paragraphs 1, 2 and 3 shall be liable for damages to the amount of the sum under the cheque.

Section V Recourse due to default on payment

Grounds
Article 558

The bearer may bring his recourse actions against the endorsers, the drawer and the other liable persons, where the refusal to pay has been ascertained by:

1. protest;
2. declaration of the drawee written on the cheque with indication of the date of presentation;
3. dated declaration of the clearing house that the cheque has been presented in due time and has not been paid.

Term for protest
Article 559

- (1) The protest must be made before expiration of the term for presentation.
- (2) If presentation is made on the last date of the term, the protest must be done on the next business day.

Section VI Set of copies

Issue of equivalent copies
Article 560

In addition to the cheques to bearer, each cheque issued in one country and payable in another may be issued in several equivalent copies. Where a cheque has been issued in several copies, they should be numbered in the text itself, and where this has not been done each copy shall be considered a separate cheque.

Section VII Limitation

Limitation periods
Article 561

- (1) Recourse actions of the bearer against the endorsers, the drawer and the guarantors on the cheque shall expire by limitation after six months from the date of presentation or from the date of expiration of the term for presentation.
- (2) Recourse actions of the endorser against all persons liable before him shall expire by limitation after six months from the date on which he has paid the cheque, or from the date where a claim has been lodged against him.

Section VIII Special provision

Reference
Article 562

The provisions on the bill of exchange shall apply, inasmuch as compatible to its nature, to the cheque.

Chapter 33

APPLICABLE LAW ON BILL OF EXCHANGE, PROMISSORY NOTE
AND CHEQUE

Capacity
Article 563

- (1) The capacity of a person to undertake obligations under a bill of exchange, a promissory note or a cheque, shall be determined by its national law. Where this law declares the law of another country to be applicable law, the law of that country shall apply.

- (2) A person who does not possess the capacity referred to in paragraph 1, shall be considered liable if his signature has been put in a country the law of which recognizes him as capable person.

Form and contents
Article 564

- (1) The form and contents of a bill of exchange, a promissory note and a cheque shall be determined pursuant to the law of the place of their signature. For a cheque the observance of the form and contents pursuant to the law of the place of payment shall be sufficient.
- (2) Where a bill of exchange, a promissory note or a cheque are not valid, but are in compliance with the law of the country where a subsequent obligation has been undertaken, they shall be valid.

Obligation
Article 565

- (1) The obligation of the drawee under a bill of exchange and of the drawer of a promissory note shall be determined by the law of the place of payment.
- (2) The obligation of the other persons who have signed shall be determined by the law of the place where the signatures have been put.

Time periods for bringing recourse actions
Article 566

The time periods for recourse for persons who have signed shall be determined by the law of the place of issue of the document.

Acquisition of receivable by the bearer
Article 567

The law of the place of issue of a bill of exchange or a promissory note shall determine whether the bearer acquires the receivable in view of which they have been issued.

Partial acceptance
Article 568

The right of the drawee to effect partial acceptance of a bill of exchange or a promissory note and the obligation of the bearer to accept partial payment shall be determined by the law of the place of payment.

Protest
Article 569

The form and terms for protest, as well as of other acts necessary for the exercise or retaining of rights under a bill of exchange, a promissory note and a cheque, shall be determined by the law of the place where the respective acts must be undertaken.

Loss and theft**Article 570**

The acts that must be undertaken in the case of loss or theft of a bill of exchange, a promissory note or a cheque, shall be determined by the law of the place of payment.

Payer of a cheque**Article 571**

Persons on whom a cheque may be drawn shall be determined by the law of the place of payment. Where pursuant to that law a cheque is not valid in view of the capacity of the person on whom it has been drawn, the obligations ensuing from signatures put in other countries, the laws of which contain such provisions, shall be valid.

Application of the law of the place of payment**Article 572**

Determined pursuant to the law of the place of payment of a cheque shall be:

1. whether it should be issued to presentation, or it could also be within a certain term after presentation, as well as what shall be the consequences of presentation on a later date;
2. time limit for presentation;
3. the possibility a cheque to be accepted, confirmed or advised, as well as the effect of such notes;
4. the possibility a cheque to be crossed or with provision "account payee" or another phrase of equivalent meaning, and the consequences thereof;
5. the right of the drawer to cancel a cheque or to object to its payment.

Chapter 34**DEPOSIT IN PUBLIC WAREHOUSE****Definition****Article 573**

Under a contract for deposit in a public warehouse the depositary accepts goods, in return for consideration, with an obligation to keep and return them to the depositor or the person authorized to receive them.

Form**Article 574**

- (1) A contract for deposit in a public warehouse shall be concluded in writing and shall be entered in warehouse register.
- (2) The depositary shall keep a warehouse register where he shall enter the contract. An entry shall be made pursuant to a procedure specified in Regulation to be approved by the Minister of Justice.

Obligations of the depositary
Article 575

- (1) A depositary shall be obliged to provide access of the depositor to the goods during the working hours of the warehouse, in order to inspect them, to take samples from them and, with the permission of the depositary, to undertake acts for the maintenance, packing, sorting, separating of the goods and other similar acts.
- (2) The depositary may combine fungibles deposited in the warehouse with other of the same type and quality, unless otherwise agreed.
- (3) Where obvious transformations have occurred in the goods, which give grounds for fears that the goods may be damaged, the depositary must immediately notify the person authorized to receive them, and where no such person is known, the depositor.
- (4) The depositary shall be obliged to insure the deposited goods on behalf of and on the account of the depositor for the value declared thereby, against fire, flood and earthquake, unless they have already been insured or the depositor objects to the insurance. Upon request from the depositor the depositary shall be obliged to insure the deposited goods against other risks as well.

Obligations of the depositor
Article 576

- (1) Upon conclusion of the contract the depositor shall be obliged to provide the information required for the safekeeping of the goods.
- (2) The consideration shall be paid at the end of each calendar quarter or upon return of the goods, unless otherwise agreed.

Warehouse warrant
Article 577

- (1) The depositary shall issue a warehouse warrant upon request from the depositor.
- (2) The warehouse warrant shall be issued on the basis of the warehouse register and shall comprise a goods note and a pledge note. The two parts of the warehouse warrant shall contain:
 1. indication of the public warehouse and the sequence number under the warehouse register;
 2. name and address of the depositor;
 3. type and quantity of goods and whether they may be mixed with other goods;
 4. time period for keeping the goods;
 5. statement by the depositary that he shall deliver the goods as agreed;
 6. acts to be undertaken by the depositary for preservation of the goods;
 7. information whether the goods are insured, with whom, for what sum insured, against what risks and for what premium;
 8. amount of remuneration due and unpaid expenses prior to the issue of the warrant;

9. amount of ullage, except where the goods have been accepted by numbers;
 10. place and date of issue of the warrant;
 11. signatures of the depositor and the depositary.
- (3) The depositor, as well as any legitimate holder of the warehouse warrant, ascertained by a continuous sequence of the endorsements, shall be entitled to request the issuing of warehouse warrants for separate parts of the goods in return for the warehouse warrant for the total. Such warehouse warrants shall have the date of the initial warehouse warrant.
 - (4) The depositary may refuse to issue warehouse warrant on the grounds of good reasons or if the depositor is in default on payment of due remunerations and expenses.

Transfer of warehouse warrant **Article 578**

- (1) The warehouse warrant may be transferred by dated endorsement on the back of the goods note and the pledge note.
- (2) The rules of Articles 466 – 470 and of Article 474 shall also apply to the warehouse warrant.
- (3) An endorsement on the pledge note only shall constitute a right of pledge on the goods deposited in favour of the endorsee. The first endorsement should contain the amount of the loan secured, the interest and maturity, as well as the name and address of the creditor. The pledge may be counterposed against the endorsers of the goods note and shall be entered in the warehouse register. The first endorsee shall be obliged to request those data to be entered in the goods note and in the warehouse register.
- (4) The transfer of only the goods note or only the pledge note shall be effected by dated endorsement on the respective part of the warehouse warrant.
- (5) The legitimate holder only of the goods note, ascertained by the continuous sequence of endorsements, shall be entitled to receive the deposited goods even before maturity of the loan secured by pledge of the goods. In such case he shall be obliged to pay to the depositary the amount of the loan with interest as of the date of payment, to an amount specified in the warehouse register. Where the interest has been prepaid, it shall be deducted for the period from the date of payment to maturity.

Presentation of the pledge note **Article 579**

The holder of the pledge note who is established through the continuous sequence of endorsements shall present it upon maturity to the debtor for payment, or where the debtor is not known, to the depositary. The note shall be presented for payment at the public warehouse. In such cases the provisions of Articles 505 and 507 shall apply.

Protest, compulsory execution and indemnification
Article 580

- (1) The default on payment of the amount under the note shall be ascertained by protest against the debtor under the pledge note, and where he is not known, against the depositor. In such case Articles 496 and 498 shall apply mutatis mutandis.
- (2) If his claim is not satisfied from the sale of the goods, the creditor under the pledge note may direct the execution against the debtor, the endorsers and the persons who have endorsed the goods note after establishment of the pledge, who shall be liable jointly and severally.
- (3) (Amended – SG 70/1998) Where the creditor under the pledge note fails to make the protest within the specified time period, or if he fails to sell the goods within twenty days from the date of protest, he shall forfeit the recourse action against the endorsers under the pledge note, but shall retain his action against the debtor and the endorsers of the goods note.
- (4) The endorser of the goods note who has paid under the pledge note shall be entitled to an action for the sum paid, the interest and the expenses, against the debtor and the preceding endorsers under the goods note, who shall be liable jointly and severally. The action against the endorsers shall expire by limitation after six months from the date of payment of the debt, and that against the debtor, after three years.

Invalidation of destroyed or lost warehouse warrant
Article 581

- (1) A destroyed or lost warehouse warrant shall be invalidated pursuant to Article 456 et seq. of the Code of Civil Procedure.
- (2) Following the institution of proceedings for invalidation, the owner of the destroyed or lost warehouse warrant may request from the depositary the issue of a duplicate copy, by providing sufficient guarantee. Where the depositary does not agree with the amount of the guarantee, it shall be determined by the court of first instance.
- (3) Should the destroyed or lost warrant be invalidated, the guarantee deposited pursuant to paragraph 2 shall be returned.

Return of deposited goods
Article 582

- (1) The goods deposited shall be returned to the depositor, or where a warehouse warrant has been issued, to the holder of the warrant who is established through the continuous sequence of endorsements, against submission of the warrant. The return of the goods shall be effected at the warehouse where they have been deposited, and shall be noted down on the warehouse warrant. The warrant shall be signed by the person receiving.
- (2) Where several persons have been authorized to receive the goods and it has not been ascertained what part of the goods should be received by whom, or where the goods are indivisible, in the case of disagreement between the above the depositary shall be entitled, upon expiration of the term, to sell the goods and to deposit the amount received in a bank in their name.

- (3) Where fungibles have been deposited, the holder of a goods note may receive part of them by paying to the creditor or depositing to his account the respective part of the amount receivable for which the pledge note was issued, together with interest and expenses.
- (4) Ullage of the goods shall be deducted to the amount agreed or provided by operation of law.

Right to pledge
Article 583

The depositary shall be entitled to a pledge for the goods deposited in order to secure his claims.

Termination
Article 584

The depositary may request the depositor to take part of the goods after the expiration of the agreed term, or where no term has been agreed, three months following the deposit of the goods.

Early termination
Article 585

- (1) Where the goods deposited are threatened by damage or where they may damage other goods, as well as where there are other good reasons for termination of the contract, the depositary may terminate the contract and demand that the goods are received immediately by the last endorsee, and where he is not known – by the depositor.
- (2) If the goods are not received, the depositary shall be entitled to sell them under the procedure set forth under Article 328, paragraph 1, item 2, after written notification to the legitimate holder to receive them, or where he is not known, to the depositor, and satisfy himself from the sale price for his claim under the contract for deposit. The depositary shall deposit the difference to the account of the creditor under the pledge note.
- (3) If the goods are perishable, the provision of Article 328, paragraph 1, item 3, shall apply.

Limitation
Article 586

- (1) An action for damages against the depositary shall expire by a one-year limitation. The limitation period shall commence from the date of return of the deposited item. Where the deposited item has not been returned, the limitation period shall commence from the date on which it should have been returned, and if the item has been destroyed – from the date of coming of knowledge thereof.
- (2) Where the loss, damage, destruction or delayed return of the item have been caused intentionally by the depositary, the limitation period shall be three years.

Chapter 35

LICENCE CONTRACT

Definition and form**Article 587**

- (1) (Amended, SG No. 81/1999) Under a licence contract the owner of a right over an invention, utility model, industrial design, mark, topology of integrated circuit or know-how, who shall be termed licensor, shall grant for compensation, entirely or in part, the use thereof to the licensee.
- (2) The licence contract shall be made out in writing.

Ceding of right to application**Article 588** (Repealed, SG No. 81/1999)**Territorial coverage of licence****Article 589**

It shall be assumed, unless otherwise agreed under the licence contract, that the licence has been granted for use on the territory of the Republic of Bulgaria.

Registration of the contract**Article 590**

The licence contract shall be entered in a register of the Patent Office. It shall be effective vis-?-vis third parties after the registration.

Providing use**Article 591**

The licensor shall be bound to ensure to the licensee peaceful and undisturbed use of the rights granted, as well as protection against claims by third parties.

Information and assistance**Article 592**

The licensor shall be bound to provide the licensee with the information as agreed and to render assistance for use of the subject of the licence.

Obligation for confidentiality**Article 593**

The licensee shall be bound to keep in secret the information about an unpatented invention, utility model or know-how, which he has been granted the right to use.

Licence of mark (Renamed, SG No. 81/1999)**Article 594**

- (1) (Amended, SG No. 81/1999) In the case of licence of a mark the licensee shall be bound to ensure the quality of goods in compliance with the trade mark which has become known to users before conclusion of the contract.
- (2) The licensee shall be bound to put the trade mark on the goods for which the licence has been granted thereto.

Compensation
Article 595

- (1) Where the compensation has been agreed to be in accordance with the magnitude of use of the subject of a licence, the licensee shall be bound to inform the licensor about that magnitude of use within the agreed time periods.
- (2) Compensation shall be due for the expired calendar year, unless otherwise agreed.

