UNOFFICIAL TRANSLATION

Law no. 47 of 23 February 2006 - "COMPANY LAW"[1] and subsequent amendments and integrations

CONSOLIDATED TEXT
This text has been prepared only for the purpose of an easier consultation of Law no. 47/2006 and subsequent amendments and integrations

Please note that all regulatory provisions referring to Anonymous Companies contained in Law no. 47/2006 – as last amended by Law no. 98/2010 and Decree Law no. 179/2010 – and in special laws shall be repealed.

TITLE I
GENERAL PROVISIONS

SECTION I
DEFINITIONS AND GENERAL ASPECTS

Art.1[2]
(Definitions)

1. The following terms shall have in this Law the following meanings:

1) the term "Law" means this Law, as subsequently amended and supplemented;

2) the term "Register" means the Register of Companies envisaged in the following Article 6;

3) the term "Register of Auditors" means the Register of Auditors established by Law no. 146 of 27 October 2004;

4) the term "Fiduciary Company" means the company authorised to conduct the reserved activity specified in letter C of Annex 1 to Law no. 165 of 17 November 2005;

5) the term "Shareholding" means units or shares;

6) the term "Registrar" means the Court Registrar responsible for keeping the Register;

7) the term "Subsidiary Companies" means companies controlled by another company, as established by Article 11, paragraph 2 of Law no. 102 of 20 July 2004;

8) the term "Associated Companies" means companies over which another company exercises significant influence, i.e. holds at least one fifth of the voting power in the General Meeting;

9)[3] the term "Unfit Person" means an individual who:

a) has been convicted by a criminal judgement having the force of res judicata and has been punished with more than 2 years imprisonment for felonies against property, public confidence,

[1] Translator's note: the term "Company" shall also include partnerships.
[2] As superseded by Art. 1 of Delegated Decree no. 33 of 20 February 2008, ratified with Delegated Decree no. 49 of 19 March 2008.
[3] As amended by Art. 1 of Decree Law no. 162 of 24 September 2010, ratified with Decree Law no. 179 of 5 November 2010.

public economy or for trafficking in narcotic drugs, committed over the last 15 years; or has been convicted by a criminal judgement having the force of res judicata for corruption, use of false invoices for inexistent operations, tax fraud, usury, fraudulent bankruptcy or money laundering committed over the last 15 years; or has suffered convictions, including non-final, or is subject to ongoing criminal proceedings, for criminal conspiracy or terrorist financing;

b) during the 12 months preceding the date of the instrument of incorporation of the company, of the share acquisition or of the appointment of directors, has been a shareholder or has had representative powers in conformity with Article 52 of Law no. 47 of 23 February 2006 in at least two San Marino companies, which have entered into *ex officio* or compulsory liquidation, or in a company, the licence of which has been revoked by the Congress of State. The fact of being a shareholder or of having representative powers in conformity with Article 52 of Law no. 47 of 23 February 2006 shall be concurrent with the company's entering into liquidation or with the revocation of its licence by the Congress of State. A shareholder or director who demonstrates that, by behaving diligently, he/she is not responsible for the decisions or activities of the company leading to its compulsory or *ex officio* liquidation or to the revocation of its licence shall not be considered an "Unfit Person";

c) has undergone bankruptcy proceedings or equivalent proceedings under foreign legal systems, either ongoing or concluded less than five years ago;

or a legal person that:

i) is undergoing bankruptcy or compulsory liquidation proceedings for insolvency, or equivalent proceedings, also under foreign legal systems;

ii) is undergoing voluntary liquidation proceedings in the presence of a cause for dissolution;

iii) during the 12 months preceding the date of the instrument of incorporation of the company or of the share acquisition, has been a shareholder of at least two San Marino companies, which have entered into *ex officio* or compulsory liquidation, or of a company, the licence of which has been revoked by the Congress of State. The fact of being a shareholder shall be concurrent with the company's entering into liquidation or with the revocation of its licence by the Congress of State. Shareholders or directors demonstrating that, by behaving diligently, they are not responsible for the decisions or activities of the company leading to its compulsory or *ex officio* liquidation or to the revocation of its licence shall not be considered "Unfit Persons".

10)[4] the term "Certificates" means:

a) in case of a legal person, the Certificate of Status *(Certificato di Vigenza)*, the Certificate of compulsory or *ex officio* liquidation and the Certificate of revocation of the licence;

b) in case of an individual, the General Criminal Record, the Certificate of Pending Charges, the Certificate of compulsory or *ex officio* liquidation and the Certificate of revocation of the licence.

11) the term "Financial Companies" means companies authorised to conduct reserved activities in accordance with Law no. 165 of 17 November 2005 and governed by the latter.

12) the term "Formal control of documents" by the Registrar means verification only of compliance with formal requirements in documents, of the presence of documents containing administrative authorisations necessary according to the nature and the place in which the activity constituting the corporate purpose is performed, of Certificates, of the absence of the conditions specified in the definition of Unfit Person and of the production of the other documents specifically required by the Law for the entry of records and data in the Register.

[4] As amended by Art. 2 of Decree Law no. 162 of 24 September 2010, ratified with Decree Law no. 179 of 5 November 2010.

2. The Certificates to be provided by persons who are neither residents nor based in the Republic of San Marino shall be substantially equivalent to those required under point 10) of the preceding paragraph. With reference to individuals, the certificates showing no grounds for being qualified as Unfit Person shall be deemed substantially equivalent. With reference to legal persons, the certificates containing the information of a Certificate of Status and issued by the authority competent for keeping the Register of Companies in the country where the legal person has its registered office shall be deemed substantially equivalent. The competent Law Commissioner may issue circulars in order to identify in general substantially equivalent documents or to further specify the criteria for assessing substantial equivalence. In checking the information of a Criminal Record, regard shall be given to the reasons why: an offence has been extinguished, the criminal effects of a conviction have ceased, a convict has been rehabilitated and more favourable provisions have been applied to such convict under the Criminal Code, laws implementing and supplementing the Criminal Code and other laws and decrees of the Republic. In case the foreign State does not issue certificates with characteristics similar to those specified by this Law, the Certificates shall be replaced by a declaration of the competent Consular Authority, which shall also indicate the existence of any other substitute documents issued by the foreign State Authorities.

3. Individuals who are residents in the Republic of San Marino and San Marino citizens shall be allowed to submit a statement in place of the Certificates under the terms set forth in Law no. 105 of 21 October 1988.

4. The Certificates, either originals or certified copies thereof, shall not bear a date more than six months prior to the date on which they are submitted to the Court Registry or exhibited to a notary when the company is established.

Art.2
(Types of company)

1. Companies based in the territory of the Republic of San Marino shall be subject to San Marino laws. Where their purpose is to conduct business for profit distribution among shareholders, they shall be established in accordance with one of the types of company set forth by the law.

2. The provisions relative to companies conducting business under Laws no. 165 of 17 November 2005 and no. 168 of 22 November 2005, as well as to cooperatives and any other company regulated by special laws, shall not be affected by this Law.

3. Participation of the State or other Public Entities in companies with share capital established in the Republic shall not entail any derogation from the provisions of this Law.

4. Companies regulated under this Law shall be established in one of the following forms:
a) partnerships:
- unlimited partnerships;
b)[5] companies with share capital:
- joint-stock companies;
- limited liability companies.

5. Subject to being authorised in accordance with the following Article 16, other types of company may be allowed insofar as they prove to be more appropriate for the corporate purpose

[5] As amended by Art. 1 of Law no. 98 of 7 June 2008.

and provided that they are aimed at fulfilling interests worth protecting and not contrary to public order.

6. Both individuals and legal persons may be shareholders of companies with share capital.

Art.3

(Partnership among professionals)

1. Independent professionals under Law no. 28 of 20 February 1991, as subsequently amended and supplemented, may form partnerships among themselves to offer together the professional services they are qualified to perform, to coordinate intellectual services pertaining to different professional qualifications and to supply goods and services connected with or simply auxiliary to the professions of the individual partners, without the need for the authorisation indicated in Article 16 hereunder.

2. Any such partnership and the activities of partners shall be subject to the legislation applying to unlimited partnerships, as well as to provisions applicable to intellectual professions in general, and to individual professions, insofar as they are compatible.

3. Any such partnership may be established with a number of partners not exceeding one fifteenth of the members listed in the registers to which the partners belong. In case of inter-professional partnerships, such calculation shall be made in relation to all registers in which all partners are listed.

4. The business name shall include the names of at least two partners, indicate the activities of the partnership and be followed by the wording “partnership among professionals”.

5. The names of all partners shall be indicated in the correspondence, acts and deeds or communications of any such partnership.

6. Professional assignments shall be deemed to have been taken by any such partnership even if given to a single partner. In fulfilling their professional tasks, partners shall advise that they are members of the partnership. All partners shall be bound by professional secrecy and confidentiality requirements and they shall ensure compliance therewith also by their collaborators, assistants and employees of the partnership.

7. The membership of a professional in a partnership among professionals shall be communicated to customers, counterparts and public administration bodies.

8. With regard to professional assignments already in progress at the time when the partnership is established, notice thereof shall be given as soon as the partnership starts doing business.

9. The rules governing the fees pertaining to the profession of the person supplying the service shall apply to remunerations, allowances and expenses for services supplied by any such partnership. If the service is supplied by more than one partner, the fees envisaged for one single professional shall be charged, unless otherwise agreed with the customer. The Council of the Professional Association to which the professional supplying the service belongs shall provide its opinion for determining the remuneration due to the partnership. Inter-professional services shall be expressly requested by or agreed with the customer. In this case, services shall be assessed separately and entitle to separate remuneration, conversely a single fee for the services provided by a single professional shall be charged.

10. The professional services performed by the partners shall entail all rights and obligations under the relevant social security and tax provisions applicable to the various professions. Objective contributions shall be due insofar as they are due with respect to acts individually performed by a professional.

11. The services offered by a partnership among professionals shall be rendered personally by partners, who may rely, where appropriate, on collaborators and assistants.

12. Any partnership among professionals shall be held civilly liable for the professional services rendered by its partners individually, without prejudice to remedies available to partners among themselves.

13. Any such partnership shall conclude an adequate insurance contract to cover the damages indicated in the preceding paragraph and shall notify customers of the relevant data, if they so request.

14. Professionals who are members of a partnership among professionals shall render their services only on behalf of the partnership and may not be members of more than one partnership among professionals.

15. The registers of professional associations under Law no. 28 of 20 February 1991 and subsequent amendments and integrations shall specify whether a listed member is a partner in a partnership among professionals.

16. In relation to listed members who are partners in partnerships among professionals, professional associations shall exercise the powers and functions under Law no. 28 of 20 February 1991 and subsequent amendments and integrations with regard to individual professionals. In particular, they shall safeguard professional dignity and ensure compliance with the principles of professional ethics applicable to the performance of services within a business entity.

17. An infringement of the partnership agreement may constitute a disciplinary offence.

18. Any listed members who are excluded or stricken off from their professional registers shall be automatically removed from a partnership.

19. In case partners are suspended from practising their profession or are found guilty of serious improper conduct or unable, for any reason whatsoever, to discharge their duties, the majority of the partners, not counting the partners concerned, shall decide on their removal from the partnership, failing a relevant provision in the articles of association. Such removal shall become effective 30 days following the date of notification to the removed partners.

20. Unless otherwise provided for in the partnership agreement, the provisions contained in Article 38 hereunder governing the withdrawal of partners shall apply, insofar as they are compatible, to the removal of a partner and to the relevant liquidation.

21. If the partnership involves two partners, removal of either partner shall be pronounced by the Law Commissioner upon request of the other partner, bearing in mind that failure to restore at least two partners for more than three months shall trigger the winding-up of the partnership.

22. Any partner may withdraw from the partnership, even if it has been established for a fixed term, by giving notice, agreed with the other partners, at least six months in advance.

23. Unless otherwise provided for in the partnership agreement, the provisions set forth in the following Articles 37 and 38 shall apply to a partner's withdrawal from a partnership and to the relevant liquidation.

24. Partnerships among professionals may not conduct commercial or entrepreneurial business. They may invest in securities and own real property and registered movable goods directly used to conduct business. Capital good contracts concluded by individual professionals in the exercise of their profession prior to becoming members of a partnership may be transferred to a partnership within one year from the date on which they have become members of the partnership or from the establishment of the latter, by means of a simple notification sent by the partnership by registered mail to the original contracting party, who shall not be entitled to any objection.

25. Partnerships among professionals shall keep records in accordance with Article 72.

Art.4
(Responsibility for the company's liabilities)

1. With respect to unlimited partnerships, all partners shall be jointly, severally and unlimitedly responsible for the company's liabilities. Any agreements to the contrary shall have no effect in relation to third parties.

2. With respect to companies with share capital, only the company shall be responsible with its assets for the company's liabilities.

Art.5
(Business name)

1. The type of company shall always be indicated in the business name.

2. The business name of unlimited partnerships shall also indicate the name of one or more partners.

Art.6[6]
(Register of Companies)

1. The Register of Companies is hereby established and shall be kept at the Court Registry. The following data shall be entered in the Register of Companies for each company:
- the details of the memorandum of association and, where required by special laws, of the authorisation granted by the Congress of State and of any subsequent authorisation granted or withdrawn;
- the registered office and any subsequent changes thereof;
- the issued and paid-up capital stock, and any changes therein;
- the corporate purpose and any subsequent changes therein;
- the personal details of the legal representative or representatives, directors, auditors, external auditors, where appointed, and liquidators, specifying their relevant powers;
- the date of approval of the balance sheet;

[6] As superseded by Art. 2 of Delegated Decree no. 33 of 20 February 2008, ratified with Delegated Decree no. 49 of 19 March 2008.

- the details of any measures concerning any conversion, merger or division;
- any order issued by the judicial authority concerning winding-up, granting of a moratorium, starting of bankruptcy proceedings and any other order the judicial authority deems useful to have reported;
- the presence of a sole partner;
- the existence of pledged shares;
- the existence of seized or attached shares.

2. Unless otherwise provided for by the law, the data referred to in the preceding paragraph shall be entered in the Register of Companies upon request of the directors or liquidators, accompanied by the relevant documents.

3. Also the minutes of all General Meetings containing decisions relative to balance sheet approval, changes to the memorandum of association and articles of association and appointment to corporate positions, as well as of external auditors and auditing firms, shall be deposited with the Court Registry within 30 days following their registration or, if not applicable, from the date on which the General Meeting was held, unless otherwise specified by the law.

4. As long as they are not reported in the Register of Companies, any changes in the information listed in paragraph 1 above shall not have effect in relation to third parties, unless one can demonstrate they had knowledge of such changes. The minutes of the General Meetings, as well as any applications, certificates, registration decisions and in general all corporate acts contained in the company's file at the Court can be created, transmitted, deposited, communicated, notified and kept in electronic format, in the manner and with the guarantees to be established by the Congress of State with specific regulations.

5. The Register may also be kept by computerised means, in a manner to be established by specific regulations.

6. The Register shall be public and may be freely consulted by anyone.

7. To be entered in the Register of Companies, the Certificates relative to partners, directors, auditors and external auditors appointed at the time when the company is established shall be in any case deposited with the Court Registry.

8. The Certificates of those holding corporate positions and of external auditors, where appointed, shall be deposited with the Court Registry in case the office is confirmed or a replacement is made and such deposit shall be a sine qua non condition to be entered in the Register.

9. Where membership in professional registers or associations or special registers is required to be appointed to corporate positions, a certificate of registration issued by the entity responsible for keeping the register shall also be deposited with the Court Registry.

10. Directors, auditors, external auditors and auditing firms shall declare, in the annual report to the balance sheet falling within their competence or as an attachment to such report, under their personal responsibility, that they still comply with the subjective and objective requirements envisaged by the law to assume their respective positions.

Art.7

(Indications in the correspondence and announcements)

1.[7] Any correspondence, act, announcement or securities issued or drafted by any company shall bear the following:

[7] As superseded by Art. 5 of Delegated Decree no. 130 of 11 December 2006.

- the business name, type and registered office of the company;
- the date and number of entry in the Register;
- the issued and paid-up capital stock;
- whether the company is being wound up;
- whether the company has a sole partner.

Art.8[8]
(Registered Office)

1. The registered office of the company shall be established in the territory of the Republic of San Marino.

2. All notifications and communications shall be deemed to have been made with full effect to the registered office indicated in the articles of association. In case of impossibility to reach the registered office, as established by the Judicial Officer, the notification shall be made public *ad valvas*.

Art.9[9]
(Corporate purpose)

1. The corporate purpose shall be lawful, possible, determined and shall include activities that are consistent with each other.

Art.10[10]
(Capital contributions and payments)

1. With regard to companies with share capital, the total value of capital contributions shall not be less than the amount of the capital stock.

2. Unless otherwise provided for in the articles of association, capital contributions shall be made in money.

3. At least half of the company's initial capital contributions shall be made within 60 clear days following the date of entry in the Register and, if in money, they shall be paid into a San Marino banking institution. If the company is established by a unilateral act, all capital contributions shall be made in money and shall be paid within 60 clear days following the date of entry in the Register.

4. Payment of capital contributions shall be certified by means of a declaration issued by the legal representative in the manner envisaged by Article 3 of Law no. 105 of 21 October 1988, to be deposited with the Court Registry by the directors within 30 days following said payment.

[8] As superseded by Art. 3 of Delegated Decree no. 33 of 20 February 2008, ratified with Delegated Decree no. 49 of 19 March 2008.
[9] As superseded by Art. 4 of Delegated Decree no. 33 of 20 February 2008, ratified with Delegated Decree no. 49 of 19 March 2008.
[10] As superseded by Art. 5 of Delegated Decree no. 33 of 20 February 2008, ratified with Delegated Decree no. 49 of 19 March 2008.

5. In any case, the payment of all capital contributions shall be requested by the directors and made within three years following the date on which the company is entered in the Register.

6. Failure to pay capital contributions within the time-limit envisaged herein shall constitute grounds for the company's dissolution, without prejudice to what envisaged in the following Article 11. If directors fail to act, winding-up may be ordered *ex officio*. To this end, the Law Commissioner shall fix a time-limit not exceeding 60 days for the directors to deposit the documents attesting to the payment of capital contributions, or to convene an ad hoc General Meeting in order to adopt the necessary decisions.

7. Besides money, all goods that can be valued in terms of money may be contributed, except for works, services or personal rights of enjoyment. Such capital contributions shall in any case be declared at the same time when the memorandum of association is drawn up or when capital increase is decided.

8. Any partner who brings in a credit shall be liable for the debtor's insolvency.

9. With regard to contributions consisting of property, a partner shall be subject to the same obligations that would apply if he/she had sold such property.

10. Anyone making capital contributions in kind or consisting of credits shall submit a sworn report issued by an external auditor or an auditing firm listed in the Register of Auditors, or by a professional included in a San Marino professional register. Such sworn report shall not be drawn up by an auditor qualified as ineligible under the following Article 60. The report shall contain a description of the contributed property or credits, the evaluation criteria adopted and a declaration that their value is at least equal to the value for which they have been contributed. The report shall be annexed to the memorandum of association or to the decision to increase the capital stock.

11. In addition to capital contributions to be made in compliance with the memorandum of association or the decision to increase the capital stock, any partner shall be a debtor in respect of the company for accessory services not consisting of money. The articles of association shall specify the content, duration, procedures and fees for such services and shall establish specific sanctions in case of non-compliance. Shareholdings for which accessory services are mandatory may not be transferred without the directors' consent. Unless otherwise provided for in the memorandum of association, the above-mentioned obligations can only be modified with the consent of all partners.

12. With regard to partnerships, the partner shall be obliged to make the contributions established in the corporate agreement. Failing this, it is presumed that the partners are obliged to make contributions necessary to achieve the corporate purpose, equally among them.

Art.11
(Partners in default)

1. In case any partner fails to make the payments due after 30 days have elapsed from the request, the directors, if they do not consider it useful to bring an action for performance against the partner, shall offer the shareholding of the partner in default to the other partners who have fulfilled their obligations, in proportion to their shareholdings, for a corresponding amount not lower than the contributions still due. In the absence of offers by the other partners who have fulfilled their obligations, the directors shall declare the partner in default excluded by right and the amounts

received shall be withheld, without prejudice to the compensation in respect of any damage suffered in excess of these amounts.

2. Unsold shareholdings shall be extinguished, with the corresponding capital stock reduction.

3. The director's request to make payments shall be made to all partners in default at the same time and under the same conditions.

4. Partners in default with payments shall not exercise voting rights.

5. Insofar as it is compatible, this Article shall also apply to partners who have not fulfilled accessory obligations.

Art.12 [11]

(Sole partner)

1. Companies with share capital may have a sole partner when they are established or in case all shareholdings are subsequently concentrated in the hands of a sole partner. With regard to companies with share capital, the concentration of all shares in the hands of a sole partner shall not entail their dissolution.

2. The sole partner shall exercise the powers and rights granted by the law or the articles of association to the partners or to the General Meeting.

3. The existence of the sole partner of a company with share capital shall be indicated in the Register.

4. In case of insolvency of the company, the sole partner shall be unlimitedly responsible for the company's liabilities arisen in a period when all shareholdings are owned by such sole partner exclusively in the following cases:

a) the request for entry of the existence of the sole partner in the Register has not been submitted within the time-limit established by Article 20 of this Law for the deposit of the memorandum of association, if the company is established by a unilateral act, or

b) the request for entry of the existence of the sole partner in the Register has not been submitted within the time-limit established by Articles 26, paragraph 2, and 28, paragraph 3 of this Law, in case all shareholdings are subsequently concentrated in the hands of a single party, or

c) the capital stock has not been entirely paid up within 60 days following the date on which the company established by a unilateral act is entered in the Register or within 60 days following the date on which all shareholdings are subsequently concentrated in the hands of a single party.

5. With regard to partnerships, failure to restore at least two partners for more than three months shall trigger the dissolution of the partnership.

[11] As superseded by Art. 7 of Delegated Decree no. 130 of 11 December 2006.

Art.13 [12]

(Amount of the capital stock)

1. The total amount of the capital stock shall not be lower than:

1) € 25,500.00 (twenty five thousand five hundred Euros) with regard to limited liability companies;

2) € 77,000.00 (seventy seven thousand Euros) with regard to joint-stock companies.

Art.14[13]

(Reduction of the capital stock)

1. If the capital stock has reduced by more than one third, the directors and, if they fail to act, the Board of Auditors or the sole auditor, shall promptly convene the General Meeting for appropriate action and if losses are not immediately covered, the General Meeting shall reduce the capital stock subject to the thresholds set forth by the law.

2. Any capital stock reduction shall be decided even in case of reimbursement of shareholdings to the partners who exercise their right to withdraw, if this is envisaged in the articles of association or by this Law, or also in case of exclusion of a partner in default.

3. Any capital stock reduction may be decided when the capital stock exceeds the scope of the corporate purpose. The decision can only be made once 90 days have elapsed from the date on which such decision is entered in the Register, provided that by the same date no creditor has objected thereto.

4. The convening of the General Meeting, which shall decide the capital stock reduction, when this is mandatory, may be ordered by the Law Commissioner *ex officio* or upon request of any interested party, when the parties obliged to convene the General Meeting under paragraph 1 above fail do to so.

5. If the General Meeting convened in compliance with the preceding paragraphs fails to adopt measures envisaged by the law, the Law Commissioner, upon request of directors, auditors, any interested party or *ex officio*, shall order the reduction of the capital stock in the light of the losses resulting from the balance sheet, with a decree to be entered in the Register.

6. If, due to a loss exceeding one third of the capital stock, the latter is reduced to below the minimum threshold established by the law, the directors shall convene the General Meeting to adopt the measures indicated in Article 106, paragraph 1, point 4), within the time-limit established therein.

Art.15

(Increase of the capital stock)

1. Any increase of the capital stock, or issue of convertible bonds, shall not be decided until the previously subscribed capital stock has been entirely paid up.

[12] As superseded by Art. 8 of Delegated Decree no. 130 of 11 December 2006.

[13] As superseded by Art. 6 of Delegated Decree no. 33 of 20 February 2008, ratified with Delegated Decree no. 49 of 19 March 2008.

2. In case of breach of the preceding paragraph, the directors shall be jointly and severally liable for the damages caused to partners and third parties. In any case, the obligations undertaken by subscribing the shares issued in violation of the preceding paragraph shall not be affected.

3. [14] The General Meeting may increase the capital stock by charging available reserves and other funds recorded in the balance sheet to capital stock. In this case, the newly issued shares shall have the same characteristics as those in circulation and shall be allocated free of charge to the partners in proportion to those they already possess. In joint-stock companies, the capital stock may also be increased by increasing the nominal value of the shares.

SECTION II
ESTABLISHMENT AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Art.16[15]
(Authorisations and conditions for establishment)

1. The following conditions shall be met in order to establish a company with share capital:

1) the capital stock has been entirely subscribed;

2) authorisations have been obtained and the other conditions required by special laws for the establishment of the company in relation to its specific purpose have been met;

3) the provisions established by this Law concerning contributions have been complied with;

4) none of the partners are Unfit Persons.

2. Paragraph 1 shall be applied for the establishment of a partnership, insofar as it is compatible.

3. A non revocable prior administrative authorisation in the form of a licence by the Congress of State shall be obtained in order to establish the companies referred to in Article 2, paragraph 5, companies for which such authorisation is explicitly envisaged by special laws and companies whose corporate purpose includes economic activities or product sectors envisaged in the decree referred to in the following paragraph 6.

4. Without prejudice to Article 9, the companies referred to in the preceding paragraph may modify their corporate purpose without the need for any authorisation, provided that such modification does not concern economic activities or product sectors included in the decree referred to in the following paragraph 6.

5. The authorisation shall be requested to the Congress of State by submitting a specific application accompanied by an outline business plan that proves - both objectively and subjectively - to be reliable and consistent with the social and economic needs of the Republic. In granting such authorisation, the Congress of State may impose restrictions and conditions in order to ensure the correct implementation of the business plan.

[14] As superseded by Art. 10 of Delegated Decree no. 130 of 11 December 2006.
[15] As superseded by Art. 7 of Delegated Decree no. 33 of 20 February 2008, ratified with Delegated Decree no. 49 of 19 March 2008.

6. In cases of urgency, or to prevent distortions in the social and economic context of the Republic, the need for authorisation by the Congress of State may be established, with a delegated decree, for the incorporation of companies whose corporate purpose includes specific economic activities or product sectors.

7. The economic activities and product sectors provided for in the decree referred to in the preceding paragraph may be specifically regulated by means of a delegated decree.

Art.17[16]

(Shareholding of Fiduciary Companies)

1. Upon acceptance of the fiduciary mandate, Fiduciary Companies which, on the basis of such fiduciary mandate, establish companies, acquire or posses their shareholdings, shall mandatorily obtain in advance the Certificates relative to the settlors and declare, when the company is established or when shareholdings are acquired respectively, the fiduciary nature of their intervention, making reference to the details of the authorisation to conduct the reserved activity.

2. Fiduciary Companies shall not establish companies, acquire or possess their shareholdings on the basis of a fiduciary mandate if the Certificates show that the settlor or the beneficial owner is an Unfit Person.

3. Since this activity is reserved to financial companies, it shall in any case be subject to regulation and supervision by the Central Bank of the Republic of San Marino.

4. In the cases referred to in the first paragraph, the existence of the sole partner and the relevant regulation provided for in Article 12 shall be understood as referring to the settlor and not to the fiduciary company.

5. In the cases referred to in the first paragraph, the fact of being an Unfit Person, the Certificates and the relevant regulation provided for in this Law shall be understood as referring to the settlor and beneficial owner thereof and not to the Fiduciary Company.

Art.18

(Form of the memorandum of association)

1. The memorandum of association of a company shall be in the form of a public deed.

Art.19

(Contents of the memorandum of association)

1. The memorandum of association shall indicate:

1) the type of company;

2) the business name;

3) the duration;

4) the registered office;

5) the corporate purpose;

[16] As last superseded by Art. 4 of Decree Law no. 179 of 5 November 2010, which ratified Decree Law no. 162 of 24 September 2010.

6) the amount of the capital stock;

7) the name and family name, date and place of birth, residence and citizenship of all individuals, or the business name, date and place of establishment, registered office and number of entry in the Register of Companies for legal persons who have taken part as partners in the drawing up of the memorandum of association or in whose name it has been drawn up;

8) each partner's shareholding;

9) the subscription of the entire capital stock;

10) the contributions of each partner;

11) the value attributed to contributions in kind and the relevant assessment criteria;

12) the rules governing the composition and powers of corporate bodies, indicating those concerning administration and representation;

13) the rules governing profit distribution;

14) the appointment of the first members of corporate bodies;

15) an indication of the rules governing the functioning of the company;

2. With regard to joint-stock companies, the memorandum of association shall also contain the number and nominal value of the shares, their characteristics and the procedures relative to their issue and circulation.