Contract for sub-licence
Article 596

- (1) Under a contract for sub-licence the licensee of an exclusive licence may grant to another person the right to use the subject of the licence.
- (2) The right for granting pursuant to paragraph 1 may be excluded by the licence contract, or a provision requiring the consent of the licensor may be stipulated. The consent may be refused only on the grounds of good reasons.

Rights of the licensor in respect of a of sub-licencee
Article 597

The licensor may demand from the sub-licencee the compensation which at the time of demand he owes to his licensor.

Termination with advance notice
Article 598

- (1) A licence contract concluded for an unlimited term may be terminated by one of the parties with advance notice.
- (2) Where the term for advance notice has not been specified in the contract, it shall be deemed to be six months, but the licensor may not terminate the contract before the expiration of the first year of its validity.

Extension of the contract by tacit agreement
Article 599

Where after the expiration of the contract term the licensee continues to use the subject of licence with the knowledge of the licensor and without objections therefrom, the contract shall be deemed extended to the term provided by law for its protection.

Chapter 36

CONTRACT FOR COMMODITY CONTROL

Definition
Article 600

Under a contract for commodity control the controller shall undertake, for compensation and by use of special knowledge, to make unbiased comparison between the required and

the actual state, or to establish only the state of a commodity or service. The controller shall issue a certificate for his findings.

Obligations of the controller
Article 601

- (1) The control should be effected of a magnitude and manner provided by a law or in the contract, and where nothing has been specified – of the ordinary magnitude and manner at the location of the subject of control.
- (2) Where the contract provides for keeping a sample, the controller shall be obliged to keep it at his seat for not less than six months after receipt thereof.

Invalid provision
Article 602

Invalid shall be a provision for obligations of the controller which could affect his impartiality.

Obligations of the principal
Article 603

- (1) The principal shall be obliged to provide the controller with access to the subject of control and to render him assistance in carrying out his duties.
- (2) Where the amount of compensation has not been specified, the principal shall owe the ordinary compensation.

Limitation
Article 604

The right to an action for claims under a contract for commodity control shall expire by limitation after one year.

Chapter 37

APPLICABLE LAW

Choice of applicable law in commercial contracts
Article 605

- (1) Commercial contracts with international elements shall be governed by the law of choice of the parties.
- (2) It shall be assumed, unless otherwise agreed, that the parties have accepted as applicable the custom known to them or such that should have been known to them, and which is common in international trade and continuously observed by parties under contracts of the same type in the respective field of trade.
- (3) Where at the time of choice all elements of the contract are related to the law of one country, the applicability of its mandatory norms shall not be affected by the law of choice.

- (4) Articles 606c – 606e shall apply mutatis mutandis to the existence and the validity of choice of applicable law.

Applicable law in case of lack of choice

Article 606

- (1) Where the parties have not specified an applicable law, applied shall be the law of the country on the territory of which the party owing the typical obligation under the contract has its main place of business.
- (2) Where the agreed place of performance is other than the main place of business, applicable shall be the law of the place of performance. Where the party has no place of business, valid shall be the place where it permanently resides.
- (3) Where the subject of the contract is a right over real property, applicable shall be the law of the country where the property is located.

Law applicable to transportation of goods

Article 606a

A contract for transportation of goods shall be governed by the law of the country in which is located the main place of business of the carrier under the contract as concluded, provided one of the following is in the same country:

1. the point of loading; or
2. the point of unloading; or
3. the main place of business of the consignor.

Special provision

Article 606b

The provisions of Articles 606 and 606a shall not apply where it has been ascertained that the contract is more closely related to the law of another country. In such cases the law of the country with which the contract is most closely related shall apply.

Validity of contract

Article 606c

The validity of a contract shall be governed by the law of the country that would have applied had the contract been valid.

Form of contract

Article 606d

- (1) The form of the contract shall be deemed observed if the requirements of the law applicable thereto or of the law at the place of conclusion have been met.
- (2) Where upon conclusion of the contract the parties were on the territories of different countries, the contract shall be valid provided the requirements for form of one of the countries have been observed.

- (3) Where subject of the contract are rights over real property, the requirements for form pursuant to the law of the country on the territory of which the property is located, notwithstanding the law applicable to the contract, must also be observed.

Mandatory provisions of Bulgarian law

Article 606e

The provisions of this Chapter shall not apply to relationships governed by mandatory provisions of Bulgarian law.

Subsidiary provision

Article 606f

The General Bulgarian International Private Law shall apply to matters not settled in this Chapter.

Part IV

BANKRUPTCY

(New – SG 63/1994)

Chapter 38

GENERAL PROVISIONS

(Former Chapter 34 SG 83/1996)

Section I General Provisions

Objective of Proceedings

Article 607

- (1) Bankruptcy proceedings shall be aimed at providing fair satisfaction of creditors and opportunities for reorganisation of debtor's enterprise.
- (2) Bankruptcy proceedings shall take into consideration the interests of the creditors, the debtor and his employees.

Grounds for Institution of Bankruptcy Proceedings

Article 607a (New – SG 70/1998)

- (1) Bankruptcy proceedings shall be instituted for merchants who are insolvent.
- (2) Besides insolvency the bankruptcy proceedings shall be instituted due to overindeptedness of a limited liability company, joint stock company and public limited partnership.

Insolvency

Article 608

- (1) (Repealed, Former Paragraph 2, Amended – SG 70/1998, SG 84/2000) Insolvent shall be deemed merchants who are unable to perform due and established on grounds money obligation at the moment of phases of considering the request for opening the bankruptcy proceedings the under a commercial transaction or public obligation to the state and municipalities related to their commercial activity.
- (2) (Former Paragraph 3, Amended – SG 70/1998) Insolvency shall be presumed where the debtor has discontinued the payments.

Concealed Partnership

Article 609

Bankruptcy proceedings shall be instituted also for persons who conceal commercial activity through insolvent debtors.

Instituting Bankruptcy Proceedings for Partner with Unlimited Liability**Article 610** (Amended – SG 70/1998)

Concurrently with instituting bankruptcy proceedings for commercial company, bankruptcy proceedings shall be considered open, also for unlimited liability partner therein.

Instituting Bankruptcy Proceedings for Deceased or Erased Sole Proprietor and Company in Liquidation**Article 611**

- (1) (Amended – SG 70/1998) Bankruptcy proceedings shall also be instituted for deceased or erased from the commercial register sole proprietor provided prior to the death or erosion he has been insolvent.
- (2) (New – SG 70/1998) Bankruptcy proceedings shall also be instituted for deceased or erased from the commercial register unlimited liability partner.
- (3) (Former Paragraph 2 SG 70/1998) Bankruptcy proceedings shall also be instituted for insolvent companies in liquidation.
- (4) (Former Paragraph 3, Amended – SG 70/1998) For cases such as under paragraphs 1 and 2 the request to institute bankruptcy proceedings may be submitted within one year following the death, the erosion from the commercial register, respectively.

Inapplicability of Bankruptcy**Article 612**

- (1) (Amended – SG 70/1998, SG 84/2000) No bankruptcy proceedings shall be instituted for public enterprise merchants exercising a state monopoly or established by a special law.
- (2) (Amended – SG 70/1998) The bankruptcy proceedings for banks and insurers shall be performed under terms and procedures, settled by a separate act. The provisions of this section shall apply to the extent that the separate act does not provide otherwise.
- (3) (New – SG 70/1998) The regulations on the insolvency of merchants – public enterprises exercising a state monopoly or established by a special law shall be settled by a separate act.

Court of Jurisdiction**Article 613**

The court of jurisdiction over bankruptcy shall be the district courts where the seat of the merchant is located.

Appeal against the Rulings and Decisions of the District Court**Article 613a** (New – SG 70/1998, amended No 64/1999)

- (1) The rulings and orders enacted by the district court under the bankruptcy proceedings shall be appealed before the appropriate Appellate Court under terms and conditions of articles 196 – 211 and 213 – 218 of the Code of Civil Procedure.
- (2) The Appellate Court shall institute the proceedings on the day of submission of the appeal or at the latest on the next working day and shall enact its order within 14 days from the day of the final hearing.
- (3) (Repealed – SG 84/2000)

Cassation Appeal
Article 613b (New – SG 84/2000)

- (1) Subject to appeal before the Supreme Cassation Court shall be:
 1. the decisions of the appeal courts;
 2. the definitions which overruled private complaints against definitions that obstruct the further movement of the proceedings;
 3. the definitions of the appeal courts for termination of the second – instance proceedings.
- (2) The Supreme Court of Cassation shall open the case on the day of the receiving the complaint or not later than the next day and shall consider it in one month period from the opening the case.

Bankruptcy Estate
Article 614

- (1) The bankruptcy estate shall comprise:
 1. property rights of the debtor as of the date of the ruling to institute bankruptcy proceedings;
 2. property rights of the debtor acquired after the date of ruling to institute bankruptcy proceedings.
- (2) (Amended – SG 70/1998) The property of the sole proprietor shall also include:
 1. chattels, rights on chattels and money deposits that are joint matrimonial property, included in the enterprise thereof;
 2. one half of the chattels, rights on chattels and money deposits that are joint matrimonial property, not included in the enterprise thereof.
- (3) (New – SG 70/1998) The estate of the unlimited liability partner shall also comprise one half of the chattels, rights on chattels and money deposits that are joint matrimonial property.
- (4) (Former Paragraph 3, Amended – SG 70/1998) Debtor's and unlimited liability partner's properties not subject to forfeit shall not be included in the bankruptcy estate.

Nullity of Termination of Joint Matrimonial Property
Article 615 (Amended – SG 70/1998)

Termination or partition of joint matrimonial property, as well as settlement for a larger share, shall be null and void in respect to the bankruptcy estate, should they have been effected within six months prior to the initial date of the insolvency, till the termination of bankruptcy proceedings.

Bankruptcy Creditors
Article 616

- (1) The bankruptcy estate shall be used to satisfy all creditors of the debtor for commercial and non-commercial receivables that have occurred prior to the date of ruling on declaration of bankruptcy.

- (2) Receivables ensuing from:
 1. interest determined by operation of law or by the contract on unsecured receivables, due after the date of ruling to institute bankruptcy proceedings;
 2. credits extended to the debtor by partners;
 3. gratuitous transaction.
- (3) Foreign creditors shall have equal rights with domestic creditors in bankruptcy proceedings.

Due Obligations **Article 617**

- (1) All obligations of the debtor in cash or in kind shall be considered due as from the date of ruling for declaration of bankruptcy.
- (2) (Amended – SG 84/2000) Obligations in kind shall be transformed into obligations in cash at the respective market value as of the date of the opening the bankruptcy proceedings.

Retention of Securities **Article 618**

- (1) In the course of bankruptcy proceedings creditors shall retain their rights on securities provided.
- (2) (Repealed – SG 70/1998)

Summons **Article 619**

- (1) (Amended – SG 84/2000) In the bankruptcy proceedings the debtor shall be summoned at its registered seat, and the creditors – parties in the case – at the addresses which they have pointed out in the country. Where they have changed address without fulfilling their obligation to enter such circumstances in the register, all summonses and papers shall be attached to the case file and considered duly delivered.
- (2) Creditors with registered address abroad and without address in this country shall be summoned at the address known abroad, should the address be unknown summons shall be issued to such creditor once by means of the State Gazette.

(New – SG 84/2000) After the opening of the bankruptcy proceedings the creditors shall be considered informed about acts that do not require promulgation in the State Gazette or notification under the terms of the Civil Code and which are not subject to appeal, with the entry of notification for the respective act in the book under Art. 634c, Par. 1.

Fees and Expenses **Article 620**

- (1) (Amended – SG 70/1998) No preliminary state fees shall be collected on the application to institute bankruptcy proceedings, submitted by the debtor. Such fees shall be collected from the bankruptcy estate by distribution of the assets.

- (2) (New – SG 70/1998, Supplemented SG 84/2000) In case the appeal for opening the bankruptcy proceedings The state fee shall be collected from the creditor, provided the application to institute bankruptcy proceedings is submitted by him or by a joining creditor.
- (3) (New – SG 70/1998) After the instituting of bankruptcy proceedings the expenses shall be collected on the bankruptcy estate. For this purpose the court may authorise the receiver to perform disposition by virtue of article 658 paragraph 1 item 8.
- (4) (New – SG 70/1998) With the ruling pursuant to article 707 the court shall sentence the debtor to pay the state fee due and the incurred expenses, provided the reorganization plan pursuant to article 705 does not provide otherwise.
- (5) (Former Paragraph 2 SG 70/1998, Amended – SG 84/2000) State fees shall not be paid in advance in court cases instituted to complement the bankruptcy estate and on re-peal claims.
- (6) (Former Paragraph 3, Amended – SG 70/1998) No state fees shall be collected for entry in the court register of circumstances related to bankruptcy, as well as for entry and deletion of a restrain under article 630, paragraph 1, item4, and a general attachment.

Subsidiary Application
Article 621

Inasmuch as this Part contains no special provisions, the respective provisions of the Code of Civil Procedure shall apply.

Section II Entry and Promulgation

Entry and Promulgation of Court Rulings
Article 622 (Amended – SG 70/1998)

Court rulings pursuant to Articles 630, 632, 641, 705 paragraph 2, Articles 707, 709, paragraph 1, Articles 710, 713 paragraph 2, Articles 735 and 744, paragraph 1, shall be entered into the respective court register and promulgated in the State Gazette.

Entry and Promulgation of Circumstances Related to the Receiver in Bankruptcy
Article 623 (Amended – SG 70/1998)

The name and the address of the nominated receiver in bankruptcy, in the cases under Article 707 paragraph 2 item 2 – of the appointed procurator respectively, shall be entered into the respective court register and promulgated in the State Gazette.

Term for Registration and Promulgation
Article 624

- (1) (Amended – SG 70/1998) The enacted rulings pursuant to Articles 622 and 623 shall be entered into the respective court register on the day of enacting thereof or at latest on the next working day.
- (2) Currently to the entering into the court register the court shall request promulgation of the court's rulings pursuant to Articles 622 and 623. The promulgation shall be effected in the issue No.1 of the State Gazette as from the day of submission of the request or at latest in the next issue.