3. With regard to unlimited partnerships, the memorandum of association shall also indicate the rules governing profit distribution and each partner's share in profits and losses.

4. The articles of association shall contain the rules governing corporate bodies and the company itself. Even when they are a separate deed, the articles of association shall be an integral part of the memorandum of association.

Art.20 [17]

(Deposit of the memorandum of association and entry in the Register)

1. The notary who has received the memorandum of association, after having verified that the conditions established by this Law have been fulfilled, shall deposit a certified copy thereof with the Court Registry within thirty days following the date of registration, together with the documents attesting that the conditions envisaged by this Law have been met.

2. If the notary fails to deposit the documents within the aforementioned time-limit, each partner or director may do so at the expenses of the company.

3. The company shall be entered in the Register at the same time when the memorandum of association is deposited.

4. The Registrar, after having verified exclusively the formal compliance of the documents, shall enter the company in the Register within 10 days following the application for registration, or shall adopt a reasoned decision to reject the application, which shall be notified to the applicant.

5. If the Registrar refuses to enter the company in the Register, or fails to register the company within the time-limit indicated in the preceding paragraph, the notary or, failing this, the director or

[17] As superseded by Art. 14 of Delegated Decree no. 130 of 11 December 2006.

each partner may apply to the Law Commissioner within thirty days following notification of the decision to reject the application or following the date of expiry of the time-limit within which the Registrar should have adopted the decision. In this case, the Law Commissioner, having verified that the conditions established by this Law have been fulfilled, shall order with a decree that the company be entered in the Register. In the event of a refusal to enter the company in the Register, the decree issued by the Law Commissioner shall be appealed against to the Judge of Appeal within thirty days following its notification.

6. The entry of the company in the Register shall be notified to the Office for Industry, Handicraft and Trade by the Registrar within 15 days following the date of registration.

Art. 21

(Effects of registration and acquisition of legal personality)

1. Any company shall acquire legal personality by virtue of its entry in the Register. Such legal personality shall last until removal of the company from the Register.

2. With regard to transactions carried out on behalf of the company prior to its registration, those who have carried out such transactions shall be unlimitedly, severally and personally liable towards third parties. The sole founding partner and the partners who, in the memorandum of association or with a separate deed, have decided, authorised or allowed the carrying out of the transaction shall also be severally, unlimitedly and personally liable. Any agreements to the contrary shall have no effect in relation to third parties.

3. The issue of shares or the transfer of shareholdings before the company has been registered shall be null and void.

4. With the acquisition of the legal personality, the assets of the company shall be separated from the assets of its partners.

5. The company's creditors shall not levy execution on the assets of the partners, who are unlimitedly and severally liable, before having levied execution on the company's assets.

6. With regard to unlimited partnerships, personal creditors of the partners who are unlimitedly liable shall not levy execution on the company's assets, but where the assets of the debtor partner are insufficient to repay personal debts contracted, the creditor may request that the shareholding held by the debtor be liquidated. Such shareholding shall be liquidated within three months from the request, except where the dissolution of the company has been decided.

7.[18] Without prejudice to what established by Article 148 of Law no. 165 of 17 November 2005, the acquisition of legal personality shall not entitle to purchase real estate in the territory of the Republic, accept donations or inheritances or legacies without the authorisation of the Council of the Twelve.

[18] As superseded by Art. 15 of Delegated Decree no. 130 of 11 December 2006.

Art.22[19]

(Amendments to the articles of association)

1. The decisions amending the articles of association shall be contained in a public deed. Within thirty days following the date of registration of the deed, and having verified that the conditions established by the law have been met, the notary who has drawn up such deed shall apply for its entry in the Register and, at the same time when the deed is deposited, shall attach therein any authorisations and documents required. The Registrar, after having verified exclusively the formal compliance of the documents, shall enter the decision in the Register.

2. If the notary considers that the conditions established by the law have not been fulfilled, he/she shall promptly notify the directors thereof, and in any case within the above time-limit. Within the following thirty days, the directors and, in their absence, each partner may apply to the Law Commissioner at the expenses of the company. In this case, the Law Commissioner, having verified that the conditions established by this Law have been fulfilled, shall approve the decisions and shall order their entry in the Register. The decree issued by the Law Commissioner may be appealed against to the Judge of Appeal within thirty days following its notification.

3. When a company is established, the partners may decide that one or more clauses in the articles of association can only be amended unanimously.

4. With regard to partnerships, amendments to the company agreement shall only be made with the consent of all partners, unless otherwise agreed.

Art.22 bis [20]

(Nullity of the company)

1. Once it has been entered in the Register, the nullity of a company shall only be declared, upon request of any interested party, in the following circumstances:

a) failure to draw up the memorandum of association in the form of a public deed;

b) unlawfulness of the corporate purpose;

c) failure to obtain the authorisation by the Congress of State, where it is required by the law;

d) absence, in the memorandum of association, of all indications concerning the company's business name, contributions, amount of the capital stock, corporate purpose.

2. The declaration of nullity shall not affect the effectiveness of the acts performed on behalf of the company after it has been entered in the Register and the partners shall not be released from their obligation to make contributions until all the company's creditors have been paid.

3. The nullity of a company shall not be declared when its cause has been eliminated and such elimination has been made public through entry in the Register.

4. The decision with which the nullity of a company is declared shall contain the order relative to the dissolution and winding-up of the company and shall be entered in the Register.

[19] As amended by Art. 9 of Delegated Decree no. 33 of 20 February 2008, ratified with Delegated Decree no. 49 of 19 March 2008.

[20] As supplemented by Art. 17 of Delegated Decree no. 130 of 11 December 2006.

SECTION III
SHAREHOLDINGS AND BONDS IN COMPANIES WITH SHARE CAPITAL

Art.23
(Notion)

1. With regard to limited liability companies, the shareholdings attributed to each partner shall represent, in quantitative terms, their participation in the capital stock and shall incorporate all rights to which a partner is entitled.

2. With regard to joint-stock companies, shareholdings shall be represented by shares, which shall be of equal value and entitle holders to equal rights for the same category of shares.

Art.24
(Common provisions)

1. The articles of association may envisage different categories of shareholdings. When different categories of shares or units are created, the company may freely determine their contents within the limits established by the law, but all shares or units belonging to the same category shall grant equal rights.

2. Shareholdings in companies with share capital shall be freely transferable, unless otherwise established by the articles of association. The articles of association may also limit the extent to which shareholdings can be transferred and if the provisions of the articles of association effectively prevent shareholdings from being transferred, the partner may exercise the right to withdraw in accordance with the procedures established by Article 37.

3. If units or shares are transferred, the transferor shall be liable, jointly and severally with the purchaser, for the payments still due, for a period of three years following the date on which the transfer has been entered in the Share Register.

4. Where shares are jointly held, the ownership rights shall be exercised by a common representative. If a common representative has not been designated, the declarations and communications made by the company to any of the joint holders shall have effect in respect of all holders. Joint shareholders shall be jointly and severally liable for the obligations deriving from the shareholding.

5. [21] Units and shares may be pledged and encumbered with a usufruct. In these cases, and unless otherwise agreed, the right to vote shall be exercised by pledgees and usufructuaries, while the stock option shall be exercised by the partner, who shall pay the necessary sums of money. If payments are requested in relation to the shareholding, in case of pledged shares the partner shall pay the necessary sums of money and, if he/she fails to do so, the rules governing partners in default shall apply. In case of usufruct, the usufructuary shall make the payments, without prejudice to his/her right to be refunded at the end of the usufruct. Upon request of pledgees, usufructuaries or partners, the directors shall promptly enter pledges or usufructs in the Share Register. With regard to registered shares issued, the pledge shall be established by delivering the relevant share certificates to the creditor and by virtue of a public deed or agreement with authenticated signatures, a note of which shall be duly made in the share certificate and in the Register. With regard to shares

[21] As superseded by Art. 18 of Delegated Decree no. 130 of 11 December 2006.

not yet issued and to units, the pledge shall be established by making a note thereof in the Share Register and in the Register by virtue of a public deed or agreement with authenticated signatures. Usufruct over the shares or units shall be established according to the procedures respectively envisaged for the purposes of its enforcement with regard to the company.

6.[21] Units and shares shall be seized and expropriated and the relevant order issued by the Judge shall be entered in the Register. Units shall be attached by notifying the debtor and the legal representative thereof, while seizure of issued shares shall also involve dispossession. The directors shall promptly make note thereof in the Share Register. The order issued by the Judge to sell the shareholding shall be notified to the company.

7.[21] If units or shares are seized or attached, the right to vote and the other administrative rights shall be exercised by the party indicated in the specific order issued by the Judge.

8. Unless otherwise indicated in the share certificate or in the order issued by the Judge, administrative rights other than those provided for in this Article shall be exercised, in case of pledge or usufruct, by pledgees or usufructuaries, while they shall be exercised by the custodian in case of seizure or attachment.

Art.25
(Units)

1. The nominal value of any unit shall be in Euros and in a percentage of the capital stock. Unless otherwise established by the articles of association, any unit shall be in proportion to the partner's contribution.

Art.26
(Transfer of units)

1. Any transfer of units *inter vivos*, either free of charge or for a fee, shall be in the form of a public deed o authenticated agreement.

2.[22] A certified copy of the deed of transfer of the unit shall be deposited with the Court Registry within thirty days following its registration, and in any case not later than sixty days following the date of execution of the deed, by and under the responsibility of the notary who has received the deed or has authenticated the signatures. If not attached, the Certificates of the transferee shall be deposited with the Court Registry together with the transfer deed and shall bear the same date as, or a date prior to that of the transfer deed. Transfers in favour of Unfit Persons shall be null and void.

3. Any transfer of units shall have effect with regard to the company starting from the moment when it is entered in the Share Register, as established in the following paragraph.

4. Upon request of the party entitled thereto, the transfer shall be entered in the Share Register following submission of the transfer deed.

[22] As superseded by Art. 19 of Delegated Decree no. 130 of 11 December 2006.

Art.27
(Shares)

1. Shares may be in the form of multiple share certificates.

2. Shares shall be indivisible.

3.[23] Shares shall indicate:

1) the business name, registered office and duration of the company;

2) the date of the memorandum of association, as well as the date and number of entry in the Register;

3) their nominal value and the amount of the capital stock.

4. Shares shall be subscribed by the legal representative of the company and by the auditors. Subscription by means of mechanical reproduction shall be valid provided that the original is deposited with the Court Registry.

5. For all shares issued by the company, the nominal value of each share shall correspond to a fraction of the capital stock.

6. Shares shall not be issued for an amount which is lower than their nominal value.

7. The rules applying to bill amortisation shall also apply to the amortisation of lost or stolen registered shares.

Art.28 [24]
(Transfer of registered shares)

1. Registered shares shall be transferred by means of a public deed or authenticated agreement. If share certificates have been issued, shares shall be transferred by endorsement, authenticated by a notary, without prejudice to the fact that the transfer shall have effect in respect of the issuing company only when entered in the Share Register.

2. The endorsee who proves to be the holder on the basis of a continuous series of endorsements shall be entitled to have the transfer entered in the Share Register.

3. A certified copy of the transfer deed shall be deposited with the Court Registry within thirty days following its registration, and in any case not later than sixty days following the date of execution of the deed, by and under the responsibility of the notary who has received the deed or who has authenticated the signatures. When not attached, the Certificates of the transferee shall be deposited with the Court Registry together with the transfer deed and shall bear the same date as, or a date prior to that of the transfer deed. Transfers in favour of Unfit Persons shall be null and void.

4. Upon request of the party entitled thereto, the transfer shall be entered in the Share Register following submission of the transfer deed.

[23] As superseded by Art. 20 of Delegated Decree no. 130 of 11 December 2006.
[24] As superseded by Art. 21 of Delegated Decree no. 130 of 11 December 2006.

5. The right of usufruct over registered shares shall have effect in relation to third parties only if indicated on the shares and in the Share Register.

Art.29
(Transfer of bearer shares)

(repealed by Art. 8 of Law no. 100 of 22 July 2009)

Art. 29 bis

(Loss, destruction or theft of bearer shares)

(repealed by Art. 8 of Law no. 100 of 22 July 2009)

Art.30
(Own units or shares)

1. In no case shall limited liability companies subscribe or buy own shareholdings.

2. Joint-stock companies shall not subscribe own shares.

3. The purchase of own shares shall be allowed only in case of fully paid-up shares, within the limits of profit that can be distributed and of provisions available resulting from the latest duly approved balance sheet.

4. The purchase shall be authorised by the General Meeting, which shall specify the relevant terms, in particular the maximum number of shares to buy, the expiration date of the authorisation to buy, as well as the minimum and maximum price of the shares.

5. In no case shall the nominal value of shares purchased under the preceding paragraphs exceed one fifth of the capital stock.

6. Directors may dispose of the shares purchased subject to the prior authorisation of the General Meeting, which shall specify the relevant terms.

7. As long as the shares are owned by the company, the right to profit sharing and stock option shall be attributed to the other shares in a proportionate manner. The right to vote shall be suspended, yet own shares shall be equally computed in the capital stock for the purpose of calculating the shareholdings necessary for the formation and the decisions of the General Meeting.

8. A reserve unavailable for distribution equal to the amount of own shares entered on the assets side of the balance sheet shall be formed and maintained until such shares are transferred or annulled.

9. In no case shall companies grant loans or provide guarantees for the purchase or subscription of own shares. Similarly, own shares that have been pledged shall not be accepted through fiduciary companies or third parties.

10. Acts done in breach of paragraphs 1, 2, 3, 4, 6 and 8 shall be null and void. Should own shares exceeding the limit established in paragraph 5 above be purchased, only the purchase of shares in excess shall be null and void.

Art.31
(Bonds)

1.[25] The General Meeting of joint-stock companies may decide to collect new capitals through the issue of registered bonds.

2. Bonds are credit instruments incorporating the right to have the capital reimbursed and interests paid, without attributing any of the rights held by partners. Companies may issue: subordinated bonds which, in certain circumstances, are reimbursed only after the claims of other company's creditors have been satisfied; irredeemable bonds having no fixed maturity, which give the subscriber the right only to have the interests paid and not to have the capital reimbursed; bonds with warrants, which, besides the rights to have the capital reimbursed and the interests paid, also give the subscriber the right to purchase or subscribe other securities under previously established conditions and to assign such right to third parties.