Chapter 39

INSTITUTING BANKRUPTCY PROCEEDINGS

(Former Chapter 35 SG 83/1996)

Section I Start of Proceedings

Instituting Proceedings **Article 625**

(Amended – SG 70/1998, SG 84/2000) Bankruptcy proceedings shall be instituted pursuant to an application in writing submitted to the court by the debtor, respectively the liquidator or the creditors under a commercial transaction, as well as under public obligation to the state and municipalities related to the commercial activity of the debtor.

Obligation for Declaration **Article 626**

- (1) (Amended – SG 84/2000) Any debtor who becomes insolvent or overdraft shall be obliged to request within 15 days institution of bankruptcy proceedings.
- (2) (Amended – SG 84/2000) The application pursuant to paragraph 1 shall be submitted by the debtor, his heir, the management body or respectively the liquidator of a company or a partner with unlimited liability.
- (3) Procurators shall be obliged to inform merchants in writing within 7 days about the insolvency.
- (4) Should the application be submitted by an agent, explicit power of attorney shall be required.

Liability **Article 627**

Should persons fail observe their obligation for declaration pursuant to Article 626, paragraph 2, they shall be liable jointly and severally before creditors for damages caused by such delay.

Attachments to the Petition **Article 628**

- (1) (Supplemented SG 84/2000) Debtors, respectively liquidators shall attach to the application:
 1. a transcript of the last certified by certified public accountant annual accountancy report and balance sheet as of the date of submission of application, provided the merchant is obliged by law to prepare such documents;
 2. inventory and evaluation of assets and liabilities as of the date of submission of application;
 3. list of creditors, indicating the addresses, types, amounts and securities for receivables thereof;

4. inventory of personal properties and properties that are joint matrimonial property – for sole proprietors and partners with unlimited liability.
- (2) Creditors shall present with their application the evidence in writing and indicate any other evidence for the debtor's insolvency.
- (3) (New – SG 103/1999) Debtors or creditors shall apply to their applications documents pursuant to Article 20, paragraph 6 of the Tax Procedure Code.
- (4) (Former Paragraph 3 SG 103/1999, Supplemented SG 84/2000) With their applications debtors or creditors may also propose a plan pursuant to Article 696, as well as to nominate a person fulfilling the requirements of ART. 655, Par. 2, who is to be appointed by the court for temporary assignee if the bankruptcy proceedings open.

Consideration of Petitions **Article 629**

- (1) (Amended – SG 84/2000) Petitions to institute bankruptcy proceedings, submitted by debtors, respectively liquidators, shall be considered immediately by the court in camera.
- (2) (Amended – SG 70/1998) Petitions to institute bankruptcy proceedings, submitted by creditors, shall be considered by the court in camera upon participation of the petitioner and debtor at latest within 14 days as from submission of the petitions.
- (3) (New – SG 84/2000) Until the end of the first session of the case opened upon a claim of creditor, other creditors can join the proceedings, can make objections and present written evidence.
- (4) (New – SG 103/1999) The court shall apply the provisions of the preceding paragraphs in case the application submitted entirely meets the conditions of Article 628.
- (5) (New – SG 84/2000) The court shall open the case from the day the claim was filled and shall resolve it not later than 3-months from the opening.

Preliminary Security Measures **Article 629a** (New – SG 70/1998)

- (1) Upon the request of a creditor or ex officio, prior to enact the rulings on the petition to institute bankruptcy proceedings and where the preservation of the debtor's estate demand it, the court may:
 1. appoint preliminary a provisional receiver which shall have the powers pursuant to Article 635 paragraph 1;
 2. allow the measures provided for under Article 630, paragraph 1, item 4;
 3. suspend the proceedings of execution on the debtor's estate, except for the proceedings of execution instituted under the Law on Collection of the State Receivables;
 4. allow the measures provided for under Article 642;
 5. impose the measures as set forth in Article 650.
- (2) When the imposing of the measures under paragraph 1 is requested by a creditor, the court imposes these measures:
 1. provided the request of the creditor is supported by justifiable evidence in written, or

2. in case a security is granted up to the amount fixed by the court for compensation of the damages caused to the debtor, provided it shall not be established that the debtor is insolvent, respectively overindebted.
- (3) The court may oblige the creditor to grant security also in cases under paragraph 2 item 1.
- (4) All bankruptcy creditors shall profit from the security measures imposed by the court.
- (5) The court may repeal the security measures, provided that the continuation thereof is not indispensable regarding the purpose of the security.
- (6) The ruling of the court on the measures under paragraph 1 shall be announced to the person with respect to which the measures are imposed, as well as to the person, which has requested the imposition thereof. The ruling may be appealed within 7 days as from the receive of the announcement.
- (7) The ruling on the measures under paragraph 1 shall be subject to a prompt execution. The appeal shall not stop the execution thereof.
- (8) The security measures shall be considered repealed, when the petition to institute bankruptcy proceedings is refused upon an award which has entered into force.
- (9) The security measures imposed by the court shall be in force up to the date of the ruling on institution of bankruptcy proceedings. As from this date their effect shall be replaced by the effect of the ruling on institution of bankruptcy proceedings, as well as by effect of the measures enact under Article 630, paragraph 1, item 4. Pursuant to the Article 630, paragraph 1, item 4, the court may enact new security measures, as well as may continue the effect of the measures, already imposed upon this procedure.

Section II Issue of a Ruling

Ruling on Institution of Bankruptcy Proceedings Article 630

- (1) (Amended – SG 70/1998) Where the court has established insolvency and respectively overindebtedness, by its ruling it shall:
 1. (Amended – SG 70/1998) declare insolvency, respectively overindebtedness and determine the initial date thereof;
 2. institute bankruptcy proceedings;
 3. appoint a temporary receiver in bankruptcy;
 4. allow for provision of security by means of imposing attachment or other security measures.
 5. fix a date for the first meeting of creditors, not later than one month following the issue of the ruling.
- (2) (Amended – SG 70/1998, SG 84/2000) Where it is obvious that further continuance of the activity could damage the bankruptcy estate, the court may, upon request by the debtor, respectively the liquidator, the assignee in bankruptcy or creditor, declare the debtor bankrupt and terminate his activity concurrently with the ruling to institute bankruptcy proceedings.

- (3) The ruling on instituting bankruptcy proceedings shall be effective in respect of all.

Ruling to Reject the Application
Article 631

The court shall reject the application, should it establish that the debtor's distress is temporary and that he disposes of sufficient assets to cover the obligations, safeguarding the creditors' interests.

Ruling to Terminate Proceedings
Article 632

- (1) Where the available assets are insufficient to cover expenses related to the bankruptcy proceedings, the court shall declare the insolvency, determine the initial date thereof, declare the debtor bankrupt and terminate the proceedings, unless any person concerned pays in advance the necessary amount.
- (2) The amount under paragraph 1 shall be reimbursed, provided the bankruptcy estate increases sufficiently.

Appeal of Rulings
Article 633

Rulings pursuant to Articles 630, 631 and 632 may be appealed within 7 days as from the date of promulgation in the State Gazette.

Immediate Implementation
Article 634

Rulings pursuant to Article 630 shall be implemented immediately.

Chapter 40

EFFECT OF RULING ON INSTITUTION OF BANKRUPTCY
PROCEEDINGS

(Former Chapter 36 SG 83/1996)

Date of Institution of Bankruptcy Proceedings
Article 634a (New – SG 70/1998)

The bankruptcy proceedings shall be considered instituted as from the date of the ruling under Article 630 paragraph 1. In case any actions under Articles 635, 636 paragraph 1, Articles 637, 638 and 646 are undertaken on this date, it shall be considered they are undertaken after the institution of bankruptcy proceedings.

Ruling of the Court on Claims at Opened Bankruptcy Proceedings
Article 634b (New – SG 84/2000)

- (1) The court shall rule in three days term on claims of participant in the proceedings except other term is provided for in the IV of this Law. In case the court's act by which it shall rule, is subject to appeal, the court of appeal shall rule within seven days from the receipt of the complaint and shall give obligatory instructions.

- (2) If the judge that shall rule the case is absent, the chairman of the court of bankruptcy shall appoint another judge who shall rule the case during the absence.
- (3) Upon claim for resignation, the judge shall rule on it immediately. The definition which leaves without consideration the claim for resignation shall be subject to appeal to the chairman of the court of appeal, who shall rule on it within 3 days from the receipt.

Notifications for the Courts' Acts
Article 634c (New – SG 84/2000)

- (1) The activities of the debtor, the creditors, the committee of the creditors, the meeting of the creditors, the assignee in bankruptcy as well as the acts of the bankruptcy court, shall be entered in a separate book which shall be public and be at disposal at the office of the bankruptcy court. In the same book shall be entered the decisions and definitions of the appeal and cassation court on complaints against acts of the bankruptcy court.
- (2) Notices shall be sent to the parties under the terms and conditions of the Civil Procedure Code for the decisions and definitions of the court subject to appeal.

Sending of Notifications for the Bankruptcy Proceedings to the Firm Case of the Debtor
Article 634d (New – SG 84/2000)

The bankruptcy court shall send a notice to the firm case of the debtor concerning decision on Art. 630; Art. 707, Par. 1; Art. 710, 735, 744 and 755 on the same day the decision has been taken.

Restriction of Rights of Insolvent Debtor
Article 635

- (1) (Supplemented, SG 84/2000) Upon institution of bankruptcy proceedings or in the cases under art. 629a the debtor shall continue his activities under the supervision of the assignee in bankruptcy. He may conclude new transactions with preliminary approval of the assignee in bankruptcy only, and in compliance with the measures, determined by the ruling on institution of bankruptcy proceedings.
- (2) The court may deprive the debtor of the right to manage and dispose of his assets and to grant this right to the receiver in bankruptcy, should it establish that by his actions the debtor jeopardises the interests of creditors.

Performance of Money Obligations
Article 636

- (1) The performance of obligations to the debtor shall be taken over by the receiver in bankruptcy as from the date of promulgation of the ruling on institution of bankruptcy proceedings.
- (2) (New – SG 70/1998) The performance of an obligation made to the debtor after the date of the ruling on institution of bankruptcy proceedings, but before the promulgation thereof, shall be deemed valid, should the performer does not know about the institution of bankruptcy proceedings or even he knows in case the contribution is included in the bankruptcy estate. The good faith shall be presumed up to the establishment of the contrary one

Suspension of Court Proceedings

Article 637

- (1) (Supplemented, SG 84/2000) Upon institution of bankruptcy proceedings, court and arbitration proceedings under civil and commercial cases against the debtor shall be suspended. This shall not apply if, by the date of opening the bankruptcy proceedings on other case on which the debtor is a defendant, the court has admitted for joint consideration counter claim of the debtor or his objection for deduction.
- (2) (Amended – SG 70/1998) Suspended proceedings shall be terminated, provided the receivable is accepted upon the terms of the Article 693, paragraph 1, item 1.
- (3) (New – SG 70/1998) The proceedings suspended by virtue of the paragraph 1 shall be renewed and continued by the participation of:
 1. the receiver and the creditor, provided the receivables are not included within the list of the receivables accepted by the receiver or within the list approved by the court under Article 692;
 2. the receiver, the creditor and the person, which has raised an objection, in case the receivables are included in the list of the receivables accepted by the receiver and in respect of which an objection is raised under the procedure of Article 692 paragraph 2.
- (4) (New – SG 70/1998) The ruling under paragraph 3 shall have constitutive effect in respect to the relationships among the debtor, the receiver and all creditors in the bankruptcy.

Suspension of Execution Proceedings

Article 638

- (1) Upon institution of bankruptcy proceedings any execution proceedings against assets included in the bankruptcy estate shall be suspended.
- (2) Where within the period as from the suspension pursuant to paragraph 1 through the date of promulgation of the ruling on institution of bankruptcy proceedings payments have been effected to claimants, the moneys paid shall be returned to the bankruptcy estate.
- (3) (Amended – SG 70/1998, SG 103/1999) Where actions have been undertaken in favour of secured creditors for realisation of the security, the court may allow the proceedings to continue should a danger of jeopardising the creditor's interests exists. The amount received, which exceeds the amount of the security shall be included in the bankruptcy estate except for the properties pursuant to Article 159, Paragraph 1 of the Tax Procedure Code.

Creditors After the Ruling on Institution of Bankruptcy Proceedings

Article 639

- (1) Creditors of receivables that have occurred after the date of the ruling on institution of bankruptcy proceedings shall receive payment on maturity, and where they have not received payment on maturity or prior to the date of the ruling declaring the debtor bankrupt they shall be satisfied pursuant to the procedure under Article 722, paragraph 1.

- (2) Creditors pursuant to paragraph 1 may obtain security for their receivables from the bankruptcy estate.

Special Cases of Sale

Article 639a (Repealed – SG 84/2000)

Cooperation of Debtors

Article 640

- (1) (Previous Art. 640 – Amended – SG 84/2000) Debtors shall be obliged to provide within 14 days from the opening of the bankruptcy proceedings:
1. adequate information related to the activities of their enterprises and their properties;
 2. (Amended – SG 90/1999) list of payments in cash or by means of bank transfer, that exceed 1200 BGN and that have been effected within three months prior to the initial date of insolvency;
 3. list of payments effected by the debtor to persons related thereto, for a period of one year prior to the initial date of insolvency.
- (2) (New – SG 84/2000) If the debtor does not implement his obligation under Par. 1, the court shall impose the offensive person a fine from 500 to 1000 BGN.

Effect of Repeal of Ruling on Institution of Bankruptcy Proceedings

Article 641

(Amended – SG 84/2000) The repeal of the ruling on institution of bankruptcy proceedings shall remove imposed prohibition and constraints, restore the authority of the debtor and terminate the authority of the receiver in bankruptcy from the moment of entry of the decision of the court of appeal or of the Supreme Court of cassation in the respective register.

Security Measures

Article 642

Upon request of the receiver in bankruptcy, the debtor or any creditor, the court may allow measures provided by law, securing the available assets of the debtor.

Chapter 41

COMPLEMENTING OF BANKRUPTCY ESTATE. SAFEGUARDING MEASURES

(Former Chapter 37 SG 83/1996)

Section I Complementing of bankruptcy estate

Collection of Capital not Paid In

Article 643

Shares or contributions not paid in or not deposited by limited liability partners, shall be collected by the receiver in bankruptcy to complement the bankruptcy estate.

Termination of Contract

Article 644

- (1) The receiver in bankruptcy may terminate any contract to which the debtor is a party, provided it has not been performed wholly or in part.
- (2) The receiver in bankruptcy shall send a 15 days advance notice for termination of contract.
- (3) Upon request of the other party the receiver in bankruptcy shall respond within 15 days whether he shall keep the contract in effect or terminate it. Should there be no response, the contract shall be considered terminated.
- (4) Upon termination of contract the other party shall be entitled to compensation for damages incurred.
- (5) Keeping a contract under which the debtor is to effect regular payments shall not bind the receiver in bankruptcy to effect payments that have been overdue prior to the date of ruling on institution of bankruptcy proceedings.

Set-off

Article 645

- (1) Creditors may set off their obligations to debtors, provided prior to the date of the ruling on institution of bankruptcy proceedings both obligations existed and were reversibly directed to each other and of the same type and the receivable was due. Where the receivable has become due in the course of bankruptcy proceedings or as result of a ruling to declare bankruptcy, and also where both obligations have become of same type as a result of such ruling, creditors may set off only after the receivable becomes due or the receivables become of the same type.
- (2) The statement of a set-off shall be sent to the receiver in bankruptcy.
- (3) (Amended – SG 70/1998) The set-off may be declared invalid with respect to the creditors in the bankruptcy proceedings, provided the creditor has acquired the receivable and the obligation to the debtor prior to the date of the ruling on institution of bankruptcy proceedings, but he knew as of the time of acquiring the receivable or obligation that insolvency, respectively overindebtedness has occurred or that an application to institute bankruptcy proceedings has been filed.

- (4) (Amended – SG 70/1998) A set-off effected by the debtor after the initial date of insolvency, respectively overindebtedness shall be invalid with respect to the creditors in the bankruptcy proceedings, except for the part that the creditor may have acquired from distribution of assets converted into money, regardless of the time of occurrence of both reversibly directed obligations.

Nullity of Actions and Transactions

Article 646

- (1) (Amended – SG 70/1998) The following shall be considered null and void with respect to the creditors in the bankruptcy proceedings, if effected after the date of the ruling on institution of bankruptcy proceedings and not in compliance with the procedure established thereby:
1. performance of an obligation that has occurred prior to the date of the ruling on institution of bankruptcy proceedings;
 2. pledging or mortgaging rights or chattels included in the bankruptcy estate;
 3. transactions with rights or chattels included in the bankruptcy estate.
- (2) (Amended – SG 70/1998) The acts and transactions, effected by the debtor after the initial date of the insolvency, respectively overindebtedness, shall be null and void with respect to the creditors in the bankruptcy proceedings in case of:
1. performance of a money obligation notwithstanding the method of performance;
 2. gratuitous transactions in property rights included in the bankruptcy estate;
 3. pledging, mortgaging or providing another security on property rights included in the bankruptcy estate;
 4. transactions against payment in property rights included in the bankruptcy estate, in case the payment exceeds significantly the value of the received one.
- (3) (New – SG 103/1999) The preceding paragraphs shall not be applied in cases of performance by the debtor of public receivables or civil state receivables compulsorily collected pursuant to the procedure for public receivables.

Actions to Repeal

Article 647

In addition to the cases provided by law, the following acts and transactions effected by the debtor may be declared invalid with respect to the bankruptcy estate:

1. gratuitous transactions, except ordinary donations in favour of a spouse, relatives of direct descent and relatives of lateral branch to the sixth degree, effected within 3 years prior to the institution of bankruptcy proceedings;
2. gratuitous transactions in favour of third parties, effected within 2 years prior to the institution of bankruptcy proceedings;
3. (Amended – SG 84/2000) transactions against payment, where the items given exceed considerably in value the items received, effected within 2 year prior to the institution of bankruptcy proceedings;

4. repayment of money obligation by transfer of property, effected within 3 months prior to the initial date of insolvency, where the return of the property could result in increase of the amount to be received by creditors;
5. (Amended – SG 84/2000) mortgaging, pledging or providing another security in favour of a receivable not secured till that time, effected within 1 year prior to the institution of bankruptcy proceedings;
6. (Amended – SG 84/2000) mortgaging, pledging or providing another security in favour of a receivable of a partner or shareholder not secured till that time, effected within 2 years prior to the institution of bankruptcy proceedings;
7. (Amended – SG 84/2000) transaction effected within 2 years prior to the institution of bankruptcy proceedings which jeopardises the creditors, where one of the parties thereto is a partner with unlimited liability, partner or shareholder who owns over 20 percent of the company capital, member of a management body or another person who controls the debtor or his activities.

Return of Items Given to Third Parties

Article 648

Where the provisions of Articles 646 or 647 have been applied to transactions, the items given to third parties shall be returned, and where the items given are not found in the bankruptcy estate or moneys are owed, the third party shall become creditor.

Bringing Actions to Repeal

Article 649

- (1) Actions pursuant to Article 645, paragraph 3, and Article 647 may be brought by the receiver in bankruptcy, and should he fail to do so – by any bankruptcy creditor within one year following the institution of proceedings.
- (2) (New – SG 70/1998) By bringing actions to repeal by the receiver a state fee shall not be collected preliminary, provided the court recognises there are not sufficient money to pay the state fee. In case the court recognises the action the state fee due shall be collected by the sentenced party, and in case the court denies the action the state fee due shall be collected by the bankruptcy estate.
- (3) (Former Paragraph 2 SG 70/1998) Actions pursuant to Articles 645, 646 and 647 of this Law, as well as actions pursuant to Article 135 of the Law on Obligations and Contracts, related to the bankruptcy proceedings, shall be brought before the bankruptcy court.

Section II Sealing

Order for Sealing

Article 650

- (1) Should there exist danger of dissipation, destruction or concealment of property, the court of jurisdiction over bankruptcy may order the sealing of premises, equipment, transport vehicles, etc., where chattels of the debtor are stored.
- (2) Inhabitable housing facilities and premises, needed to continue the activities of the debtor or to store perishable goods, shall not be sealed.

Execution of Sealing
Article 651

- (1) Seals shall be fixed by a court officer within 1 day following the receipt of order.
- (2) The court officer shall prepare and submit immediately to the court a protocol listing the sealed premises and chattels.

Section III Inventory of Property

Removal of Seals
Article 652

Within 3 days following his entry into office, the receiver in bankruptcy must request removal of seals and preparing of inventory of real properties and chattels, moneys, valuables, securities, contracts, etc., of debtor's receivables and chattels in possession of third parties.

Preparation of Inventory
Article 653

- (1) The inventory shall be prepared by the receiver in bankruptcy and the bailiff.
- (2) The receiver in bankruptcy shall inform the debtor of the acts under paragraph 1.
- (3) Should other properties be found after preparation of the inventory, supplementary inventory shall be prepared.

Liability for Inventory Property
Article 654

The receiver in bankruptcy shall be liable for the property included in the inventory as from the time of preparation of the inventory, provided it has not been delivered to the debtor or to third parties for safe-keeping.

Chapter 42

AUTHORITIES AND MANAGEMENT OF THE BANKRUPTCY
ESTATE

(Former Chapter 38 SG 83/1996)

Section I Receiver

Qualifications
Article 655

- (1) (Amended – SG 70/1998) Natural persons may become receivers.
- (2) (Amended – SG 70/1998) The receivers shall conform with the following requirements:

1. not to have been convicted as a citizen of lawful age for general offence, except for the cases of exoneration;
 2. not to be spouse of the debtor or creditor and not to be in kinship relations with any of them in direct descent and lateral branch to the sixth degree, and in-law lineage up to the third degree;
 3. not to be a creditor in the bankruptcy procedure;
 4. not to be a bankrupt debtor whose rights have not been reinstated;
 5. not to be in any relations with the debtor or creditor, which may generate substantiated doubts as to his impartiality.
 6. (New – SG 70/1998) to be graduated in Economics or in Law and to have at least 3 years professional experience on this subject;
 7. (New – SG 70/1998) to be included in the list of the persons nominated to become receivers, which is approved by the Minister of Justice and European Law Integration and promulgated in the State Gazette.
 8. (New – SG 84/2000) not to have been released as a receiver in bankruptcy pursuant to Art. 657, Par. 2 of this Law and Art. 64, Par. 1 of the Bank Law;
 9. (New – SG 84/2000) not to have been excluded, except by own will from the lists under item 7 and Art. 58, Par. 2 of the Bank Law.
- (3) (Amended – SG 70/1998, Supplemented SG 84/2000) The Minister of Justice and European Law Integration shall expel from the list under paragraph 2 item 7 the persons for whom it is established that are committing contravention in connection with their activity as receivers, regardless whether the offense has been established by the bankruptcy court. This amendment shall be promulgated in the State Gazette.
- (4) (Supplemented SG 84/2000) Receiver powers may be exercised by several persons. In such cases, decisions shall be made unanimously and actions shall be undertaken jointly, unless the meeting of creditors or court in case of dispute between the persons acting as receivers, decides otherwise.
- (5) When receiver powers are exercised by several persons, making decisions unanimously and acting jointly, they shall be liable jointly and severally under Art. 663, paragraphs 2 and 3.

Appointment of Receivers
Article 656 (Amended – SG 84/2000)

- (1) The bankruptcy court shall appoint a receiver, elected by the first meeting of creditors, provided he complies with the requirements under Art. 655 and has given his consent in writing with a notary certified signature. The bankruptcy court shall determine the date for the receiver's taking of his duties upon the same definition.
- (2) At his appointment the receiver shall declare in written form with a notary certified signature the presence of the requirements and the lack of the obstructions under this Law, the participation in business companies as a partner, shareholder, the occupation of liquidator, receiver or other paid positions.
- (3) If a change concerning the circumstances under Par. 2 occur, the receiver shall be obliged to inform immediately in writing the bankruptcy court.

- (4) The receiver shall be obliged to take duties at the date determined by the court. If this obligation is not fulfilled, within 7 days the bankruptcy court shall replace the appointed receiver with another person nominated by the first meeting of the creditors. If there is no such a person, another one from the respective list shall be the replacing person and a new meeting of the creditors shall be convened.

Discharge of Receivers Article 657

- (1) The court shall discharge a receiver in the following cases:
1. his request in writing sent to the court;
 2. legal disability;
 3. (New – SG 70/1998) the appointed receiver does not meet the requirements of the Article 655, paragraph 2 anymore;
 4. (Former Item 3 SG 70/1998) request by the creditors entitled to two thirds of the receivables;
 5. (New – SG 70/1998) a decision of the meeting of the creditors;
 6. (New – Former Item 5 SG 70/1998 – SG 84/2000) actual inability to exercise his powers;
 7. (New – Former Item 5 SG 70/1998 – SG 84/2000) death.
- (2) The court may discharge the receiver at any time, in the course of the fulfilment of its judicial obligations or at the proposal of the debtor, the committee of creditors or a creditor, when such receiver fails to fulfil his obligations or his actions jeopardise the interests of the creditor or the debtor.
- (3) (Amended – SG 70/1998; SG 84/2000) A receiver discharged under paragraph 1, items 1, 3 and 4 and paragraph 2 shall be obliged to perform his duties until a new receiver is appointed.
- (4) (New – SG 84/2000) Subject to appeal before court shall be :
1. the definition of the bankruptcy court which leaves without consideration the claim under Par. 1, items 1-6 and Par. 2;
 2. the definition of the bankruptcy court which considers the claim under Par. 2.
- (5) (New – SG 84/2000) The definition for release of the receiver in bankruptcy shall immediately implemented. The complaint against the definition for release shall not stop its implementation. The repeal of the definition for release of the receiver in bankruptcy shall not reinstate the person as receiver in bankruptcy in this proceedings.
- (6) (New – SG 84/2000) In the cases under Par. 1 and 2 the court shall convene a meeting of the creditors for an appointment of a new receiver in bankruptcy.
- (7) (New – SG 84/2000) In the cases under Par. 1, items 2, 3, 5 and 6 and under Par. 2 the functions of the receiver in bankruptcy shall be carried out by appointed by the court receiver until the new one is appointed.

Receiver's Powers
Article 658

- (1) The receiver shall:
1. represent the enterprise;
 2. manage its current affairs;
 3. (New – SG 84/2000) exercise supervision of the activity of the debtor in the cases under Art. 635, Par. 1.
 4. (Previous item 3 – SG 84/2000) receive the inventory, keep and maintain the books and business correspondence of the enterprise;
 5. (Previous item 4 – SG 84/2000) identify and establish the debtor's property;
 6. (Previous item 5 – SG 84/2000) file requests for terminating or avoiding agreements to which the debtor is a party under the terms and conditions set forth by law;
 7. (Previous item 6 – SG 84/2000) participate in the court proceedings of the debtor's enterprise and bring lawsuits on his behalf;
 8. (Previous item 7 – SG 84/2000) collect the cash receivables of the debtor and deposit them in a special bank account;
 9. (Previous item 8 – SG 84/2000) dispose of the funds in the debtor's bank accounts with the permission of the court when this becomes necessary in connection with the management of the property and its preservation;
 10. (Previous item 9 – SG 84/2000) identify and establish the debtor's creditors;
 11. (Previous item 10 – SG 84/2000) convene and organise the meetings of creditors in conformity with a court ruling;
 12. (Previous item 11 – SG 84/2000) offer a plan under Art. 696;
 13. (Previous item 12 – SG 84/2000) undertake actions to terminate the debtor's participation in companies;
 14. (Previous item 13 – SG 84/2000) cash in the property from the bankruptcy estate;
 15. (Previous item 14 – SG 84/2000) undertake other actions prescribed by law or assigned by court.
- (2) The receiver shall exercise his powers in conformity with the development of the insolvency proceedings and the court rulings.

Accountability
Article 659

- (1) (Amended – SG 84/2000) The receiver shall enter each action on his part relative to the management and administration of property or property rights of the debtor or from the bankruptcy estate in a specially bound journal with numbered pages. When the functions of the receiver are carried out by two or more persons the disputes between them and the taken resolutions shall be entered in the journal.
- (2) The receiver shall submit performance reports to the court on a monthly basis or immediately, at request.
- (3) (New – SG 84/2000) The receiver shall present upon request by a creditor the journal under Par. 1 and the report under Par. 2, and also a report on all the creditors questions to which is not answered in the report.