3. The decision of the General Meeting to issue bonds shall not become effective until the Central Bank of the Republic of San Marino has granted the relevant authorisation.

4. The overall value of all bonds issued may not exceed twice as much as the capital stock and available reserves according to the latest approved balance sheet.

5. The General Meeting may decide to issue bonds convertible into shares, establishing the exchange ratio, the period and procedures for conversion. At the same time, the company shall decide to increase the capital stock by an amount corresponding to the shares to be converted.

6. During the first month of each semester, the directors shall issue the shares due to the bond-holders who have applied for the conversion during the previous semester. Within the following month, the directors shall submit, for entry in the Register, a certificate attesting that the capital stock has been increased by an amount corresponding to the nominal value of the shares issued.

7. Until expiry of the time-limit established for the conversion, the company shall neither decide to voluntarily reduce the capital stock nor to modify the provisions in the articles of association concerning profit distribution unless the holders of convertible bonds have been given the right, by means of a registered letter sent at least ninety days prior to convening the General Meeting, to exercise the right of conversion within thirty days following the receipt of said registered letter.

8. In case of capital stock increase by capitalisation of reserves and of capital stock reduction due to losses, the exchange ratio shall be modified in proportion to the extent of the increase or reduction.

Art. 32
(Content of bonds)

1. Bonds shall be subscribed by the legal representative of the company and by the auditors and shall indicate:

[25] As amended by Art. 5 of Decree Law no. 162 of 24 September 2010, ratified with Decree Law no. 179 of 5 November 2010.

1) the business name, corporate purpose and registered office of the company, as well as the identification number in the Register of Companies;

2) the capital stock;

3) the date of the General Meeting's decision and the references of the authorisation granted by the Central Bank of the Republic of San Marino;

4) the overall amount of the bonds issued, the nominal value of each bond, the interest rate and conditions of payment and reimbursement;

5) any collateral attributed to the bonds;

6) a description of the type of bond, with an indication of its main characteristics.

2. In addition to what established in the preceding paragraph, bonds convertible into shares shall indicate the exchange ratio and the conversion procedures.

SECTION IV
RIGHTS AND DUTIES OF PARTNERS

Art.33 [26]
(Right to profits and liquidation quota)

1. All partners shall have the right to a proportional part of profits actually made, the distribution of which has been approved by the General Meeting, as well as of net assets remaining at the end of the winding-up of the company. The same shall apply to loss sharing.

2. Any agreement totally ruling out any of the partners from profits or losses shall be null and void.

Art.34
(Right to vote)

1. Each share shall ordinarily attribute to the legitimate holder a right to vote. Units shall entitle their holders to at least one vote at the General Meeting. If the unit is a multiple of a Euro, the partner shall be entitled to one vote for each Euro.

2. For special types of shares or units, the right to vote may be ruled out at the time of issue.

Art.35
(Right to information)

1. All partners shall have the right to receive information on the management, economic and financial development of the company. With regard to companies without a Board of Auditors or sole auditor, each partner, not being a director, shall have the right to freely consult the relevant documents even with the assistance of own experts.

2.[27] In any case, partners shall always be entitled to consult the Share Register and the register of meetings and decisions of the General Meeting and to obtain copy thereof.

[26] As superseded by Art. 23 of Delegated Decree no. 130 of 11 December 2006.

3. If the director fails to allow the partner to exercise his right, the latter shall be entitled to apply to the Law Commissioner, who shall adopt the measures indicated in Article 66, in compliance with the principle that the parties should be heard.

Art.36
(Right to administer)

1. The administration of a partnership shall be a prerogative of each partner separately from the others, without prejudice to any provisions to the contrary contained in the articles of association. In this latter case, if third parties have not been informed thereof, provisions to the contrary shall have no effect in relation to them.

2. With regard to companies with share capital, also non-partners may be appointed as directors.

Art.37
(Partner's right to withdrawal)

1. Unless otherwise established in the articles of association, in partnerships each partner may, at any time, withdraw from the company when this is not established for a fixed term or on just and proper grounds.

2. With regard to companies with share capital and partnerships, the right to withdrawal shall be exercised when:
- the company decides to change its type or to substantially change its corporate purpose;
- it is envisaged by the articles of association;
- it is envisaged by the law or by special laws.

3. Withdrawals shall be notified to the directors or, with regard to partnerships, to the other partners by means of a registered letter with acknowledgment of receipt and, in the cases referred to in the first paragraph, only in relation to partnerships, with at least three months prior notice. Unless otherwise established in the articles of association, the shareholding shall be liquidated within the following thirty days.

Art.38
(Liquidation in case of withdrawal)

1. Withdrawing partners shall be entitled to receive an amount of money equal to their shareholdings.

2. Unless otherwise established by the articles of association, this value shall be determined on the basis of the market value at the time withdrawal is declared. In the event of disagreement, such value shall be determined on the basis of the average net assets resulting from the balance sheets of the last three years or, if the company has been established for less than three financial years, from the balance sheets approved since its establishment.

[27] As superseded by Art. 24 of Delegated Decree no. 130 of 11 December 2006.

Art.39

(Death and exclusion of partners in partnerships)

1. With regard to partnerships, except where otherwise provided for in the articles of association, in the event of death of a partner the other partners shall settle the relevant shareholding to the heirs, unless they prefer either to dissolve or continue the company with the heirs, if the latter so agree.

2. Partners may be excluded owing to serious non-fulfilment of the obligations deriving from the law and the partnership agreement, as well as to their interdiction and disqualification. Partners who have worked for the company or have provided something to the benefit of the latter may also be excluded if they have meanwhile become incapable of carrying out the work or if the thing provided has been lost due to causes not attributable to the directors. Lastly, partners who have undertaken, by making capital contributions, to transfer the property of a thing may be excluded if such thing has been lost before the property has been acquired by the company.

3. Any exclusion shall be decided by the majority of the partners, not counting the partners concerned, and shall have effect once thirty days have elapsed from the relevant notification to the excluded partner. Within this time-limit, the excluded partner may file an appeal against this decision to the Law Commissioner, who may suspend its enforcement. If the company consists of two partners, the exclusion of one of them shall be pronounced by the Law Commissioner, upon request of the other partner.

4. Any partner undergoing bankruptcy proceedings shall be excluded by right. The same shall apply to any partner, whose particular creditor has obtained that the shareholding be settled.

5. The provisions contained in Article 38 shall apply to the settlement of shareholdings to the heirs of the deceased partner and to the excluded partner.

Art.40

(Stock option)

1. In order to increase the capital stock by issuing new shares, the General Meeting shall grant the partners – proportionally to the number of shares held by each of them – a stock option on the new shares to be issued or subscribed. The General Meeting shall specify the terms and procedures for the exercise of such stock option, which in any case shall run from the day on which the General Meeting has deposited the minutes with the Court Registry and shall be no less than ten days.

2. Those exercising the stock option, provided that they submit a relevant request, shall be granted a pre-emption right to buy non-opted shares.

3. The stock option shall not be exercised in case of newly issued shares which, according to the decision to increase the capital stock, shall be paid up through contributions in kind.

4. In case of exclusion of the stock option, the issue price of shareholdings shall be established on the basis of the value of the net assets.

5. The amounts received by the company for having issued shares at a higher price than their nominal value, including those deriving from the conversion of bonds, shall be set aside as a specific reserve.

Art.41
(Prohibition to compete in partnerships)

1. Partners of unlimited partnerships shall not perform, without the consent of the other partners, either on their own behalf or on behalf of third parties, any activity that is in competition with that of the unlimited partnership, nor shall they be partners with unlimited liability of another competitor company.

2. Consent shall be presumed if the performing of the activity or the shareholding in another company was pre-existing to the partnership agreement and the other partners were informed thereof.

TITLE II
ORGANISATION OF COMPANIES WITH SHARE CAPITAL

SECTION I
GENERAL MEETING

Art.42
(General Meeting)

1. The General Meeting is the decision-making body through which a company expresses its will.

2. The decisions adopted by the General Meeting in conformity with the law and with the provisions established by the articles of association shall be binding on all partners even if they are absent or disagree.

Art.43
(Powers of the General Meeting)

1. The General Meeting shall gather at least once a year within five months from the end of the financial year and shall be competent for:

1) approving the budget;

2) modifying the memorandum of association and the articles of association;

3) appointing and removing directors, auditors, external auditors and auditing firms;

4) establishing remunerations of directors, auditors, external auditors and auditing firms;

5) bringing an action for liability against directors, auditors, external auditors or auditing firms;

6) issuing bonds;

7) conversions, divisions, mergers and winding-ups, as well as for appointing, removing and granting powers to liquidators;

8) any other matter related to the management of the company, which is attributed to its competence by the law, the articles of association or submitted to it by the directors for consideration.

Art.44
(Functioning of the General Meeting)

1. The General Meeting shall be convened by the directors of the company.

2. The articles of association shall establish the rules and formal procedures for the convening and functioning of the General Meeting, including voting procedures.

3. The articles of association shall in any case set forth:

1) that the General Meeting take place in the territory of the Republic;

2) that the General Meeting notice contain the complete list of items on the agenda;

3)[28] that the General Meeting notice be sent by registered mail to the partners' domicile at least eight days before the meeting. With regard to joint-stock companies, the articles of association may establish that the General Meeting notice be affixed *ad valvas* at the Court at least twenty days before the date of the meeting. Without prejudice to the convening procedures established by the law, the articles of association may establish that the partners be informed of the convening also by other means of communication. The General Meeting may be convened by affixing the relevant notice *ad valvas* only in the cases provided for by the law;

4) that the General Meeting be convened also on request of a minority of al least 1/5 of the capital stock;

5) that at least two different convocations be envisaged for each meeting, and that for each convocation the quorum for the adoption and validity of decisions be specified;

6) that the decisions falling within the competence of the General Meeting be valid only if adopted the second time it is convened with the favourable vote of as many partners as are necessary to reach the majority of the capital stock attending the General Meeting; the articles of association may in any case provide for a higher quorum for the adoption of specific decisions;

7) that the right to intervene in a meeting be extended to all partners entered in the Share Register at least five days before the date of the meeting;

8) that the possibility to be represented be subject to the issue of a nominative power of attorney, in writing and valid for single meetings, not to be attributed to the directors, auditors, external auditors and employees of the company;

9) that all decisions be included in the minutes, either drafted by a notary or signed by all partners present;

10) that voting concerning people may take place by secret ballot on request of a number of partners to be determined;

11) that the General Meeting be validly gathered and legitimated to adopt decisions even on items not included on the agenda or in case convening procedures have not been complied with, except for the approval of the budget, when all those entitled thereto are present and no opposition arises in dealing with said items;

12) that, if the directors fail to convene the General Meeting on request of the minority referred to in point 4) above, each partner may request the Law Commissioner to order the convening of the General Meeting and to designate a person as its chairman;

[28] As superseded by Art. 25 of Delegated Decree no. 130 of 11 December 2006.

13) that the right to vote shall not be exercised by partners having an interest, on their own behalf or on behalf of third parties, in conflict with that of the company.

Art 44 *bis*

(General Meeting of anonymous companies with bearer shares)

(repealed)

Art.45[29]

(Oppositions to the General Meeting's decisions)

1. Against the illegitimate decisions of the General Meeting, absent or disagreeing partners, as well as directors and auditors may appeal to the Law Commissioner to request the annulment and, if appropriate, the suspension of said decisions as a matter of urgency. Such appeal shall be filed at the Court Registry within ten days following the date of deposit of copy of the minutes of the General Meeting. In case copy of the minutes of the General Meeting is not deposited, the appeal shall be filed within ten days from the moment in which the appellant has become aware of the decision, provided that more than two years have not elapsed since the adoption of the decision.

2. If the opposition appears to be *prima facie* well-grounded, the Law Commissioner may order, by decree, the temporary suspension of the decision by requiring, if deemed appropriate, the opposing partner or partners to deposit a sum for legal expenses and, where appropriate, caution money.

3. The decree shall be notified *ex officio* and at the expenses of the opponents to the directors and auditors, and a relevant note shall be made in the Register.

4. Within thirty days from the notification and unless the company has started a proceeding to confirm the opposed decision, the opposing partner or partners shall start proceedings in contentious matters to annul the decision, otherwise the opposition shall be deemed to have definitely lapsed.

5. All grounds for appeal against the same decision shall be decided in a single judgment.

6. The annulment shall not be pronounced if the decision appealed against is replaced by another decision in conformity with the law, without prejudice to the fact that the expenses for the appeal proceedings shall be borne by the company.

7. Any annulment of decisions shall not affect the right of third parties in good faith.

Art. 46

(Invalidity of the General Meeting's decisions)

1. General Meeting's decisions having impossible or unlawful subject matters shall be null and void.

2.[30] Invalidity may be relied on by any interested party.

[29] As superseded by Art. 11 of Delegated Decree no. 33 of 20 February 2008, ratified with Delegated Decree no. 49 of 19 March 2008.
[30] As superseded by Art. 27 of Delegated Decree no. 130 of 11 December 2006.

3. The provisions of ordinary cognizance proceedings shall apply.

SECTION II
DIRECTORS

Art.47
(Powers of the directors)

1. The directors shall have the power to perform all acts that are necessary or useful to achieve the corporate purpose, with the exception of those for which the law or the articles of association require a General Meeting decision.

Art.48
(Causes for ineligibility and removal from office)

1. The following persons shall not be appointed as director and, if appointed, they shall be removed from office:

1) Unfit Persons; or

2) persons who have been convicted for the facts envisaged by Article 56, paragraph 9 hereunder.

2. The articles of association may also envisage causes for incompatibility, restrictions and criteria applying to plurality of offices.

Art.49
(Appointment of directors and management procedures)

1. With regard to partnerships, each partner shall be vested with management powers, which shall be exercised separately, except for any agreement to the contrary, according to which such powers are attributed to one or more partners. In order to have effect in relation to third parties, such agreement to the contrary shall be made public by making a note thereof in the Register.

2. With regard to companies with share capital, the directors shall be appointed by the General Meeting and, for the first term of office, they shall be mentioned in the memorandum of association.

3. If the management of companies with share capital is attributed to more persons, these persons shall form the Board of Directors, the functioning of which shall be governed by ad hoc provisions contained in the articles of association, as established by Article 50 hereunder.

4. The Board of Directors may delegate, if allowed by the articles of association or by the General Meeting, part of its powers either to an Executive Committee composed of some of its members or to one or more managing directors. In any case, such delegation shall not apply to the functions concerning the drafting of the budget and to the requirements to be fulfilled in case of reduction of the capital stock due to losses.

Art.50
(Functioning of the Board of Directors)

1. The articles of association shall contain the rules governing the formal procedures for the convening and functioning of the Board of Directors. Such rules shall in any case set forth:

1) [31] that for the Board of Directors to be valid, the absolute majority of its members be a requirement and that decisions be adopted with the favourable vote of the majority of the members present, without prejudice to the fact that the articles of association may in any case provide for a higher presence and deliberative quorum, also for single decisions;

2) that vote may not be cast by proxy;

3) that decisions result from the minutes, drafted and signed by the chairman and the drafting secretary;

4) that decisions concerning people be adopted by secret ballot whenever required, in compliance with the procedures to be specified in the articles of association.

2. The articles of association may envisage that the meetings of the Board of Directors be held by video conference or teleconference, if the minutes are drafted by a notary. In this case, the articles of association shall in any case set forth:

1) that the chairman and the drafting secretary be in the Republic of San Marino;

2) that each participant be able to identify the others, by participating in real time in the discussion;

3) that each participant be allowed to consult, receive and transmit the documents concerning the meeting.

Art.51
(Duration of the office of director)

1.[32] With regard to companies with share capital, the office of director may be assigned for a maximum period of three years and may be renewed.

2. Directors may be removed from office by the General Meeting, even before expiration of the term of office, without prejudice to the director's right to claim compensation for damage in case of removal without just cause.

3.[33] Directors may resign by giving written notice to the other directors or, failing this, to the Board of Auditors, if appointed, or to the partners.

4. If the resigning director is a member of the Board of Directors, his/her resignation may be immediately effective if the majority of the Board of Directors remains in office.

5. If the majority of the directors is no longer in office during the financial year, the remaining directors shall immediately convene the General Meeting in order to replace the resigning ones.

[31] As superseded by Art. 28 of Delegated Decree no. 130 of 11 December 2006.
[32] As superseded by Art. 29 of Delegated Decree no. 130 of 11 December 2006.
[33] As superseded by Art. 30 of Delegated Decree no. 130 of 11 December 2006.

6. If the sole director or all directors are no longer in office, the General Meeting shall be urgently convened by the Board of Auditors or by the sole auditor, when appointed, or by each partner, with a view to appointing the director or the entire Board of Directors.

7. The appointment of new directors shall in any case be limited to the date of expiration of the Board of Directors to be reintegrated.

8. The expiration of the term of office of directors shall be effective from the time when the Board of Directors has been re-established.

Art.52
(Power of representation)

1. The exercise of the power of representation, through which the company acquires rights, takes obligations and appears in court, shall be a prerogative of the directors, within the limits set forth in the articles of association.

2. With regard to companies managed by a Board of Directors, the power of representation shall be a prerogative of the chairman, unless otherwise established by the articles of association.

3.[34] The power of representation shall also be a prerogative of the managing directors or of the chairman of the Executive Committee, if appointed, within the limits of the power of attorney conferred upon them.

Art.53
(Extension of the power of representation)

1. Directors having the power to represent the company may perform all acts falling within the corporate purpose except for limitations envisaged by the law or by the articles of association.

2. Failure to comply with the limitations deriving from the corporate purpose or from the articles of association shall have no effect in relation to third parties in good faith.

Art.54
(Prohibition to compete and conflict of interests)

1. Directors may neither be partners with unlimited liability in competitor companies nor perform competitor activities on their own behalf or on behalf of third parties, except when authorised by the General Meeting.

2. Any director shall inform the other directors and the auditors of all interests that he/she may have, on his/her own behalf or on behalf of third parties, in a specific transaction of the company, specifying the relevant nature, terms, origin and scope. If he/she is the managing director, he/she shall also abstain from carrying out the transaction by entrusting the latter to the Board of Directors. If he/she is the sole director, he/she shall inform the General Meeting thereof at the earliest possible occasion.

3. In the cases envisaged by the preceding paragraph, the decision of the Board of Directors shall adequately specify the reasons why the transaction is convenient for the company.

[34] As superseded by Art. 31 of Delegated Decree no. 130 of 11 December 2006.

4. The decisions adopted with the casting vote of the director in a conflict of interests, which may damage the company, may be appealed against by absent or disagreeing directors and by the auditors within ten days following the date of the decision. In any case, the rights acquired in good faith by third parties on the basis of acts performed to implement the decision shall not be affected.

5. Contracts concluded by directors representing the company in a conflict of interests, on their own behalf or on behalf of third parties, with the company, may be annulled upon request of the company if the conflict was known or identifiable by the third party.

Art.55

(Appeals against the decisions of the Board of Directors)

1. The absent or disagreeing director, the Board of Auditors or the sole auditor may appeal against the decisions of the Board of Directors that have not been adopted in accordance with the law. Article 45 shall apply insofar as it is compatible.

Art.56

(Liability of directors)

1. Directors shall fulfil the obligations imposed by the law, the memorandum of association and the articles of association and shall be jointly and severally liable for the management of the company under their mandate, except for what provided for in the following Article and without prejudice to criminal sanctions.

2. In particular, they shall be liable for:

1) regular book-keeping;

2)[35] prudential supervision of management;

3) compliance of balance sheets with the principles established by Article 75;

4) compliance of dividends with the provisions established by Article 33;

5) diligent implementation of the General Meeting's decisions and of any decision adopted by the judicial authority;

6) damages to the company caused by the use, to their own benefit or to the benefit of third parties, of data, information or business opportunities, of which they may have become aware during the fulfilment of their mandate.

3. Company managers shall have equal liability within their fields of competence.

4. The directors shall be liable towards the company's creditors for the non-fulfilment of obligations to maintain the integrity of the company assets. The creditors' action for liability may be brought when the company assets are insufficient to pay their credits.

5. The directors shall also be personally liable towards the partners and towards third parties who have suffered damages due to negligent or intentional acts performed by them.

[35] As superseded by Art. 32 of Delegated Decree no. 130 of 11 December 2006.

6. The company's action for liability against the directors shall be initiated by decision of the General Meeting and this decision may be adopted during budget debates, although this item is not on the agenda.

7. The decision concerning the action for liability shall entail the removal from office of the directors involved, provided that such decision is adopted with the favourable vote of at least one fifth of the capital stock. In this case, the General Meeting shall replace the directors concerned.

8. The company may waive its right to bring an action for liability and may come to an amicable settlement, provided that such waiver and amicable settlement are approved by a clear decision of the General Meeting and that a number of partners representing at least one fifth of the capital stock have not voted against. The waiver shall have no effect in relation to the company's creditors, while the latter may appeal against the amicable settlement only if the *actio pauliana* is applicable.

9. Directors, auditors, external auditors, liquidators and managers undergoing a criminal action due to facts related to their office or due to other criminally serious facts may be suspended from office by decision of the same body or office competent for assigning the mandate. Conviction for the facts referred to in this paragraph shall entail the definitive removal from office and interdiction to perform the functions of company director, liquidator, auditor, external auditor or manager for a period to be specified in the judgement.

Art.57[36]

(Limits of directors' liability)

1. The liability of directors shall concern actions or omissions made by them from the date on which they took office to the date on which they are replaced with other directors or with liquidators.

2. Any inculpable director not having participated in the decision making or having obtained that his/her reasoned disagreement with regard to the decisions resulting from the minutes be included therein without delay, shall not be liable for the decisions jointly adopted.

3. Directors shall not be liable towards the company for damages deriving from failure to fulfil the duties imposed by written proxy on managing directors and on the Executive Committee.

SECTION III
AUDITORS

Art.58

(Appointment, resignation and removal)

1. The appointment of the sole auditor shall be mandatory:
- in joint-stock companies;
- in the companies referred to in Article 2, paragraph 5;
- in limited liability companies when:
a) the capital stock is equal to or exceeds €77,000.00 (seventy seven thousand Euros), or

[36] As superseded by Art. 12 of Delegated Decree no. 33 of 20 February 2008, ratified with Delegated Decree no. 49 of 19 March 2008.

b) the revenues from sales and services have exceeded €2,000,000 (two million Euros) for two consecutive financial years.

2. With regard to the companies mentioned in paragraph 1, the appointment of the Board of Auditors shall be mandatory when the revenues from sales and services of the companies referred to in paragraph 1 have exceeded €7,300,000.00 (seven million three hundred thousand Euros) for two consecutive financial years.

3.[37] If the amount of proceeds from sales and services is less than the thresholds indicated in the preceding paragraphs for two consecutive financial years, the appointment of the Board of Auditors that had previously become mandatory shall cease to be so. In this case, the auditors shall be removed from office by law with the approval of the balance sheet pertaining to the financial year in which the appointment has ceased to be mandatory. The General Meeting shall be required to acknowledge the removal from office.

4. The auditors shall be appointed for the first time in the memorandum of association and subsequently by the General Meeting, without prejudice to what established by special laws in this field.

5. The auditors shall remain in office for three financial years and their mandate shall expire on the date of the General Meeting convened to approve the balance sheet pertaining to the third financial year of their office.

6. The termination of the office of auditor due to expiry of the term of office, resignation and removal from office shall have effect from the moment when they are replaced by the General Meeting.

7. The mandate of auditors shall be renewable. Auditors may freely resign, but their mandate shall be revoked only for just cause.

8. The decision to remove an auditor from office shall be approved with a decree by the Law Commissioner, after having heard the interested party.

9. Any auditor who, during a financial year and without justified reason, fails to participate in a General Meeting or in two meetings of the Board of Auditors, of the Board of Directors or of the Executive Committee shall be removed from office.

Art.59
(Replacement)

1. In case of death, resignation or removal from office of one or more auditors, the General Meeting shall be immediately convened in order to proceed to the relevant replacement.

2. The mandate of the newly appointed auditors shall expire at the same time as those already in office.

[37] As superseded by Art. 33 of Delegated Decree no. 130 of 11 December 2006.

Art.60

(Causes for ineligibility and removal from office)

1. The following persons shall not be appointed as auditor and, if appointed, they shall be removed from office:

- Unfit Persons;

- spouses, as well as relatives by consanguinity or affinity within the fourth degree of company directors;
- persons in any way connected with the company by means of employment relationships, continuous or periodic relationships concerning the provision of advice or services or other relationships of a pecuniary kind, which affect their independence;
- persons who have been excluded or stricken off from their professional registers;
- persons who have been convicted for the facts envisaged by Article 56, paragraph 9 of this Law;
- persons who have been excluded or suspended from the Register of Auditors when registration in such Register is for them a requirement for being appointed as auditors;
- persons who are directors of participating or participated companies.

2. The articles of association may also envisage causes for incompatibility, restrictions and criteria applying to plurality of offices.

Art.61[38]

(Composition of the Board of Auditors and requirements of the sole auditor)

1. The Board of Auditors, where its appointment is mandatory, shall be composed of three or five members.

2. At least two members shall be listed in the Register of Auditors.

3. If the remaining members are not listed in that Register, they shall be members of the Associations of professional accountants holding a university degree or a high-school certificate or of the Association of lawyers and notaries. Registration with foreign professional associations or the authorization to practice these professions obtained abroad shall be considered equivalent. To this end, foreign certificates and qualifications shall be considered equivalent to those of San Marino when they demonstrate that the established requirements are met.

4. The majority of the members of the Board of Auditors shall be resident in the Republic.

5. The chairman of the Board of Auditors shall be appointed by the General Meeting.

6. The sole auditor, where his/her appointment is mandatory, shall be a resident in the Republic and be listed in the Register of Auditors.

Art.62[39]

(Meetings of the Board of Auditors)

1. The Board of Auditors shall meet at least quarterly.

[38] As superseded by Art. 13 of Delegated Decree no. 33 of 20 February 2008, ratified with Delegated Decree no. 49 of 19 March 2008.
[39] As superseded by Art. 14 of Delegated Decree no. 33 of 20 February 2008, ratified with Delegated Decree no. 49 of 19 March 2008.

2. Minutes of the meetings of the Board of Auditors shall be drawn up, be included in the register envisaged by Article 72, paragraph 4, point 6) and be undersigned by all participants.

3. The Board shall be valid when the majority of its members is present and its decisions shall be adopted by majority of the members present.

4. Auditors shall be entitled to have their dissent noted in the minutes.

Art.63

(Duties and powers of the Board of Auditors or the sole auditor)

1. The sole auditor or the Board of Auditors shall:

1) ensure that the law, the articles of association and the principles of proper management are complied with by corporate bodies;

2) audit the accounts when a person entrusted with auditing has not been appointed;

3) intervene in the meetings of the Board of Directors and the Executive Committee;

4) submit to the directors written opinions, that are compulsory though not binding, prior to the accomplishment of acts aimed at changing the capital stock;

5) express their disagreement to the directors in relation to actions or facts by calling upon them to comply with the law, the articles of association and their duties of diligence and informing them of the need to fulfil certain requirements, making comments to be included in the minutes of the Board of Directors;

6) convene the General Meeting and make all the publications required by the law in the event of an omission or unjustified delay of the directors;

7) convene the meeting, after having notified the directors, if, during the accomplishment of their duties, they identify very wrongful acts;

8) fulfil the other obligations and duties required by law.

2. Auditors may, at any time:

1) proceed with inspections and controls;

2) request the directors to provide information, also with reference to participated companies, about company's transactions or specific business matters;

3) exchange information with the corresponding bodies of subsidiary and associated companies on management and control systems and general progress of the company's activity.

3. Where there is a Board of Auditors, the powers referred to in paragraph 2 may be exercised by single auditors without requiring any delegation of powers by the Board of Auditors. The decisions pertaining to the measures to undertake following the exercise of such powers shall be made by the Board of Auditors.

4. The assessments, investigations, as well as the controls, inspections and decisions of the sole auditor, the members of the Board of Auditors or the Board of Auditors itself shall be entered in the register envisaged in Article 72, paragraph 4, point 6).

Art.64
(Liability)

1. Auditors shall fulfil their duties in a professional and diligent manner, as required by the nature of their mandate. They shall be liable for the truthfulness of their certifications and maintain confidentiality on the facts and documents of which they have knowledge because of their mandate.

2. Auditors shall be liable towards the company, partners and third parties, jointly with the directors, for facts or failures committed by the latter when the damage would have not occurred if they had exercised supervision in line with the requirements of their mandate.

3. The company's action for liability shall be initiated by decision of the General Meeting. The provisions referred to in Article 56 shall apply in so far as compatible.