Due Care Requirement
Article 660

- (1) (Amended – SG 70/1998) The receiver shall exercise his powers with the due care of a commercial.
- (2) Receivers may not delegate their powers to other persons, except in case of an explicit permission by court.

Remuneration
Article 661 (Amended – SG 84/2000)

- (1) Receivers shall get a remuneration for their work – current and final – as determined by the meeting of the creditors. Decision for the way of determination of the remuneration can be taken before the receiver has ended his activity.
- (2) The court shall determine the size of the current remuneration of the temporary receiver as well as of the receiver in case under Art. 657, Par. 6 at the time of his appointment.
- (3) The current remuneration shall be paid monthly.
- (4) The final remuneration of the receiver shall be determined in compliance with the following:
 1. fulfilling the procedure terms;
 2. whether the taking list accepted by the receiver has been approved by the court without changing it;
 3. the activities carried out and the granted claims for supplementing the bankruptcy estate;
 4. termination of the proceedings because of an approved recovery plan;
 5. cashing the property at the moment of declared bankruptcy;
 6. other circumstances important for the term of the proceedings and for the bankruptcy estate.
- (5) The final remuneration can also be determined as a percent of the property that filled the bankruptcy estate or/and as a percent of the value of the cashed assets.
- (6) In the cases when the meeting of the creditors was not able to decide to choose a receiver or the size of his remuneration, the decision for these shall be taken by the court.

Restrictions
Article 662

- (1) (Amended – SG 84/2000) The receiver may not negotiate on behalf of the debtor either with himself or with related person.
- (2) Receivers may not acquire in any way, directly or through another person, any chattel or right from the bankruptcy estate. This restriction applies also to the their spouses, relatives in direct descent and lateral branch to the sixth degree and in-law lineage up to the third degree.

- (3) Receivers shall not disclose any information, data or facts which have become known to them in the course of exercising of their powers.
- (4) (Repealed – SG 70/1998)

Liability
Article 663

- (1) Where the receiver fails to perform his duties or performs them poorly, the court may impose a fine which, for each individual case, may not exceed the amount of his monthly remuneration.
- (2) The receiver is liable to pay a compensation equal to the interest determined by operation of law for any delay on his part to deposit the funds received in the bank.
- (3) The receiver is liable to compensate the debtor and creditors for the damage inflicted by him to them in the course of the exercising of his powers.

Final Report of the Receiver
Article 664

- (1) Receivers shall submit a report in writing upon the termination of their work within a term prescribed by the court.
- (2) The newly appointed receiver, the debtor, the creditors' committee or a creditor may raise objections to the report within seven days after its submission.
- (3) (Supplemented SG 84/2000) The court shall, within 14 days from the receipt of the objection, issue a ruling on the objection, which will be final and not subject to appeal.
- (4) Should no objection be raised within seven days, the report will be considered accepted.

Submission of Books and Property
Article 665 (Amended – SG 84/2000)

Upon termination of his activities, the receiver shall immediately submit, by inventory list, the books the journal and the reports under Art. 659, as well as the property at his governance to the newly appointed receiver or a person designated by the court or to the debtor in the cases set forth in Art. 707, paragraph 1.

Section II Provisional Receiver

Appointment of Provisional Receiver
Article 666 (Supplemented SG 84/2000)

The court shall appoint the provisional receiver with the ruling to start bankruptcy proceedings, or in the cases under Art. 657, provided he meets the requirements under Art. 655 and has given his consent.

Discharge of Provisional Receiver
Article 667 (Amended – SG 84/2000)

The provisional receiver shall be discharged under the terms and conditions set forth in Art. 657 and upon the appointment of the receiver appointed by the meeting of creditors.

Powers of the Provisional Receiver

Article 668

Provisional receivers shall enjoy the powers under Art. 658. In addition, within 14 days after the date of the ruling on bankruptcy proceedings, the provisional receiver shall prepare:

1. (Supplemented SG 84/2000) a list of creditors on the basis of the debtor's books, stating the size of their takings;
2. (New – SG 84/2000) abstract from the commercial books certified him;
3. (Previous Item 2 – SG 84/2000) a report in writing on the reasons for the insolvency, the condition of the property and the measures taken to protect it as well as the possibilities for reorganisation of the enterprise.

Section III First Meeting of Creditors

Holding the First Meeting of Creditors

Article 669

- (1) (Previous Art. 669 – Amended – SG 84/2000) The first meeting of creditors shall be convened on the date scheduled by the court with the ruling to institute bankruptcy proceedings and shall be chaired by a judge nominated by the chairman of the district court.
- (2) (New – SG 84/2000) The first meeting of the creditors shall be attended by the creditors included in the list under Art. 668, It. 1 and in the abstracts from the commercial books of the debtor which the temporary receiver shall present at the first meeting.

Decision-Making at the First Meeting of Creditors

Article 670 (Amended – SG 84/2000)

- (1) The first meeting of creditors will be legitimate when it is attended by at least two creditors from the list under Art. 668, It. 1 unless there is only one creditor in the list. The participation of the creditors shall be personal or by representative with an explicit written proxy. When the creditor is a natural person the proxy shall be with notary certified specimen.
- (2) The decisions of the first meeting of creditors shall be passed by a simple majority vote of the size of the takings under Art. 668, It. 1 of creditors present.

Participation of the Provisional Receiver and the Debtor

Article 671

The participation of the provisional receiver at the first meeting of creditors is mandatory, whereas the debtor may attend it if he deems it necessary.

Powers of the First Meeting of Creditors

Article 672

- (1) (Previous Art. 672 – Amended – SG 84/2000) The first meeting of creditors shall:

1. listen to the report of the provisional receiver under Art. 668, item 2;
 2. (Amended – SG 84/2000) nominate a permanent receiver and submit the nomination to the court for approval;
 3. elect a creditors' committee.
- (2) (New – SG 84/2000) At the meeting, the creditors may nominate and rank by choice several persons for receivers amongst who the court shall appoint the receiver in bankruptcy if the elected receiver does not take his duties in a define period, or is released until the holding of the meeting under Art. 673 or when he does not comply with some of the conditions under Art. 655, Par. 2.

Section IV Meeting of Creditors

Holding the Meeting of Creditors and Voting Rights Article 673

- (1) The meeting of creditors shall be convened after the approval of the list under Art. 692 by the court.
- (2) After receivables are accepted, voting rights at the meeting of creditors shall be granted only to creditors with accepted receivables.
- (3) (Amended – SG 70/1998) The court may grant voting rights also to a creditor under Art. 637, paragraph 3, provided his receivables are supported with convincing evidence in writing, as well as to a creditor with not accepted receivables, provided he has appealed the ruling under the Article 692.
- (4) No voting rights under paragraph 3 shall be granted to a creditor under Art. 616, paragraph 2.

Convening of the Meeting of Creditors Article 674 (Amended – SG 84/2000)

- (1) The court shall convene the meeting of creditors upon the request of the debtor, receiver, creditors' committee or creditors holding one fifth of the amount of accepted receivables, not later than 7 days fro the receipt of the request.
- (2) The meeting of the creditors shall be convened immediately after the approval by the court of the list of the accepted under Art. 692, Par. 3, and if there are no objections – under Art. 692, Par. 1 with agenda under Art. 677, Item 8.

Invitation for the Meeting of Creditors Article 675

- (1) (Supplemented SG 84/2000) The invitation for the meeting of creditors shall contain the trade name and seat of the debtor, agenda, date, hour and venue of the meeting.
- (2) The invitation shall be promulgated in the State Gazette, the advertisement being considered due notification of all creditors.

Decision-Making
Article 676

- (1) (Amended – SG 84/2000) The meeting of creditors shall be held, regardless of the number of persons present and shall be governed by the judge who is responsible for the case.
- (2) During the decision-making process, each creditor shall be entitled to a number of votes representing the proportional share of his receivables in the total amount of accepted receivables and the receivables with voting rights under Art. 673, paragraph 3.
- (3) Decisions shall be made by simple majority vote, unless the law prescribes otherwise.
- (4) (New – SG 84/2000) The participation of the creditors in the meeting shall be carried out under the terms of Art. 670, Par. 1.

Powers of the Meeting of Creditors
Article 677

- (1) The meeting of creditors shall:
 1. listen to the report of the receiver on his activities;
 2. hear the report of the creditors' committee;
 3. (Amended – SG 84/2000) nominate a receiver, if none has been nominated, and Art. 672, Par. 2 shall apply;
 4. (Amended – SG 84/2000) make a resolution for a discharge of the receiver and his replacement;
 5. propose to the court the amount of the receiver's remuneration or any alteration thereof;
 6. appoint the creditors' committee, if none has been appointed, or change its membership;
 7. propose to the court the amount of the subsistence for the debtor and his family.
 8. (New – SG 84/2000) determine the methods and criteria for valuation of the debtor's property and the size of the remuneration of the assessors.
- (2) If the meeting of creditors fails to make a decision under paragraph 1, item 3, the receiver shall be appointed by the court. The court ruling shall not be subject to appeal.
- (3) Minutes shall be taken at the meeting of creditors and signed by the chairing person and the secretary of the meeting.
- (4) (New – SG 84/2000) If the meeting of the creditors can not make a resolution on Par. It. 8, it shall be made by the receiver.

Effect of the Decisions Made by the Meeting of Creditors
Article 678

The decisions made by the meeting of creditors shall be binding on all creditors, including those absent.

Repeal of a Decision of the Meeting of Creditors by the Court
Article 679

- (1) The bankruptcy court may repeal a decision of the meeting of creditors, at the request of the debtor or a creditor, where such decision is unlawful or causes substantial damage to a part of the creditors.
- (2) (Amended – SG 84/2000) The request shall be filed within seven days after the meeting is held and it shall be examined by the court of jurisdiction over bankruptcy with the debtor and creditors being summoned to the court session. The court session for the consideration of the request shall be held not later than 14 days from its filing.
- (3) Creditors under paragraph 2 shall be summoned through advertisement in the State Gazette.
- (4) (Amended – SG 84/2000) The court shall rule by definition.

Section V Creditors' Committee

Options
Article 680

- (1) The meeting of creditors may appoint a creditors' committee consisting of not less than three and not more than nine members.
- (2) The creditors' committee shall include persons representing both secured and unsecured creditors, except for those under Art. 616, paragraph 2.

Powers
Article 681

- (1) (Amended – SG 84/2000) The creditors' committee shall assist and check the activities of the receiver with respect to the property management and inspect the books and cash availabilities and shall inform the court in the cases under Art. 657.
- (2) Cash availabilities shall be inspected at least once a month and the findings shall be communicated to the court of jurisdiction over bankruptcy.

Remuneration
Article 682

- (1) The members of the creditors' committee shall be entitled to remuneration which is determined at the time of their appointment at the expense of creditors.
- (2) The unpaid remuneration shall be deducted, at the request of the creditors' committee, when the property converted into cash is distributed according to the size of receivables on a pro rata basis.

Property Acquisition Ban
Article 683

Members of the creditors' committee shall not acquire in any way either directly or through another person chattels or rights from the Bankruptcy Estate. This restriction applies also

to the their spouses, relatives of direct lineage, relatives of collateral lineage up to six times removed and in-laws up to three times removed.

Subsidiary Application of the Law on Obligations and Contracts
Article 684

As far as the relations between the creditors' committee and creditors are not settled with the provisions of this Part or with an agreement, the provisions of Arts. 280-292 of the Law on Obligations and Contracts shall apply.

Chapter 43

CLAIMING RECEIVABLES

(Former Chapter 39 SG 83/1996)

Deadline for Claims
Article 685

- (1) (Amended – SG 84/2000) Creditors shall claim their receivables in writing before the bankruptcy court not later than one month after the advertisement for opening of the bankruptcy proceedings.
- (2) (Amended – SG 84/2000) Each creditor shall indicate the grounds and amount of the receivables, privileges and security, the official address and present evidence in writing.

List of Receivables Claimed
Article 686 (Amended – SG 84/2000)

- (1) The receiver shall compile within 14 days from the end of the term under Art. 685, Par1:
 1. a list of the accepted claiming receivables under the term of the filing and indicating the creditor, the size and the grounds of the receivables, privileges and security and the date of the claim;
 2. a list of the receivables under Art. 687;
 3. a list of the claimed and not accepted , the annual audit report for the previous year and for the last month from the date of opening the bankruptcy proceedings.
- (2) The materials under Par. 1 shall be presented at the court office at disposal of the creditors and the debtor.

Proprio Motu Entry
Article 687

- (1) (Previous Art. 687 – Amended – SG 84/2000) The receivables of a worker or employee arising from a labour relationship with the debtor which have occurred up to one year prior to the decision to start bankruptcy proceedings shall be entered proprio motu in the list of receivables claimed by the receiver.

- (2) (New – SG 84/2000) The receiver shall enter *ex-officio* in the list the claimed receivables and the established public receivable that has entered into force.

Additional Claims
Article 688

- (1) (Amended – SG 84/2000) Claims made after the expiration of the term under Art. 685, paragraph 1, but not later than five months, shall be entered on the list of receivables claimed and accepted in accordance with the terms and procedures set forth by law. The receivables not claimed within this period, which occurred before the opening of the bankruptcy proceedings and for which there are no pending cases, cannot be claimed under the said bankruptcy proceeding.
- (2) A creditor with claims under paragraph 1 may not challenge receivables already accepted or a distribution which has been made and he shall be satisfied with the balance if the property cashed in has been distributed. The additional expenses for the acceptance of his claim shall be borne by him.
- (3) (New – SG 84/2000) Receivables not paid at the payment date and that occurred after the date of the opening of the bankruptcy proceedings until the approval of the recovery plan, respectively the until the date of the declaring the bankrupt of the debtor, shall be claimed under the rules of this Chapter. The receiver shall work out an additional list for these receivables.
- (4) (New – SG 84/2000) The inclusion of the receivables under Par. 3 in the additional list or in the account for distribution cannot be refused if the obligation has been acknowledged by the receiver and the debtor.

List of the Receivables Accepted by the Receiver
Article 689 (Amended – SG 84/2000)

The receiver shall make an announcement in the State Gazette about the list compiled and its availability for creditors and the debtor at the court office.