Art.65
(Reporting to auditors)

1. All partners can report facts they consider wrongful to the Board of Auditors or to the sole auditor who, if the report is made by a number of partners representing one fifth of the capital stock, shall investigate the reported facts without delay and submit the relevant conclusions and any proposals to the General Meeting by convening it immediately if the report appears to be well-grounded and, if appropriate, submit the report to the Court in accordance with Article 66.

Art.66
(Reporting to the Court)

1. If the are well-founded suspicions that the directors have committed serious irregularities in their management able to cause damage to the company, the sole auditor or the Board of Auditors or a number of partners representing one fifth of the capital stock may report these serious irregularities to the Law Commissioner.

2. After having heard the directors, the sole auditor or the members of the Board of Auditors, or the reporting partners, and having acquired all necessary information and completed the required summary investigations, the Law Commissioner may order an inquiry to be carried out at the company's expense, also by relying on experts appointed *ex officio*. He/she may also order that the reporting partners deposit caution money for expenses and any compensation of damages.

3. If the reported irregularities exist, the Law Commissioner, according to the circumstances, may order the adoption of urgent measures that seem to be the most adequate to limit the effects of these irregularities, and issue every provision to eliminate the irregularity and, where necessary, to ensure that the company continues to be managed. For this purpose, the Law Commissioner may convene the General Meeting for the consequent decisions and appoint a judicial administrator after removing the directors from office.

4. The judicial administrator is responsible for ordinary administration. Any action other than ordinary administration that may be required in order to prevent irreparable damage from being caused to the company shall be authorised by the Law Commissioner. The judicial administrator may bring the company's liability action against the directors and auditors and, if the company is insolvent, request that bankruptcy proceedings be initiated even if the General Meeting has not adopted any relevant decision.

5. Before the expiry of his/her mandate, the judicial administrator shall convene and chair the General Meeting to appoint the new directors and auditors or to propose the winding up of the company if there is a cause for dissolution. The judicial administrator shall deposit a report on his/her management of the company with the Court, together with the General Meeting notice.

SECTION IV
EXTERNAL AUDITORS

Art.67
(Auditing of accounts)

1. The General Meeting of companies that are obliged to have a Board of Auditors may appoint an external auditor listed in the Register of Auditors kept at the Secretariat of State for Industry to audit the accounts of the company. In this case, the Board of Auditors shall not be required to audit the accounts.

2. With regard to companies for which the appointment of an auditing firm is mandatory in accordance with a special law, said firm shall be listed in the Register indicated in the previous paragraph.

Art.68
(Auditing functions)

1. The external auditor or the auditing firm entrusted with the task of auditing accounts shall:

1) check the proper keeping of the accounts and the appropriate recording of management-related issues in the accounting records during the financial year and at least quarterly;

2) check whether the annual financial statements correspond to the figures set out in the accounting records and resulting from the assessments carried out and whether it complies with the laws regulating it;

3) shall express an opinion on the annual financial statements in the relevant report;

4) shall exchange with the Board of Auditors or the sole auditor information that is important to perform the respective tasks.

2. The external auditor or the auditing firm entrusted with the task of auditing the accounts may request to the directors documents or information required to audit the accounts and may carry out inspections. The external auditor or the auditing firm shall report the activities carried out in the relevant register envisaged by Article 72, paragraph 4, point 7) kept at the company's registered office or in a different place if so established by the articles of association.

3. When the accounts are audited by the sole auditor or the Board of Auditors, the auditing activity shall be documented in the register envisaged by Article 72, paragraph 4, point 6) and the opinion about the annual financial statements shall be expressed in the report referred to in Article 83, paragraph 2.

Art.69

(Assignment and revocation of the mandate)

1. The office of external auditor shall be assigned by the General Meeting.

2. The office of external auditor shall be assigned for a period of three financial years and expire on the date of the meeting convened to approve the balance sheet relating to the third financial year of the office.

3. The office may be renewed no more than twice and may be assigned again to the same external auditor or auditing firm only after the office has been assigned to another external auditor or auditing firm for at least three financial years.

4. The mandate may be revoked only for just cause, after having heard the opinion of the sole auditor or the Board of Auditors.

5. The decision to revoke the mandate shall be approved with a decree issued by the Law Commissioner, having heard the parties concerned.

Art.70

(Causes for ineligibility and removal from office)

1. The following persons shall not hold the office of external auditors and, if appointed, they shall be removed from office:

1) the auditors of the company or of the companies in which the company holds shares, or of companies holding shares in the company, or

2) those being qualified as ineligible under Article 60.

2. In case of auditing firms, the provisions of this Article shall apply to the directors and persons entrusted with auditing tasks.

Art.71

(Liability)

1. The persons entrusted with auditing tasks shall be subject to the provisions of Article 64 and shall be liable towards the company, partners and third parties for the damages caused by failing to fulfil their duties.

2. In case of auditing firms, the persons having audited the accounts shall be jointly and severally liable together with the firm.

TITLE III
CORPORATE DOCUMENTS AND BALANCE SHEET

Art.72
(Mandatory corporate and accounting records)

1. Companies shall keep, also in an electronic form, a journal, an inventory register and a register of depreciable assets.

2. They shall also keep, in an orderly manner, for each business the original copies of the correspondence and invoices received as well as copies of the correspondence and invoices sent.

3. The registers and documents indicated in the previous paragraphs shall be kept at the registered office of the company for five years in compliance with Section LXXI of Book II of the Statutes.

4. Companies shall also keep:

1)[40] the Share Register, indicating the number of units or shares, the personal details of those holding units or registered shares, as well as transfers and ties related thereto;

2) the Register of Bonds, indicating the number and amount of bonds issued and redeemed, the data referred to in Article 32 for each bond issued, the name and family name of those holding registered bonds, as well as transfers and ties related thereto;

3) the register of meetings and decisions of the General Meeting;

4) the register of meetings and decisions of the Board of Directors;

5) the register of meetings and decisions of the Executive Committee;

6) the register of meetings and decisions of the Board of Auditors and of the sole auditor respectively;

7) the auditing register of external auditors, only if auditing is not entrusted to the Board of Auditors.

5. The registers indicated in the previous paragraph shall be kept in the registered office of the company for its entire duration, in compliance with Section LXXI of Book II of the Statutes. These registers may also be deposited with a lawyer, a notary or accountant holding a university degree or a high school certificate, regularly enrolled in the respective San Marino Registers, without prejudice to the obligation to produce these documents to the competent authorities in case of request, assessment, or inspection. Failure to produce the documents shall result in the application of the sanctions referred to in paragraph 7.[41]

6. Before being used, all registers shall be certified by the Registration Office with indication either at the beginning or the end of the register of the number of sheets composing each register.

7. If a company or partnership does not comply with one or more of the obligations set out in this Article, an administrative pecuniary sanction ranging from €2,000.00 to €25,000.00 shall apply. In case of violations of the obligations set out in paragraphs 1, 2 and 3, the sanction shall be

[40] As superseded by Art. 34 of Delegated Decree no. 130 of 11 December 2006.
[41] As supplemented by Art. 10 of Decree Law no. 36 of 24 February 2011.

determined and applied by the Tax Office. In case of violations of the obligations set out in paragraphs 4, 5 and 6, the sanction shall be applied by the Office of Industry, Handicraft and Trade in the amount determined by the Office for Control and Supervision over Economic Activities. In the event of repeated administrative breaches referred to in this Article, the pecuniary administrative sanction shall be increased up to three times, both for the minimum and for the maximum amount, depending on the gravity of the infringement. Anyone who, during the two years prior to the last violation, commits the same administrative breach, shall be considered a repeat violator. In such a case, the voluntary cash settlement provided for in Article 33 of Law n. 68 of 28 June 1989 shall not be allowed.[42]

Art.73

(The balance sheet)

1. The balance sheet constitutes the document by means of which for each financial year coinciding with the calendar year, the directors are able to produce an asset and liability statement and the profit and loss account of the year.

Art.74

(Drawing up of the balance sheet)

1. The balance sheet shall be drawn up clearly by the directors and shall give a true and fair view of the company's assets and liabilities, financial position and operating profit or loss.

2. The financial year shall coincide with the calendar year.

3. The balance sheet shall include the following documents:

1) a statement indicating the company's assets, liabilities and net equity;

2) a statement indicating expenditure and revenue on an accrual basis highlighting the operating profit or loss;

3) notes on the accounts, which shall provide any information required to better understand the items included in the documents mentioned above and shall contain information on the company management.

4. The documents referred to in the preceding paragraph shall constitute a composite whole.

5. If the information required by specific law provisions is not sufficient to give a true and fair view, additional information required for this purpose shall be provided.

6. If, in exceptional cases, the application of a provision of the following Articles is incompatible with the true and fair view, then that provision shall not be applied. The notes on the accounts shall justify the derogation and indicate its influence on the company's assets and liabilities, financial position and on the operating profit or loss.

7. The balance sheet shall be drawn up in Euros without decimal places, with the exception of the notes on the accounts, which can be drawn up in thousands of Euros.

[42] As supplemented by Art. 10 of Decree Law no. 36 of 24 February 2011.

Art.75
(*Principles of balance sheet drafting)*

1. In drafting a balance sheet the following principles shall be observed:

1) budget items shall be assessed according to prudential criteria and with a view to continuing business, taking also account of the economic function of the asset or liability considered;

2) only profits made at the balance sheet date may be included;

3) assessment criteria shall not be modified from one financial year to the other;

4) revenues and expenditures shall be considered on an accrual basis independently from the date of collection or payment;

5) liabilities and losses on an accrual basis shall be taken into account, even if they become apparent after the balance sheet date;

6) elements of single items shall be assessed separately.

2. In exceptional cases, directors may derogate from the principles indicated in the paragraph above.

3. The notes on the accounts shall justify the derogation and indicate its influence on the company's assets and liabilities, financial position and on the operating profit or loss.

Art.76
(Structure of the asset and liability statement and of the profit and loss account)

1. Without prejudice to the provisions of special laws for companies performing special activities, the asset and liability statement and the profit and loss account shall specify, separately and in the order indicated, all items set forth in Articles 77 and 79.

2. Where useful or necessary, also in relation to the nature of the activity performed, single entries that are preceded by Arabic numerals may be broken down, without deleting the comprehensive item and corresponding amount, for the purposes of greater budget transparency.

3. Further items shall be entered when their content is not included in any of those set forth in Articles 77 and 79.

4. In respect of each item of the asset and liability statement and of the profit and loss account, the amount relating to the corresponding item for the preceding financial year shall be indicated. Where these items are not comparable, those pertaining to the preceding financial year shall be adjusted. Non-comparability and any adjustment of the figures or the impossibility thereof shall be disclosed and commented in the notes on the accounts.

5. Clearing entries shall be forbidden.

Art.77
(Contents of the asset and liability statement)

1. The asset and liability statement shall be drafted in conformity with the following scheme:

ASSETS

A) Credits/claims on company members
B) Fixed assets:
I - Intangible assets:
1) start-up and expansion costs;
2) research, development and advertising costs;
3) industrial patent rights and rights to use intellectual property;
4) concessions, licences, trade marks and similar rights;
5) goodwill, to the extent that it was acquired for valuable consideration;
6) fixed assets under construction and payments on account;
7) other fixed assets.
Total.
II - Tangible assets:
1) land and buildings;
2) plant and machinery;
3) fittings, tools and equipment;
4) other assets;
5) tangible assets under construction and payments on account.
Total.
III – Financial assets, with separate indication, on the asset side of the balance sheet, of amounts receivable within the next financial year.
1) shareholdings in:
a) subsidiary companies;
b) associated companies;
c) parent companies;
d) other companies;
2) loans to:
a) subsidiary companies;
b) associated companies;
c) parent companies;
d) others;
3) other investments;
4) own shares, also with an indication of their overall nominal value.
Total.
Total fixed assets (B);
C) Current assets:
I - Stocks:
1) raw, ancillary and consumable materials;
2) work in progress and semi-finished products;
3) contract work in progress;
4) finished goods and goods for resale;
5) payments on account.
II - Credits, with separate indications, for each balance sheet item, of amounts receivable after the next financial year.
1) to customers;
2) to subsidiary companies;
3) to associated companies;
4) to parent companies;
5) tax credits;
d) to others;

Total.
III - Financial assets that are not fixed assets:
1) shareholdings in subsidiary companies;
2) shareholdings in associated companies;
3) shareholdings in parent companies;
4) other shareholdings;
5) other investments;
6) own shares;
Total.
IV – cash balances:
1) bank and postal deposits;
2) cash and cash equivalents;
Total.
Total current assets
D) Accrued and deferred assets
Total Assets
LIABILITIES
A) Capital net worth:
I – Capital stock.
II - Share premium reserves.
III - Revaluation reserves.
IV - Statutory reserves.
V - Reserves for own shares portfolio.
VI - Other reserves, indicated separately.
VII - Profit (loss) brought forward.
VIII - Profit (loss) for the financial year.
Total.
B) Provisions for liabilities and charges:
1) for taxation;
2) other provisions;
Total.
C) Staff severance
D) Debts, with separate indication, for each balance sheet item, of amounts due after the next financial year.
1) bonds;
2) convertible bonds;
3) amounts owed to partners for financing;
4) amounts owed to banks;
5) amounts owed to other financiers;
6) payments received on account;
7) amounts owed to suppliers;
8) bills of exchange payable;
9) amounts owed to subsidiary companies;
10) amounts owed to associated companies;
11) amounts owed to parent companies;
12) tax debts;
13) amounts owed to social security institutions;
14) other debts;
Total.
E) Accruals and deferred income.
Total Liabilities

2. All guarantees made directly or indirectly shall be clearly set out at the foot of the asset and liability statement by making a distinction among performance bonds, sureties, other personal and collateral security and by indicating separately, for each type, the guarantees existing in respect of subsidiary and associated companies, as well as in respect of parent companies and companies subject to the control of the latter. Other off-balance sheet items shall also be indicated.

Art.78

(Provisions concerning single items of the asset and liability statement)

1. Assets elements bound to be used durably shall be entered under fixed assets.

2. Shareholdings in other subsidiary or associated companies which are not less than those established by Article 1 points 7) and 8) shall be considered long-term investments.

3. Provisions for liabilities and charges shall be intended to cover losses or debts the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred, or certain to be incurred but uncertain as to amount or as to the date on which they will arise.

4. Credits corresponding to accrued proceeds collectible over subsequent financial years shall be entered in “accrued assets”; debts corresponding to accrued expenditure payable over subsequent financial years shall be entered in “accrued liabilities”. Costs to be understood as outstanding that were paid by the end of the financial year but accruing in subsequent years shall be entered in “deferred assets”; proceeds to be understood as outstanding that were collected by the end of the financial year but accruing in subsequent years shall be entered in “deferred liabilities”.

5. Only parts of costs and proceeds attributable to more financial years, the amount of which changes with time, may be referred to such items.

Art.79

(Contents of the profit and loss account)

1. The profit and loss account shall be drafted in conformity with the following scheme:

A) Value of production:
   1) revenues from sales and services;
   2) variation in stock of work in progress, semi-finished goods and finished goods;
   3) change in contract work in progress;
   4) increase in company-produced additions to fixed assets;
   5) Other revenues and income, with separate indication of contributions in the accounts for the period;

Total.

B) Production costs:
   6) Raw, ancillary and consumable materials and goods for resale;
   7) outside services;
   8) Use of property not owned;
   9) personnel costs:
      a. salaries and wages;
      b. social security contributions;
      c. staff severance fund;
      d. other costs;
   10) Amortisation and depreciation:

a) Amortisation of intangible fixed assets;
b) Amortisation of tangible fixed assets;
c) Depreciation of fixed assets;
d) Depreciation of loans included in current assets;

11) Variation in stocks of raw, ancillary and consumable materials and goods for resale;
12) provisions for risks;
13) other reserves;
14) Miscellaneous operating costs;

Total.

Difference between production value and costs (A-B)

C) Financial income and charges:

15) income from shareholdings, with a separate indication of that derived from subsidiary and associated companies;
16) other financial income:
a) credits forming part of the fixed assets, with a separate indication of those derived from subsidiary and associated companies, as well as from parent companies ;
b) from investments held as fixed assets that are not shareholdings;
c) from investments held as current assets that are not shareholdings;
d) from income other than the previous ones, with a separate indication of that derived from subsidiary and associated companies, as well as from parent companies;
17) Interests and other financial charges, with a separate indication of those towards subsidiary and associated companies, as well as parent companies;

Total (15 + 16 - 17)

D) Value adjustment of financial assets:

18) valuation of:
a) shareholdings;
b) financial fixed assets that are not shareholdings;
c) investments held as current assets that are not shareholdings;
19) depreciation of:
a) shareholdings;
b) financial fixed assets that are not shareholdings;
c) investments held as current assets that are not shareholdings;

Total adjustments (18 - 19)

E) Extraordinary income and charges:

20) extraordinary income;
21) extraordinary charges;

Total of extraordinary items (20 - 21)

Result prior to taxation (A - B +- C +- D +- E)

22) income tax for the financial year;
23) profit (loss) of the financial year.

Art.80

(Entry of revenues, income, costs and charges)

1. Revenues, income, costs and charges shall be entered net of returns, discounts, allowances and premiums, as well as of taxes directly connected with the selling of products and the provision of services.

Art.81

(Criteria for evaluating the balance sheet)

1. The following criteria shall be taken into account in evaluating the balance sheet:

1) fixed assets shall be entered at their purchase or production cost. The purchase cost shall also include ancillary costs. The production cost shall include all costs directly attributable to the product;

2) the cost of fixed assets, whether tangible or intangible, the use of which is limited in time, shall be systematically depreciated in every financial year in relation to their estimated useful lives. Any changes in the depreciation criteria and in the coefficients applied shall be justified in the notes on the accounts.

3) any fixed asset that, at the date of the balance sheet, shows a permanent decrease in value compared with what determined pursuant to numbers 1) and 2), shall be written down to such lower value; this cannot be continued in the successive balance sheets if the reasons for the adjustment have ceased to apply. For fixed assets consisting of shareholdings in subsidiary or associated companies which are entered at a higher value than that deriving from application of the evaluation criteria envisaged in subsequent number 4), the difference shall be justified in the notes on the accounts.

4) instead of the criterion indicated in number 1), fixed assets consisting of shareholdings in subsidiary or associated companies may be evaluated, with reference to one or more amongst those companies, at an amount equal to the corresponding fraction of the net equity resulting from the last balance sheet of the companies themselves, after deducting the dividends. When the shareholding is entered for the first time according to the net equity method, the purchase cost exceeding the corresponding value of the net equity resulting from the latest balance sheet of the subsidiary or associated company may be entered in the assets, provided that the relevant reasons are indicated in the notes on the accounts. The difference, for the part attributable to depreciable assets or goodwill, shall be depreciated. During the subsequent financial years, the capital gains deriving from the application of the net equity method in relation to the value indicated in the previous year's balance sheet, are entered in a non-distribution reserve.

5) credits shall be entered at estimated realizable value.

6) stocks, investments and financial assets that are not fixed assets shall be entered at their purchase or production cost calculated according to number 1), or at the value based on market performance, if it is lower. This value may not be continued in the successive balance sheets if its reasons have ceased to apply. Distribution costs shall not be computed in the production cost;

7) the cost of fungible items may be calculated either on the basis of the weighted average or by the: "first in, first out" or "last in, first out" methods. If the value obtained differs materially from the current costs at the balance sheet date, the difference shall be indicated, per categories of items, in the notes on the accounts;

8) contract work in progress may be entered on the basis of contractual values accrued with reasonable certainty.

2.[43] Value adjustments and provisions may be made in compliance with tax laws.

[43] As superseded by Art. 35 of Delegated Decree no. 130 of 11 December 2006.

Art.82

(Contents of the notes on the accounts)

1. Besides what set forth by other provisions, the notes on the accounts shall indicate:

1) the company situation and overall management;

2) relevant facts occurred after the closing of the financial year;

3) foreseeable developments in management;

4) the criteria applied in evaluating budget items and value adjustments;

5) the movements in fixed assets, specifying for each item: the cost, previous revaluations, amortisation and depreciations acquisitions, movements from one item to the next, asset sales during the financial year, revaluations, amortisations and depreciation during the financial year;

6) the composition of the items: “start-up and expansion costs” and “research, development and advertising costs”, as well as the reasons for the entry and the respective amortisation criteria;

7) variations in other assets and liabilities items; in particular the formation and use relative to items of the net equity, funds and staff severance;

8) the list of shareholdings, owned either directly or through a fiduciary company or third parties, in subsidiary and associated companies, indicating for each of them the business name, registered office, capital stock, net equity, profit or loss of the last financial year, the shareholding owned and the value attributed in the balance sheet or the corresponding credit;

9) separately for each item, the amount of receivables and payables with a residual maturity of more than five years and the covered by valuable security securities with a specific indication of the nature of the security;

10) any significant effects caused by variations in exchange rates after the closure of the financial year;

11) the breakdown of the asset and liability statement items, such as “accruals and prepaid expenditure” and “deferred income and accrued liabilities” and “other funds”, when their amount is appreciable;

12) the overall financial charges ascribed to the financial year at the values entered in the assets of the asset and liability statement, separately for each item;

13) commitments that are not shown in the asset and liability statement with information about the composition and nature of such commitments and off-balance sheet items;

14) the amount of income from shareholdings other than dividends;

15) the breakdown of interests and other financial charges relating to debenture loans, amounts owed to banks and others;

16) the breakdown of the “extraordinary income” and “extraordinary charges” items of the profit and loss account;

17) the average number of employees;

18) remuneration of directors and auditors;

19) securities, financial instruments or other values issued by the company, specifying their number and the rights they attribute;

20) loans from partners to the company, divided as to their expiry date;

21)[44] the reasons for value adjustments and provisions made in accordance with tax legislation, together with relevant amounts.

Art.83[45]

(Auditors' report and deposit of the balance sheet)

1. The balance sheet shall be transmitted by the directors to the sole auditor or to the Board of Auditors, together with the notes on the accounts, at least thirty days prior to the date fixed for discussion by the General Meeting.

2. The sole auditor or the Board of Auditors shall report to the General Meeting on the results of the financial year and on the activity carried out in fulfilment of their duties and submit remarks and proposals with regard to the balance sheet and its approval, with particular reference to the derogation exercised under Article 75, paragraph 2. A similar report shall be prepared by the external auditor or by the auditing firm, if appointed.

3. The balance sheet, together with the notes on the accounts and the report prepared by the external auditor or by the auditing firm, if appointed, shall be deposited with the Court Registry at least twenty clear days before the General Meeting convened for the approval thereof. The partners shall be entitled to receive a copy of all documents from the directors.

Art.84

(Publication of the balance sheet)

1. Within thirty days following the approval, which shall take place within five months from the end of the financial year, a certified copy of the minutes recording approval of the balance sheet, together with all documents referred to in Article 83, shall be deposited by the directors with the Court Registry.

Art.85

(Abridged balance sheet)

1. Companies may draw up an abridged balance sheet when, during the first financial year or, subsequently, for two consecutive financial years, they have not exceeded two of the following thresholds:

1) total assets in the balance sheet: €3,650,000.00 (three million six hundred fifty thousand Euros);

2) revenues from sales and services: €7,300,000.00 (seven million three hundred thousand Euros);

3) average number of employees during the financial year: 50 (fifty) persons.

2. In the abridged balance sheet, the asset and liability statement shall only include the items specified in Article 77 with capital letters and Roman numerals; the amounts receivable and payable after the next financial year shall be indicated separately in item C II of the assets and D of the liabilities.

3. The profit and loss account of the abridged balance sheet shall only include the items indicated with capital letters and Arabic numbers in Article 79.

[44] As superseded by Art. 36 of Delegated Decree no. 130 of 11 December 2006.
[45] As superseded by Art. 15 of Delegated Decree no. 33 of 20 February 2008, ratified with Delegated Decree no. 49 of 19 March 2008.

4. The indications required by numbers 6), 8), 9), 15), 16), 17), 18) and 20) of Article 82 shall not be included in the notes on the accounts.

5. The companies which, in accordance with this Article, draw up their abridged balance sheets shall draw them up in the ordinary form when they have exceeded two of the thresholds indicated in the first paragraph for the second consecutive financial year.

TITLE IV
EXTRAORDINARY OPERATIONS

SECTION I
CONVERSION

Art.86
(Conversion)

1. The decision to convert a company shall result form a public deed and contain the indications provided for by the law for the memorandum of association and the articles of association applying to the new type of company. Moreover, such decision shall be entered in the Register according to the procedures envisaged for the memorandum of association.

2. The company shall maintain the rights and duties existing prior to the conversion.

3. The conversion of a partnership into a company with share capital, as well as the conversion of a company with share capital into another company with share capital with a lower capital stock, shall require the creditors' consent or an appropriate estimation to be acquired by the directors and showing the lack of impediments to the conversion.

Art.87
(Partners' liability)

1. With regard to the conversion of a company in which the partners have unlimited liability, the latter shall continue to be responsible for the company's liabilities incurred before the entry of the decision to convert the company into the Register, if it does not appear that the company's creditors have consented to the conversion.

2. The consent shall be presumed to have been given if the creditors, to whom the decision to convert the company has been notified by registered letter, have not explicitly expressed their disagreement within thirty days following the notification.

Art.88
(Allocation of shares and units)

1. When a company is converted, each partner shall be entitled to a number of shares or units proportional to the value of his/her shareholding resulting from the last approved balance sheet.

SECTION II
MERGER

Art.89
(Forms of merger)

1. By virtue of merger by acquisition, one or more companies that are dissolved without winding-up shall transfer to another company their overall assets and liabilities, as well as credits and debts, by allocating shares or units of the acquiring company to the partners of the company being acquired and possibly a cash payment not exceeding 10% of the nominal value of the shares or units allocated or, where they have no nominal value, of their accounting par value.

2. By virtue of merger by establishing a new company, one or more companies that are dissolved without winding-up shall transfer to a newly established company their overall assets and liabilities by allocating to the partners the shares or units of the new company and possibly a cash payment not exceeding 10% of the nominal value of the shares or units allocated or, where they have no nominal value, of their accounting par value.

3. Companies undergoing bankruptcy or winding-up procedures shall not be involved in the merger.

Art.90
(Draft terms of merger)

1. The directors of companies involved in a merger shall draw up the draft terms of merger, which shall in any case include:

1) the type, business name or corporate purpose and the registered office of the companies involved in the merger;

2) the memorandum of association of the new company resulting from the merger or of the acquiring company, together with any changes deriving from the merger;

3) the exchange ratio of the shares or units, as well as any cash payment;

4) the conditions for the allocation of shares or units of the company resulting from the merger or of the acquiring company;

5) the date from which such shares or units entitle to profit-sharing;

6) the date from which the transactions conducted by the companies involved in the merger are entered in the budget of the company resulting from the merger or of the acquiring company;

7) the way in which specific categories of shareholdings may be treated.

2. The cash payment referred to in point 3) of the preceding paragraph shall not exceed 10% of the nominal value of the shares or units allocated.

3. The draft terms of merger shall be deposited for their entry in the Register.

4. At least thirty days shall elapse between the date on which the draft terms are entered in the Register and the date fixed for the decision concerning the merger, unless the partners waive this time-limit with unanimous consent.

Art.91
(Asset and liability statement)

1. The directors of the companies involved in the merger shall draw up the asset and liability statement of such companies referring to a date no more than one hundred-twenty days prior to the date on which the draft terms of merger have been deposited with the registered office of the company.

2. The asset and liability statement shall be drafted in compliance with the rules governing the annual financial statements.

3. The asset and liability statement may be replaced with the balance sheet of the last financial year if the latter has been closed no more than six months prior to the date of the deposit referred to in the first paragraph.

Art.92
(Directors' report)

1. The directors of the companies involved in the merger shall draw up a report that illustrates and justifies, from a legal and economic point of view, the draft terms of merger and in particular the exchange ratio adopted for the shares and units.

2. The report shall include the criteria used to determine the exchange ratio.

3. The report shall also specify any difficulties encountered during assessment.

Art.93
(Experts' report)

1. One or more experts on behalf of each company shall draw up a report on the suitability of the exchange ratio adopted for the shares and units, which shall indicate:

1) the method or the methods used to determine the exchange ratio proposed and the values resulting from the application of each of them;

2) any difficulties encountered during assessment.

2.[46] The report shall also contain an opinion on the adequacy of the method or methods used to determine the exchange ratio and on the relative importance attributed to each of them in determining the value adopted. The expert or experts shall have been entered for at least five years in the registers of professional accountants holding a university degree or a high-school certificate. Each expert shall be entitled to obtain from the companies involved in the merger all useful information and documents and to carry out any necessary verification.