Challenge of the List
Article 690

- (1) (Amended – SG 84/2000) The debtor or creditor may object in writing against accepted or unaccepted receivable before the receiver, and with a copy for the court, within 14 days after the promulgation of the announcement for the presentation of the lists and the report under Art. 686, paragraph 1.
- (2) The objection shall be examined within 14 days after the expiration of the term under paragraph 1 jointly by the receiver, the debtor, the creditor whose presence on or absence from the list is challenged and the creditor who has raised the objection.
- (3) (Amended – SG 84/2000) Within 3 days from the examination under paragraph 2, the receiver shall make the final decision relative to the exclusion or inclusion of the receivable in the list of accepted receivables and communicate this decision to the persons under paragraph 2.
- (4) (New – SG 84/2000) Within 1 month from the expiration of the term under paragraph 1, the receiver shall present to the court:

1. the final list of the receivables accepted by him;
2. the final list of the receivables not accepted by him, for which objections under par. 1 have been made, as well as statement on each objection.

Unchallengeable Receivables

Article 691

Receivables which have been established with a court ruling which has entered into force and was issued after the date of the decision to start bankruptcy proceedings, where the receiver was a party, cannot be challenged.

Approval of the List of the Receivables Accepted by the Receiver

Article 692 (Amended – SG 84/2000)

- (1) (Amended – SG 70/1998) The list of the receivables accepted by the receiver for which objections have not been received under the rules of Art. 690, Par. 1, shall be approved by the court on a closed session immediately after the presentation of the list under Art. 690, Par. 4, Item 1 by the receiver. The court shall rule by definition.
- (2) The court shall consider the received objections on an opened session not longer than 14 days from the presentation of the list under Art. 690, Par. 4, Item 2. If it shall be possible all the objections shall be considered on one court session.
- (3) When the court finds the objections ground, it shall approve the list with the necessary change. Otherwise the court shall leave the objections without any consideration. The court shall rule within 14 days from the session on Par. 2 by a definition.
- (4) An announcement for the definition of the court for approval of the list shall be promulgated in the State Gazette.

Accepted Receivable

Article 693 (Amended – SG 70/1998;84/2000)

In the bankruptcy proceedings shall considered as accepted, a receivable which has been included in the list approved by court under the Article 692 except the receivable under Art. 694, Par.1.

Action to Establish A Right

Article 694 (New – SG 84/2000)

- (1) A creditor made objection under Art. 690, Par. 1, can file a claim for establishment of the existence of not accepted receivable or the non- existence of accepted receivable within 14 days from the promulgation of the definition of the court for approval of the list under art. 692, Par. 1. The claim shall be filed at the bankruptcy court.
- (2) The state fee shall not be paid in advance in the case of filing the claim under Par. 1. If the claim is withdrawn the expenses shall be on account of the claimant, and if this is the debtor or the receiver they shall be on account of the bankruptcy estate.
- (3) The entered into force decision of the court under Par. 1 shall have an establishment effect on the relations between the debtor, the receiver and all the bankruptcy creditors.

- (4) In the recovery plan respectively at the distribution of the cashed property shall be obligatory allocated reserves for unaccepted receivable – subject of establishment under Par. 1.
- (5) The claim for establishment shall be considered and the court shall rule on it regardless of the bankruptcy proceedings.

Expansion of the List
Article 695

The list approved by the court shall be expanded with receivables claimed and approved subsequently under terms and procedures set forth by law.

Chapter 44

REORGANISATION OF THE ENTERPRISE

(Former Chapter 40 SG 83/1996)

Reorganisation Plan
Article 696 (Amended – SG 84/2000)

A reorganisation plan may provide for a deferment or rescheduling of payments, a remission of the debts in full or in part, a reorganisation of the enterprise, or undertaking other acts or making other transactions.

Proposal of a Plan
Article 697

- (1) The right to propose a plan shall belong to:
 1. The debtor;
 2. The receiver;
 3. The creditors holding at least one-third of the secured receivables;
 4. The creditors holding at least one-third of the unsecured receivables;
 5. The partners, the shareholders respectively, who hold at least one-third of the capital of the debtor company;
 - (a) 6 An unlimited liability partner;
 7. Twenty per cent of the total number of the debtor's employees.
- (2) The creditors with the receivables specified under Art. 616, paragraph. 2, are not entitled to propose a plan.
- (3) (New – SG 84/2000) In the cases under Art. 630, Par. 2 a recovery plan can not be proposed.

Deadline for Proposing a Plan
Article 698

- (1) (Amended – SG 70/1998; SG 84/2000) A plan may be proposed not later than one month after the date of the promulgation of the court decision for approval of the list of the receivables accepted under Art. 692.

- (2) More than one plan may be proposed in the bankruptcy proceedings.

Costs on the Preparation of the Plan
Article 699

The costs on the preparation of a plan proposed by the debtor or by the receiver shall be at the expense of the bankruptcy estate, and in the rest of the cases they shall be at the expense of the proposer.

Content of the Plan
Article 700

- (1) The plan shall contain:
1. (Amended – SG 84/2000) The extent of satisfying the receivables, the manner and periods for paying the creditors within each class, as well as guarantees for fulfillment of the disputed not accepted receivables – subject of pending court proceedings by the date of proposing the plan;
 2. The terms and conditions under which the partners in a general or limited partnership are relieved from their commitments in full or in part;
 3. The extent of satisfaction received by each class of creditors as compared with what it would have received in the event of distributing the assets under the terms and procedures provided by law;
 4. The guarantees provided to each class of creditors in relation to the implementation of the plan;
 5. The managerial, organisational, legal, financial, technical, and other actions for the implementation of the plan;
 6. The influence of the plan on the employment of the debtor's employees.
- (2) (Amended – SG 84/2000) The plan may envisage the sale of the entire enterprise or part of it, the way and conditions of the sale, the buyer, a debt equity swap, novation, or taking other actions or making other transactions.
- (3) (New – SG 84/2000) In the cases under Par. 2 a market assessment of the property – subject to the respective transaction, shall be attached to the recovery plan. The assessment under Art. 677, Par. 8 shall be considered and accepted simultaneously by the meeting of the creditors with the consideration and adoption of the recovery plan. If the assessment shall be accepted, the recovery plan shall not be considered and adopted by the meeting of creditors.
- (4) (New – SG 84/2000) When the recovery plan provides for a sale of the entire enterprise or part of it, a draft contract signed by the buyer shall be attached to the plan.

Admittance of the Plan
Article 701

- (1) (Amended – SG 84/2000) By a ruling, given in camera within 7 days after the expiration of the term under Art. 698, the court shall admit the plan to be considered by the creditors' meeting, provided the plan meets the requirements under Art. 700, Par. 1. The court shall specify the date of holding the meeting, not later than 45 days after the date of the ruling.

- (2) (Supplemented SG 84/2000) If the plan proposed does not meet the requirements under Art. 700, paragraph. 1, the court shall send a notice to the proposer to remove the instances of non-compliance within 7 days. This provision shall not apply in case of a repeal of the court decision for approval of the recovery plan and returning the case by the second-instance court for continuation of the proceedings.
- (3) The ruling on non-admittance of the plan is subject to appeal within 7 days.

Announcement of the Plan and Convention of the Creditors' Meeting Article 702

- (1) (Amended – SG 84/2000) The court shall promulgate in the State Gazette an announcement of the date of holding the creditors' meeting for adoption of the plan admitted for consideration.
- (2) The debtor and the receiver shall be summoned to the meeting, and the creditors shall be deemed to be summoned by the promulgation of the announcement.

Adoption of the Plan Article 703

- (1) The right to vote on the plan shall belong only to a creditor whose receivable has been accepted or whose right to vote under Art. 673, paragraph. 1 has been recognised.
- (2) The creditors shall vote separately in the following classes:
 1. Creditors with secured receivables and creditors with a foreclosure right;
 2. Creditors under Art. 722, paragraph. 1, sub-paragraph 4;
 3. (Amended – SG 70/1998) Creditors under Art. 722, paragraph. 1, sub-paragraphs 6;
 4. Creditors with unsecured receivables;
 5. Creditors under Art. 616, paragraph. 2,
- (3) A creditor may also vote in absentia, by a letter with a signature authenticated by the notary public.
- (4) (Amended – SG 84/2000) The plan shall be accepted by each class by a simple majority of the size of the receivables of such class.
- (5) An objection to the approved plan may be filed with the bankruptcy court within 7 days after the date of the voting.
- (6) (New – SG 84/2000) A plan against which have voted more than one half of the accepted receivable, shall not be considered as accepted, despite of the classes among which the receivables are distributed.

Approval of the Plan by the Court Article 704

- (1) The bankruptcy court shall approve the approved plan if the requirements of the law have been observed.

- (2) (Amended – SG 84/2000) In the event that several plans have been approved, approved shall be the plan for which have voted the creditors with more than one half of the accepted receivables. If it can not be approved, shall be approved that plan which was been approved by the creditor classes whose interests have been most injured.
- (3) (Supplemented SG 84/2000) The plan is approved in camera. In case objections have been entered to the plan accept by the creditors' meeting, the court shall consider the objections in camera, summoning the debtor, the receiver and the party which has entered the objection. If it shall be possible, all objections shall be considered at one session and within 14 days from session the court shall rule on them.

Terms and Conditions for the Approval of the Plan **Article 705**

- (1) (Amended – SG 70/1998) The court approves the plan, provided:
 1. The requirements of the law for the acceptance of the plan by the different creditor classes have been observed;
 2. (Amended – SG 84/2000) The plan has been approved by a majority of the creditors with more than one half of the accepted receivables in the approved list under Art. 692, Par. 1 and 3. In the event that the plan envisages partial payment, at least one of the creditor classes which have approved it, shall receive partial payment;
 3. All creditors of the class are put on an equal footing, unless the injured creditors give their consent in writing;
 4. The plan ensures that a dissenting creditor and a dissenting debtor receive the same payment which they would have received if the assets were allocated under the terms and procedures provided by law;
 5. No creditor receives more than is due under this creditor's accepted receivable;
 6. No income is envisaged to be received by a partner or shareholder until the final payment of the obligations to the class of creditors whose interests are affected by the plan;
 7. No support of a sole proprietor, unlimited liability partner or their families, greater than the support ruled by the court is envisaged up to the final fulfilment of the obligations to the class of creditors whose interests are affected by the plan.
- (2) (New – SG 70/1998) The court shall enact the ruling on approval, respectively deny of the plan on reorganisation of the enterprise.

Effect of the Plan Approved **Article 706**

- (1) The plan approved by the court is mandatory for the debtor and the creditors whose receivables have occurred before the date of the ruling to institute bankruptcy proceedings.
- (2) (New – SG 70/1998) The guarantees and the persons pledged or mortgaged for securing an obligation of the debtor, as well as the persons jointly liable to him, except for the persons upon Art.610, may not use the incentives provided for in the plan.

- (3) (Former Paragraph 2 SG 70/1998) The receivables of the creditors under paragraph 1 shall be transformed in accordance with what is envisaged in the plan.
- (4) (Former Paragraph 3 SG 70/1998) The debtor is obliged immediately to carry out the structural changes envisaged by the plan.
- (5) (New – SG 70/1998) In case of sale of the entire enterprise or a part thereof the acts on disposal performed by the buyer before the completely payment of the price shall be deemed null and void in respect to the creditors on the bankruptcy.

Term of the Conclusion of the Contract
Article 706a (New – SG 84/2000)

- (1) The term of the conclusion of the contract on sale of entire enterprise or a part of it, according to the approved recovery plan, shall be one month from the entry into force of the decision for approval of the plan.
- (2) If within the term under Par.1, a sale contract is not concluded according to the draft of the approved recovery plan, each of the parties can, within one month from the expiration of the term under Par., claim at the bankruptcy court to declare the contract for concluded according the draft on Art. 700, Par. 4, accepted a the meeting of the creditors.
- (3) If within the term under Par.2, none of the parties claims declaring the contract for concluded, and if there is a request from a creditor, the bankruptcy court shall open again the proceedings and declare the debtor bankrupt.

Termination of the Bankruptcy Proceedings
Article 707

- (1) By the ruling to approve the plan, the court terminates the bankruptcy proceedings.
- (2) (Repealed – SG 84/2000)

Appeal
Article 707a (New – SG 70/1998)

- (1) (Previous Art. 707a – Amended – SG 84/2000) The ruling under Art. 707 paragraph 1, as well as the ruling, which enacts the deny of the court to approve the plan on reorganisation of the enterprise of the debtor accepted by the creditors, shall be subject to an appeal within 7 days as from the promulgation in the State Gazette.
- (2) (New – SG 84/2000) After the repeal of the decision of the court, the recovery proceedings shall not be carried out.

Writ of Execution
Article 708

A creditor may procure a writ of execution for his transformed receivable on the grounds of the plan approved by the court.

Resumption of the Bankruptcy Proceedings
Article 709

- (1) (Amended – SG 70/1998; SG 84/2000) In the event that the debtor does not fulfil his obligations under the plan, the creditors whose receivables have been thereby transformed and account for at least 15 per cent of the total size of the receivables, or the receiver under the terms and conditions of Art. 706, Par. 3, may request a resumption of the bankruptcy proceedings, without new insolvency, respectively overindebtedness, having to be proved.
- (2) In the cases under paragraph. 1, the transforming effect of the plan with regard to the creditors' rights and the security remains.
- (3) (New – SG 70/1998) Within the resumed bankruptcy proceedings may not be carried out proceedings on reorganisation of the enterprise.
- (4) (New – SG 84/2000) The request under Par. 1 shall be considered by the court within 14 days from its filing at open court session with summoned the creditor who has made the request and the debtor.

Chapter 45

DECLARATION OF BANKRUPTCY

(Former Chapter 41 SG 83/1996)

Ruling on Declaration of Bankruptcy
Article 710

The court declares the debtor to be bankrupt, in the event that a plan under Art. 696 has not been proposed within the period provided by law or the plan proposed has not been accepted and approved, as well as in the cases under Art. 630, paragraph 2, Art. 632, paragraph 1, and Art. 709, paragraph 1.

Contents of the Ruling on Declaration of Bankruptcy
Article 711

- (1) By the ruling on declaration of bankruptcy, the court:
 1. (Amended – SG 70/1998) Declares the debtor to be bankrupt and decrees termination of the activity of the enterprise;
 2. Decrees a general attachment on the debtor's assets;
 3. Terminates the powers of the debtor's organs when he is a legal person;
 4. Deprives the debtor of the right to manage and dispose of the assets, the bankruptcy estate included;
 5. Institutes the start of the conversion of the bankruptcy estate assets into cash, and of the distribution of the cash.
- (2) (Repealed – SG 70/1998)

Effect of the Ruling, Entering, and Promulgation
Article 712

- (1) The ruling on declaration of bankruptcy shall be effective towards all persons.
- (2) The ruling on declaration of bankruptcy is entered in the respective court register and is promulgated in the State Gazette.

Appeal against the Ruling on Declaration of Bankruptcy
Article 713

- (1) The ruling on declaration of bankruptcy is subject to an appeal within 7 days after promulgation.
- (2) (New – SG 70/1998) The ruling on entirely or partially abrogation, respectively annulment of the ruling of the district court on declaration of bankruptcy shall be entered into the respective court register and shall be promulgated in the State Gazette.

Immediate Execution
Article 714

The ruling on declaration of bankruptcy is subject to immediate execution.

Decreeing a general Attachment and Entering It
Article 715

- (1) As from the day of promulgating the ruling on declaration of bankruptcy, the real estate, the chattels and the debtor's receivables from third bona fide persons shall be deemed attached.
- (2) The attachment on the debtor's real estate and ships shall be entered in the notary public's registers, in the ships' registers respectively, on the basis of the announcement of the debtor's being declared insolvent promulgated in the State Gazette.

Chapter 46

CONVERTING THE ASSETS INTO CASH

(Former Chapter 42 SG 83/1996)

Scope
Article 716

The real estate and the chattels as a whole or parts of them, the chattel and the other property rights within the bankruptcy estate shall be converted into money, insofar as it is required for the payment of the debtor's obligations.

Sale of Chattels and Property Rights
Article 717

- (1) (Amended – SG 70/1998; SG 84/2000) The chattel and property rights out of the bankruptcy estate shall be sold by the receiver under the respective terms and procedures the Civil Procedure Code, the receiver having the powers of a bailiff.

- (2) (New – SG 70/1998; Supplemented SG 84/2000) Upon proposal by the receiver, the bankruptcy court shall allow the public sale of the chattels and the property rights as a whole or parts or detached property rights. The court shall rule on the proposal of receiver on the day of submission of the proposal in the court or at latest on the next working day. In the case the chattels and the property rights comprise real rights over immovable property, the sale shall be carried out under the rules of Art. 375-389 of the Civil Code.
- (3) (New – SG 70/1998) By sale of the chattels and property rights as a whole or detached the creditors shall not be in a position which to be more inconvenient than the position in case of sale of the single chattels and property rights.
- (4) (Former Paragraph 2 SG 70/1998) The court order for the assignment shall have a transferring effect.

Sale in Special Cases Article 718

- (1) (Amended – SG 70/1998) Upon the receiver's proposal, the bankruptcy court may permit the sale to be made through direct negotiations or through an intermediary, in case the chattels or the property rights as a whole, the detached part thereof or the chattel or the property right were offered under the terms and procedures of Art. 717, paragraph. 1, but the sale was not realised because the buyer did not appeared or desisted. The court shall rule on the receiver's proposal on the day of its submission in the court or at latest on the next working day.
- (2) Interests in other companies owned by the debtor, shall be sold after they being offered to be purchased by the remaining partners and the offer is not accepted within one month.
- (3) (New – SG 70/1998) By sale of the chattels and property rights as a whole or detached the creditors shall not be in a position which to be more inconvenient than the position in case of sale of the single chattels and property rights.
- (4) (Former Paragraph 3, Amended – SG 70/1998) In the event of a sale under paragraph 1 of the chattels and property rights as a whole or as detached parts acts on disposal performed by the buyer before the completely payment of the price shall be deemed null and void in respect to the creditors on the bankruptcy.
- (5) (New – SG 84/2000) The seller on the contract under Par. 1 shall be the receiver.

Sale of a Pledged Chattel Article 719

A pledged chattel, held by a creditor or by a third person, shall be demanded by the receiver and shall be sold under the terms and procedures of this chapter, except for another law provides for the sale to be accomplished by the creditor without intervention by the court.

Chapter 47

DISTRIBUTION OF THE ASSETS CONVERTED INTO CASH AND COMPLETION OF THE BANKRUPTCY PROCEEDINGS

(Former Chapter 43 SG 83/1996)

Section I Distribution of the Assets Converted into Cash

Condition for the Distribution

Article 720

The distribution shall be carried out when sufficient cash funds accumulate in the bankruptcy estate.

Distribution Account

Article 721

- (1) (Amended – SG 84/2000) The receiver shall prepare an account for the distribution of the available amounts among the creditors with receivables according to Art. 722, Par. 1, in conformity with order, the privileges, and the pledges.
- (2) The distribution account is partial up to the point when the obligations have been repaid in full or the entire bankruptcy estate, with the exception of the unsellable chattels, has been converted into cash.
- (3) (New – SG 84/2000) The inclusion in the account for distribution of receivables under Art. 722, Par. 1, Item 7 can not be refused if the obligation is undertaken by the consent of the receiver or is acknowledged by him.

Order of the Receivables

Article 722

- (1) When the cashed in property is allocated, the receivables shall be redeemed in the following order:
 1. (Amended – SG 70/1998) Receivables secured by a pledge or mortgage – out of the sum received by the realisation of the security;
 2. Receivables with regards to which the right to foreclose is exercised – out of the value of the foreclosed property;
 3. Bankruptcy costs;
 4. Receivables deriving from employment contractual relations, which have emerged up to one year before the date of the ruling to institute bankruptcy proceedings;
 5. Support owed by the debtor to third persons by operation of law;
 6. (Amended – SG 70/1998; SG 84/2000) Public receivables of the state and municipalities as taxes, custom duties, fees, obligatory social security contributions and other, arisen before the date of the ruling on opening of the bankruptcy proceedings;

7. (Repealed, Former Item 8 SG 70/1998) Receivables which have emerged after the date of the ruling to institute bankruptcy proceedings and have not been paid when due, deriving from the continuing operations of the debtor;
 8. (Former Item 9, Amended – SG 70/1998) Other unsecured receivables arisen before the date of the ruling on institution of bankruptcy proceedings;
 9. (New – SG 70/1998) Receivables under Art. 616 paragraph 2 item 1;
 10. (New – SG 70/1998) Receivables under Art. 616 paragraph 2 item 2;
 11. (New – SG 70/1998) Receivables under Art.616 paragraph 2 item 3.
- (2) (Amended – SG 70/1998) In case the cash funds are insufficient to fully satisfy the receivables under paragraph. 1, sub-paragraphs 3-11, they are allocated among the creditors under the commensurability order.

Costs on the Bankruptcy Article 723

Bankruptcy costs are:

1. The government charge on the bankruptcy proceedings;
2. The receiver's remuneration;
3. The payables to the employees, in case the debtor's enterprise has not wound up its operations;
4. The expenses on replenishing, managing, assessing, and distributing the bankruptcy estate;
5. The specified support of the debtor and his family.

Satisfaction of a Secured Creditor and of a Creditor with a Right to Foreclose Article 724

- (1) In the event that the selling price of a pledged or mortgaged chattel does not cover the receivable with the interest accumulated in full, the creditor shall participate for the balance in the distribution along with the creditors with unsecured receivables.
- (2) In case the selling price of a pledged or mortgaged chattel exceeds the secured receivable with the interest accumulated, the balance shall be included in the bankruptcy estate.
- (3) (Amended – SG 70/1998) The amount due under paragraph 2 from the realisation of the security shall be immediately turned over to the creditor.
- (4) Paragraphs 1, 2, and 3 shall also apply to satisfying the receivable of a creditor with a lien.

Participation of Receivables under Postponing or Peremptory Conditions Article 725

- (1) A receivable under a postponing condition is included in the initial distribution as a disputed receivable. An adequate distribution amount is set aside for it. In the final distribution, this receivable shall be excluded, in case the condition has not been realised.

- (2) A receivable under a peremptory condition shall be included in the distribution as unconditional.

Setting Aside Amounts for a Disputed Receivable **Article 726**

- (1) For a receivable disputed under judicial proceedings, the adequate amount shall be set aside in the distribution account.
- (2) In case only the security or the privilege has been disputed, the receivable shall be included as unsecured up to the settlement of the dispute, the amount which the creditors would have received for a secured receivable being set aside in the distribution account.

Publicity of the Distribution Account **Article 727**

The distribution account shall be put in a visible and accessible place in the courthouse, designated for this purpose, for 14 days.

Objections to the Account **Article 728**

The debtor, the creditors' committee, and each creditor may put object before the court in writing to the distribution account, within the period under Article 727.

Approval of the Distribution Account **Article 729**

- (1) The court of jurisdiction over bankruptcy shall approve by an order the distribution account, having made the relevant change in case it has established proprio motu or following an objection non-conformity with the law.
- (2) The definition under paragraph 1 is not subject to appeal.
- (3) The distribution account approved is executed by the receiver.

Additional Inclusion of a Creditor in the Distribution **Article 730**

A creditor who has claimed his receivable after a distribution has been made, shall be included in the subsequent distributions without the right for equalisation with what has already been paid.

Additional Inclusion of Amounts **Article 731**

The bankruptcy estate shall include additionally the newly-collected amounts from receivables of the debtor and from converting assets into cash, as well as the amounts from receivables which the creditors have waived.

Return of the Bankruptcy Estate Balance **Article 732**

After the full payment of the obligations, the bankruptcy estate balance shall be returned to the debtor.

Section II Completion of the Bankruptcy Proceedings

Receiver's Report Article 733

The receiver shall submit to the court a report on his activities, as well as the final account of the distribution and of the remaining unredeemed receivables, within a period not longer than one month after the depletion of the bankruptcy estate, with the exception of the unsellable chattels.

Conclusive Creditors' Meeting Article 734

- (1) The court shall convene a conclusive creditors' meeting within 14 days after receiving the receiver's report.
- (2) The meeting shall adopt the final account of the distribution and of the remaining unredeemed receivables, and shall decide on the unsellable chattels from the bankruptcy estate.

Completion of the Bankruptcy Proceedings Article 735

- (1) The bankruptcy proceedings shall be terminated by a court ruling, when:
 1. The obligations have been paid;
 2. The bankruptcy estate has been depleted.
- (2) By the ruling under paragraph. 1, the court shall enact a deletion of the merchant, unless all creditors have been satisfied and assets have remained.
- (3) The ruling under paragraph. 1 is subject to appeal within 7 days after its promulgation in the State Gazette.

Termination of the Receiver's Powers Article 736

- (1) The receiver's powers shall be terminated with the termination of the bankruptcy proceedings.
- (2) The receiver shall hand over the commercial books and the assets balance to the debtor or to the debtor's managerial body.

Depositing the Uncollected Amounts Article 737

Upon the injunction of the court, the receiver shall deposit with a bank the amounts which have been set aside in the final distribution for the uncollected or disputed receivables.

Termination of the Effect of the Attachment Article 738

- (1) The effect of the attachment shall be terminated by the termination of the bankruptcy proceedings.

- (2) The attachment shall be deleted proprio motu as from the day of promulgating the announcement of the termination of the bankruptcy proceedings.

Extinguishment
Article 739

- (1) The receivables which have not been claimed in the bankruptcy proceedings and the rights which have not been exercised shall be extinguished.
- (2) The receivables which have not been satisfied in the bankruptcy proceedings shall be extinguished, with the exception of the cases under Art. 744, paragraph. 1.

Chapter 48
OUT OF COURT SETTLEMENT

(Former Chapter 44 SG 83/1996)

Agreement
Article 740.

- (1) (Amended – SG 70/1998) At any point in the bankruptcy proceedings the debtor may conclude an agreement for settlement of cash obligations with all the creditors with accepted receivables. In this case the receiver shall not represent the debtor as an agreement party.
- (2) Bankruptcy proceedings shall be discontinued upon the conclusion of an agreement.
- (3) The agreement shall be concluded in writing.

Applicability of Civil Law
Article 741.

Civil law shall apply unless provided otherwise in the agreement or this Law.

Resumption of the Bankruptcy Proceedings
Article 741a (New – SG 70/1998)

When the debtor does not fulfil the obligations of his under the agreement, the creditors, which present not less than 15 per cent of the total amount of the receivables, may request a resumption of the bankruptcy proceedings, without establishing of a new insolvency, respectively overindeptedness. A procedure for reorganization shall not be proceeded within the resumed bankruptcy proceedings.

Chapter 49

SPECIFIC RULES FOR COMPANIES

(Former Chapter 45 SG 83/1996)

Overindebtedness Article 742.

- (1) A company shall be deemed overindebted provided its assets are insufficient to cover its liabilities.
- (2) (Amended – SG 70/1998) Bankruptcy proceedings on grounds of overindebtedness can also be initiated by a member of the company's management body, as well as by the liquidator.

Separation of Property Article 743.

- (1) The assets of a general partnership, limited partnership or partnership limited by shares with respect of which bankruptcy proceedings have been initiated, as well as the assets of an unlimited partner shall be kept separately.
- (2) Creditors with personal claims on debts of an unlimited partner shall not participate in the distribution of the company's assets.
- (3) The creditors of a company can participate in the distribution of the personal property of an unlimited partner only with a claim which has not been satisfied in the course of the company's bankruptcy proceedings.

Chapter 50

RESUMPTION OF BANKRUPTCY PROCEEDINGS

(Former Chapter 46 SG 83/1996)

Conditions for Resumption Article 744.

- (1) Discontinued bankruptcy proceedings shall be resumed by court ruling provided within a year after such discontinuation:
 1. amounts allocated for contested claims are released;
 2. assets the existence of which was ignored during the bankruptcy proceedings are discovered.
- (2) Where the released allocated amounts and the newly-discovered assets are insufficient to cover the cost of proceedings, the court may refuse to resume the proceedings unless an interested party pays the necessary amount in advance.

Petition for Resumption of Proceedings**Article 745.**

Bankruptcy proceedings shall be resumed following a written application by the debtor or a creditor whose claim has been recognised or established by court.

Effect of Resumption**Article 746.**

- (1) The ruling to resume proceedings shall re-establish the rights of the receiver in bankruptcy and the Committee of Creditors.
- (2) Resumed proceedings shall recommence from the final distribution account, which is considered as partial.

Chapter 51

RESTORATION OF DEBTOR RIGHTS

(Former Chapter 47 SG 83/1996)

Effect of Restoration**Article 747.**

Restoration of the rights of a sole proprietor debtor and an unlimited partner shall delete ex tunc the implications which the law relates to the declaration of bankruptcy.

Prerequisites for Restoration**Article 748.**

- (1) Rights shall be restored to a debtor who pays in full claims recognised in the bankruptcy proceedings and the related interest and expenditures.
- (2) The rights of a debtor shall be restored also in case of non-full payment of debts if the bankruptcy is due to adverse changes in the economic environment.
- (3) The rights of an unlimited partner shall be restored pursuant to paragraphs 1 and 2. If he pays the debts of an insolvent company, and such payment shall not be considered an amount not owed.

Inadmissibility**Article 749.**

The rights of a debtor convicted for bankruptcy shall not be restored.

Petition for Restoration**Article 750.**

- (1) Debtors shall file an application for restoration of rights in writing with the bankruptcy court.
- (2) The application shall be accompanied with evidence that the claims recognised in the bankruptcy proceedings have been paid.

Restoration of Rights of Deceased Debtors
Article 751.

Petition for restoration of rights of a deceased debtor shall be filed by one heir at least.

Notice of Petition for Restoration
Article 752.

Notice of an application for restoration shall be published in the State Gazette.

Objection to Petition
Article 753.

Within a month after publication of the notice in the State Gazette any creditor with a recognised or established by court order claim can object in writing against the application for restoration.

Consideration of Petition
Article 754.

An application for restoration and the related objections shall be considered in open session to which the petitioner and the objecting creditor have been summoned.

Appeal
Article 755.

- (1) A court ruling in favour of the application shall not be subject to appeal.
- (2) A court ruling against the application for restoration of rights shall be subject to appeal by the debtor within a seven-day period.
- (3) A court ruling which has come into force shall be published in the State Gazette.

New Petition for Restoration
Article 756.

A new application for restoration of rights can be filed not earlier than one year after the ruling to reject an application has come into effect.

Chapter 52

APPLICABLE LAW

(Former Chapter 48 SG 83/1996)

Acceptance of Foreign Court Ruling on Bankruptcy
Article 757.

On conditions of reciprocity the Republic of Bulgaria shall honour foreign court ruling of bankruptcy, provided it is taken by an authority of the state where the debtor's registered main office is located.

Powers of a Receiver in Bankruptcy Appointed by Foreign Court of Law
Article 758.

A receiver in bankruptcy appointed by a foreign court ruling shall have the powers envisaged in the state where the bankruptcy proceedings are initiated, provided they do not contradict public order rules of the Republic of Bulgaria.

Supplementary Bankruptcy Proceedings
Article 759.

- (1) At the request of a debtor, receiver in bankruptcy appointed by foreign court of law or a creditor, a Bulgarian court can institute supplementary bankruptcy proceedings concerning a merchant who has been ruled bankrupt by a foreign court, provided he has substantial property within the territory of the Republic of Bulgaria.
- (2) The decision pursuant to paragraph 1 shall be effective only in respect of debtor property within the territory of the Republic of Bulgaria.

Effect of Supplementary Proceedings
Article 760.

- (1) A claim for repeal lodged by the receiver in bankruptcy with respect of the main or supplementary bankruptcy proceedings shall be deemed to apply to both.
- (2) A creditor who has received partial payment under the main proceedings shall participate in the distribution of assets under the supplementary proceedings provided the portion he would get is bigger than the respective portion to be received by the other creditors under the supplementary proceedings.
- (3) A plan referred to in Art. 696 can be approved in the supplementary bankruptcy proceedings only with the consent of the receiver in the main bankruptcy proceedings.
- (4) When distribution under supplementary proceedings is completed, the remaining property shall be transferred to the property under the main proceedings.

SUPPLEMENTARY PROVISIONS

§ 1.

- (1) "Related persons" within the meaning of this Law shall be:
 1. Spouses, relatives on direct line of descent – without any restrictions, relatives on collateral line of descent – up to and including the fourth degree, and in-law lineage – up to and including the third degree;
 2. Employers and employees;
 3. Persons one of which is involved in the management of the other one's company;
 4. Partners;
 5. A company and a person who owns more than 5 percent of the company's voting shares and stock;
 6. Persons whose activities are under the direct or indirect control of a third party;
 7. Persons who exercise joint direct or indirect control over a third party;
 8. Persons one of whom is a commercial agent of the other;
 9. Persons one of whom has made a donation in favour of the other.

- (2) "Related persons" shall be also persons who either directly or indirectly participate in the management, control or capital of another person or persons, which may enable them to agree on terms and conditions which differ from the standard practice.

§ 1a (New – SG 70/1998)

??? within the meaning of this Law shall be a organizational structure which can perform autonomously an economic activity (a shop, atelier, ship, workshop, restaurant, hotel and similar)

§ 2.

Debts in foreign currency shall be converted in Bulgarian leva at the exchange rate of the Bulgarian National Bank as of the date on which the ruling to institute bankruptcy proceedings was taken.

§ 3.

The provisions set forth in Part Four of this Law concerning commercial companies shall apply also to cooperatives – merchants.

§ 4.

With the exception of Art. 2, paragraph 2, subparagraph 4 the provisions of the Transformation and Privatisation of State-Owned and Municipal-Owned Enterprises shall not apply to cases referred to in Art. 700, paragraph 2 of this Law.

§ 5.

- (1) (Amended – SG 70/1998) Privatisation of a state-owned or municipal enterprise with respect to which bankruptcy proceedings have been initiated, can be taken up to the date of the court of jurisdiction over bankruptcy's decree on approval of the list of approved claims under Art. 692.
- (2) Bankruptcy proceedings shall be discontinued upon approval by the court of the list of recognised claims under Art. 692.
- (3) Unless a Privatisation transaction is concluded within 4 months after the discontinuation of bankruptcy proceedings, the latter shall be resumed.
- (4) Cash receipts deriving from the privatisation of enterprises with respect to which bankruptcy proceedings have been initiated, shall be distributed pursuant to Chapter Forty Four, Section I of this Law. The amount which remains after satisfying the creditors shall be distributed pursuant to Art. 6 of the Law on Transformation and Privatisation of State-Owned and Municipal-Owned Enterprises.

§ 6.

This Law shall enter into force on 1 July 1991 and shall repeal Chapters one and two and Article 65, paragraph 4 of Decree 56 on Economic Activity (published State Gazette No. 4 of 1989; rectification published No. 16 of 1989; amended Nos. 38, 39 and 62 of 1989, Nos. 21, 31 and 101 of 1990, Nos. 15 and 23 of 1991; rectification published No. 25 of 1991)

§ 7.

State-owned and municipal firms registered pursuant to Decree 56 on Economic Activity shall continue their activities under the existing provisions until they are transformed into companies pursuant to Articles 61 and 62 of this Law.

§ 8.

- (1) The registration of firms pursuant to Decree 56 on Economic Activity shall remain valid, and the following changes shall be made ex lege:
 1. sole proprietor firms shall be deemed sole proprietors. The name as provided for in Article 59 shall be added if missing;
 2. collective or partnership firms of individuals shall be deemed general partnerships. The necessary extension pursuant to article 77 shall be added;
 3. limited liability firms shall be deemed limited liability companies. The extension "firma s ogranicena otgovornost" or "OOF" shall be replaced with "druzhestvo s ogranicena otgovornost" or "OOD". The firm's head shall become ex lege the company's manager;
 4. joint stock firms shall be deemed joint stock companies. The extension "aktsionerna firma" or "AF" shall be replaced with "aktsionerno druzhestvo" or "AD". The functions of the firm's manager shall be assumed by the company's management board;
 5. unlimited liability firms which have not issued stock shall be deemed limited partnerships. The extension "firma s neogranichena otgovornost" or "NOF" shall be replaced with "komanditno druzhestvo" or "KD";
 6. unlimited liability firms which have issued stock shall be deemed partnerships limited by shares. The extension "firma s neogranichena otgovornost" or "NOF" shall be replaced with "komanditno druzhestvo s aktsii" or "KDA".
- (2) The previous paragraph shall apply mutatis mutandis to foreign and joint firms in the country incorporated pursuant to chapter five of Decree 56 on Economic Activity.

§ 9.

- (1) Persons who are carrying on economic activities pursuant to Council of Ministers Decree No. 35 of 1987 (State Gazette No. 48 of 1987) and pursuant to issued on the basis of this decree regulations, and who are merchants within the meaning of this Law, must register within 6 months of the entry into force of this Law.
- (2) The deadline under the previous paragraph shall be deemed observed if the respective application is made prior to its expiration.

§ 10.

- (1) Clauses in articles of incorporation or partnership and in by-laws of firms which have been registered prior to the entry into force of this Law and which are inconsistent with its mandatory provisions shall be replaced ex lege with the respective provisions of this Law.
- (2) On pending applications for registration the court shall provide, if necessary, a deadline to the interested parties to bring their articles or, respectively, by-laws, in conformity with the provisions of this Law.

LAWS ON AMENDMENT AND SUPPLEMENT TO THE
COMMERCE LAW

State Gazette No. 83/01.10.1996

TRANSITIONAL AND CONCLUDING PROVISIONS

§ 9.

Amendments to Articles 203 and 266 as well as to Article 270a shall apply also to such cases of liquidation that have not been completed to the entry of this Law into force.

[...]

§ 13.

This Law shall be effective as of November 1, 1996.

This Law was adopted by the 37th National Assembly on September 18, 1996 and the State Seal has been affixed to it.

Chairman of the National Assembly: Blagovest Sendov

State Gazette No. 100/31.10.1997

TRANSITIONAL AND CONCLUDING PROVISIONS

§ 5.

In respect of pending applications for registration the court shall, where necessary, fix a period of time for the parties concerned to bring their Articles of Incorporation, Articles of Association respectively, in compliance with the provisions of this Law.

§ 6.

- (1) (Amended – SG 39/1998) Where a company has been incorporated for the exclusive purpose to participate in a privatisation transaction concluded by persons under Article 25, paragraph (3) and Article 31 paragraph (1) of the Law on Transformation and Privatisation of State-Owned and Municipal-Owned Enterprises, the required minimum capital shall be as follows:
 1. for a limited liability company – BGN 500, where the shares may not be less than BGN 1 each;
 2. for a joint-stock company and partnership limited by shares, where formed by subscription – BGN 10,000, where formed without subscription – BGN 5,000.
- (2) A company under paragraph (1) above may not conclude transactions other than such necessary for participation in the privatisation.
- (3) After completion of the privatisation transaction a company under paragraph (1) should forthwith bring its capital in compliance with the requirements of Article 117, paragraph (4), and Article 161, paragraph (2) respectively.
- (4) Where the company under paragraph (1) fails to conclude the privatisation transaction, it shall be dissolved within three months following the completion of the privatisation procedure.

§ 7.

- (1) The existing limited liability companies, joint-stock companies and partnerships limited by shares shall be bound to bring their capital in compliance with the minimum required by law and to request registration of such circumstances in the commercial register within one year following the coming of this Law into force.
- (2) In the cases under paragraph (1), for the purposes of entering in the commercial register a decision about increase of joint stock company capital, it shall be required not less than 25 percent of the capital amount after the increase to be paid in.

§ 8.

Where a company fails to meet its obligations under § 7, the provisions of Article 155, item 2, and Article 252, item 5, respectively, shall apply.

This Law was adopted by the 38th National Assembly on 22 October 1997 and the State Seal has been affixed to it.

Chairman of the National Assembly: Yordan Sokolov

State Gazette No. 70/1998

TRANSITIONAL AND CONCLUDING PROVISIONS

§ 58

- (1) Within 2 months as from the entering into force of this Law the Minister of Justice and the Legal European Integration shall approve and promulgate in the State Gazette the list of the individuals which can be appointed as receivers.

The list under the paragraph 1 may be supplemented any time.

The Minister of Justice and the Legal European Integration shall send the list under the paragraph 1 by announcement of the addresses and subjects of the approved receivers to all district courts.

A person which has been appointed as a receiver or a temporary receiver on a founded case of bankruptcy proceedings under this Law shall be discharged by the court within a term not longer than one month after the promulgation of the list in the State Gazette, provided it is not included therein. Within the same term the court shall appointed instead of the discharged receiver another one or a temporary receiver among the individuals included in the list under paragraph 1.

§ 59.

In respect to the pending proceedings founded by this Law, where the court has declared the debtor to be bankrupt, shall be considered that the court is ruled the termination of the activity of the enterprise under Art.711, paragraph 1, item 1 as from the date of the ruling on declaration to bankruptcy.

This Law has been adopted by the XXXVIII National Assembly on 5th of June 1998 and the seal of the National Assembly was duly affixed thereto.

Chairman of the National Assembly: Yordan Sokolov

State Gazette No. 84/2000

TRANSITIONAL AND CONCLUDING PROVISIONS

§ 139.

The claims under Art. 70 of the Commercial Law, filed before the entry into force of this Law shall be considered under the previous order.

§ 140.

The joint stock companies shall be obliged to comply their statutes with Art. 162 in one year term from the entry into force of this Law. In case of non-implementation of this obligation, a proprietary sanction up to 2000 BGN shall be imposed.

§ 141.

If prior to the entry into force of this Law, a statute has empowered a supervisory board with the powers to increase the capital of a joint stock company, the powers shall retain until expiration of the term or until the amendment of the statute.

§ 142.

If prior to the entry into force of this Law, a prospectus for raising capital for founding of a joint stock company, has been approved by the State Commission on Securities, the founding shall be carried out under the previous order.

§ 143.

The claims on establishment filed under Art. 694 before the entry into force of the Law on amendment and supplement of the Commercial Law (SG 70/1998) shall be considered on the rules of the Law being into force before this date. The paid state fee shall be released and returned to payer.

§ 144.

The constraints against decision of the bankruptcy court on the terms of Art. 692 before the entry into force of this Law, shall be considered by the legal order being into force for the moment.

§ 145.

For the pending bankruptcy proceedings the term on Art. 688, Par. 1 shall begin from the entry into force of this Law.