3. The expert shall be liable for any damages caused to the companies involved in the merger, their partners and third parties.

[46] As superseded by Art. 37 of Delegated Decree no. 130 of 11 December 2006.

Art.94
(Deposit of deeds)

1. A copy of the following documents shall remain deposited with the registered office of the companies involved in the merger during the thirty days prior to the General Meeting and until the merger has been decided:

1) the draft terms of merger, together with the directors' reports indicated in Article 92 and the experts' reports indicated in Article 93;

2) the balance sheets relative to the last three financial years of the companies involved in the merger, together with the reports of the directors and of the Board of Auditors or the sole auditor if appointed, as well as the reports of the external auditor and of the auditing firm if appointed;

3) the asset and liability statements of the companies involved in the merger drawn up as indicated in Article 91.

2. The partners shall be entitled to consult and obtain a copy of these documents.

Art.95
(Merger decision)

1. Any merger shall be decided by each company involved in the merger by approval of the relevant draft terms.

2. The merger decision shall be deposited for its entry in the Register within thirty days, together with the documents indicated in Article 93.

Art.96
(Creditors' opposition)

1. Any merger operation may only be carried out once sixty days have elapsed from the date on which the decisions of the companies involved have been registered, provided that the respective creditors have given their consent before the requirements envisaged by Article 90, paragraphs 3 and 4 have been fulfilled, or that the creditors who have not given their consent have been paid, or that the corresponding sums have been deposited in a San Marino credit institute.

2. During the aforementioned time-limit, the creditors indicated in the first paragraph shall be entitled to file an opposition.

3. Despite such opposition, the Law Commissioner may order that the merger operation be carried out after the company has provided an appropriate security.

Art.97
(Bonds)

1. Holders of bonds may file an opposition under Article 96.

2. Holders of convertible bonds shall be allowed, by means of a registered letter, at least ninety days prior to publication of the draft terms of merger, to exercise their conversion rights within thirty days following the receipt of the relevant notification.

3. Holders of convertible bonds who have not exercised their conversion rights shall be granted rights equivalent to those they were entitled to before the merger.

Art.98
(Merger deed)

1. Any merger shall result from a public deed.

2. The merger deed shall in any case be deposited within thirty days with the Court Registry for its entry in the Register by the notary or the directors of the company resulting from the merger or of the acquiring company. The merger deed relative to the company resulting from the merger or to the acquiring company shall not be deposited before the merger deeds of the other companies involved in the merger have been deposited.

Art.99
(Effects of the merger)

1. The company resulting from the merger or the acquiring company shall take over the rights and duties of the companies dissolved.

2. The merger shall have effect when the last registration indicated in Article 98 has been made.

3. However, a successive date may be established in case of mergers by acquisition.

4. Prior dates may also be established for the purposes of Article 90, paragraph 1, points 5) and 6).

Art.100
(Prohibition to allocate shares or units)

1. The company resulting from the merger may not allocate shares in replacement of those of the companies involved in the merger, which are held by such companies also through fiduciary companies or third parties.

2. The acquiring company may not allocate shares in replacement of those of the companies being acquired, which are held by such companies or by the acquiring company also through fiduciary companies or third parties.

Art.101
(Acquisition of wholly-owned companies)

1. The provisions of Article 90, paragraph 1, points 3), 4) and 5) and of Articles 92 and 93 shall not apply to mergers by acquisition of a company into another that owns all shares or units of the first company.

SECTION III
DIVISION

Art.102
(Forms of division)

1. In case of division, companies shall allocate all its assets to several companies, either pre-existing or newly established, or part of its assets, in this case also to a single company, and the relevant shares to its partners.

2. A cash payment shall be allowed, unless it exceeds ten percent of the nominal value of the shares allocated. It shall also be allowed that, by unanimous consent, some partners are not allocated the shares of one of the recipient companies, but the shares of the company being divided.

3. Companies undergoing bankruptcy or winding-up procedures shall not be involved in the division.

Art.103
(Draft terms of division)

1. The directors of the companies involved in the division shall draw up the draft terms of division, which shall include the details indicated in Article 90, paragraph 1, as well as a precise description of the assets to be allocated to each of the recipient companies and of any cash money.

2. If the destination of an asset item cannot be inferred from the draft terms of division, in case all assets of the company being divided are allocated, such asset item shall be distributed among the recipient companies in proportion to the share of net assets allocated to each of them, as assessed for the purposes of establishing the exchange ratio. In case of partial allocation of the company assets, such asset item shall be retained by the allocating company.

3. If the destination of liability items cannot be inferred from the draft terms of division, the recipient companies, in the first case, and the company being divided and the recipient companies, in the second case, shall be jointly and severally responsible for such liability items. Joint liability shall be limited to the effective value of the net assets allocated to each recipient company.

4. The criteria adopted to allocate the shares of recipient companies shall be indicated in the draft terms of division. If the allocation of shares to partners as envisaged in the draft terms of division is not proportional to their original shareholding, the draft terms of division shall provide that partners disagreeing with the division be granted the right to have their shareholdings purchased for a fee established according to the same criteria applying to withdrawal, indicating the parties on which the obligation to purchase is placed.

5. The draft terms of division shall be deposited in compliance with Article 90, paragraphs 3 and 4.

Art.104
(Applicable rules)

1. The directors of the companies involved in the division shall draw up the asset and liability statement and the explanatory report in accordance with Articles 91 and 92.

2. The directors' report shall also specify the criteria used to allocate the shares and shall indicate the effective value of the net assets allocated to the recipient companies, as well as, if applicable, of that retained by the company being divided.

3. Article 93 shall apply to division. The report envisaged therein shall not be required when the division is carried out by establishing one or more new companies and the allocation of shares or units is envisaged only according to proportional criteria.

4. With the unanimous consent of the partners of the companies involved in the division, the directors may be exempted from the requirement to draw up the documents envisaged in the preceding paragraphs.

5. Articles 94, 95, 96, 97, 98, 99 and 100 shall also apply to division. All references to merger contained in these Articles shall also be understood as referring to division.

Art.105

(Effects of division)

1. The division shall have effect following the last entry of the division deed in the Register. However, a successive date may be established, except for divisions by establishment of new companies. Prior dates may also be established for the purposes of Article 90, paragraph 1, points 5) and 6).

2. Any recipient company may fulfil publication requirements pertaining to the company being divided.

3. Each company shall be jointly and severally liable, within the limits of the effective value of the net assets allocated to it or retained by it, for any debts of the company being divided, which have not been paid by the company to which such debts belong.

TITLE V
DISSOLUTION AND WINDING-UP OF COMPANIES

Art.106

(Causes for dissolution)

1. A company shall dissolve and undergo winding-up:

1) because of expiration of the time-limit;

2) because of attainment of the corporate purpose or unexpected impossibility to attain it;

3) when it has become impossible for the company to operate;

4) due to capital stock reduction below the legal minimum, except where the company promptly decides to convert or to reintegrate the capital stock within the limits established by law;

5) following a decision adopted by the General Meeting;

6) if the authorisation to carry out business is withdrawn.

2. Any company shall also dissolve because of the other causes envisaged by the law and by the articles of association.

Art.107
(New transactions)

1. When a fact determining the dissolution of a company arises, the directors shall not conduct new transactions. The directors who conduct new transactions shall be jointly and severally liable for the damages incurred by the company, the partners, the creditors and third parties.

Art.108
(Winding-up)

1. When a fact determining the dissolution of a company arises, the directors shall convene the General Meeting for the purpose of appointing the liquidators.

2. Where the articles of association do not envisage how to wind up the company assets, failing the partners to reach an agreement on it or failing the directors to convene the General Meeting within thirty days from the arising of the fact determining the dissolution of the company, the winding-up shall be carried out by the liquidators appointed by the Law Commissioner *ex officio* or upon request of any interested party.

3. For serious reasons, the Law Commissioner may decide, *ex officio* or upon request of the interested parties, to withdraw the liquidators' mandate, even if they have been appointed by the company, and appoint their substitutes.

Art.109
(Powers of the liquidators)

1. Liquidators may sell or convert the company assets, accept payments and collect debts, represent the company in judicial proceedings and come to an amicable settlement, except for the duty to obtain the authorisation of the Law Commissioner where transactions concern real estate.

2. Liquidators shall not conduct transactions or start judicial proceedings in the name and on behalf of the company beyond what strictly necessary to complete the winding-up. The management of any business activity that may be useful for the purpose of winding-up shall in any case require the prior authorisation of the Law Commissioner.

3. Liquidators shall fulfil their duties in a professional and diligent manner as required by the nature of their mandate and the liability for any damages deriving from failure to comply with such duties shall be governed by Article 56.

Art.110
(Revocation of winding-up)

1. The company may revoke the winding-up, before assets start to be allocated, by decision of the General Meeting.

Art. 111[47]
(Winding-up procedure)

1. Within six months from their appointment, liquidators shall submit a report and a plan for the settlement of all debts according to the priority order envisaged by the laws in force.

2. Winding-up and bankruptcy proceedings shall be declared closed by a decree issued by the Law Commissioner, without any further formalities, if the report of the liquidator or of the bankruptcy attorney shows no assets or assets lower than €1,000.00.

3. Liquidators shall annually submit a report highlighting the key facts of the proceedings. However, the period between the registration of the winding-up decision adopted by the General Meeting or of the Law Commissioner's winding-up order and the preparation of the final winding-up balance sheet constitutes a single tax period. Therefore, liquidators shall file the tax return relative to this period in compliance with the tax legislation in force.

4. At the end of the winding-up proceedings, liquidators shall submit a final report with a plan for the distribution of any residual assets to partners. The final report shall be deposited with the Court Registry and shall be available to the interested parties for thirty days. Such deposit shall be made public by affixing the relevant notice *ad valvas* and at the Government Building.

5. If within thirty days from the expiration of the time-limit referred to in the preceding paragraph the profit-sharing plan is opposed by summoning the liquidator, the Law Commissioner shall summarily decide on the merit by delivering a judgement. Oppositions shall be combined and decided in a single proceeding, in which all partners and creditors concerned may take part. The judgment shall be binding also upon non-participants.

6. If no oppositions are submitted or if oppositions submitted are rejected, the plan shall be approved through a decree and the Law Commissioner's order shall make the plan immediately enforceable.

7. Liquidators shall convene the General Meeting for the approval of the final winding-up balance sheet, drafted on the basis of the enforceable plan. After such approval, they shall make payments to creditors and distribute residual assets to the partners.

8. Once all their duties have been fulfilled, liquidators shall request the deletion of the company from the Register of Companies. The deletion from the Register shall mean that the company no longer exists.

9. After the deletion of the company, unsatisfied creditors may submit claims against the partners, up to the sums collected by the latter on the basis of the final winding-up balance sheet, and against liquidators, if non-payment is their fault.

Art. 112
(Deposit of uncollected sums)

1. The amounts which partners and creditors are entitled to but not collected shall be deposited in a San Marino credit institute, with indication of the name and surname of the partner and the creditor. The amounts not collected in the following three years shall be transferred to the State.

[47] As superseded by Art. 35 of Law no. 129 of 23 July 2010.

Art. 113
(Deposit of company registers)

1. The company registers shall be deposited and kept for five years in the places and with the guarantees provided for by the law. Anyone shall be entitled to consult them by paying the expenses in advance.

SECTION VI
STATE OF CRISIS

Art. 114
(State of temporary crisis)

1. A company undergoing temporary difficulties in fulfilling its obligations, if there are well founded possibilities of recovery, may apply to the Law Commissioner with a view to obtaining the following for a period not exceeding two years in aggregate:

1) control of the company management and administration of its property to protect the interests of creditors, and

2)[48] the measure envisaged by Article 20 of Law no 17 of 15 November 1917.

2. If the application is accepted and the moratorium granted, the Law Commissioner may also establish all expenses, terms and conditions deemed appropriate to safeguard the rights of company creditors, as well as the overall assets of the company.

3. The person supervising the moratorium shall be appointed by the Law Commissioner and shall be responsible towards creditors for the work performed. The remuneration to said person shall be paid by the company as a pre-deduction.

4. The expenses borne by company directors during the moratorium shall not be considered as legal or bankruptcy expenses, in conformity with and for the purposes of Article 17, number 1 of the Mortgage Law.

5. If bankruptcy proceedings are started, the debts contracted by the company during the moratorium shall be treated in the same way as those contracted prior to the moratorium.

Art. 115
(State of insolvency)

1. Compulsory winding up shall be ordered by the Law Commissioner upon request of a director, an auditor, a company creditor or even *ex officio*, when the company is clearly in a state of insolvency and in the absence of the conditions necessary to start bankruptcy proceedings.

2. If compulsory winding-up is declared upon request of a creditor, the company may request the moratorium referred to in the preceding article although it is temporarily insolvent.

[48] As amended by Art. 38 of Delegated Decree no. 130 of 11 December 2006.

3. The compulsory winding-up order shall include the appointment of the judicial liquidator, shall be entered in the Register and shall be made public by affixing the relevant notice *ad valvas* and at the Government Building.

4. From the date of publication, all ongoing judicial proceedings against the company shall be suspended and no other proceedings shall be started. Moreover, debts shall be considered to have become due on that date and the relevant interests shall not be accrued during the proceedings.

5. With the compulsory winding-up order, the Law Commissioner shall establish a mandatory time-limit for company creditors to submit the claims for their credits to the Court Registry, accompanied by supporting documentation.

6. On the basis of the company registers, accounting records and creditors' claims, the liquidator shall draw up a distribution plan, taking into account preferential credits, and shall deposit such plan with the Court Registry, where it remains available to any interested party for sixty days from the date of the notice of its deposit to be affixed at the Government Building and at the Court.

7. If any oppositions are filed against the distribution plan, provided that these are filed by summoning the liquidator within thirty days following the expiration of the time-limit referred to in the preceding paragraph, the Law Commissioner shall summarily decide on the merit by delivering a single final judgement. If no opposition is filed, the plan shall be approved through an order, which is immediately enforceable.

8. The provisions on voluntary winding-up shall apply insofar as they are compatible and for the issues not expressly regulated herein.

SECTION VII
MISCELLANEOUS

Art. 116
(Disputes)

1. The companies incorporated under this Law shall be subject exclusively to the jurisdiction of the San Marino Judicial Authority for disputes arising between the partners and the company, for disputes relative to relationships deriving from the corporate agreement where the company is the defendant and for liability disputes against company directors, auditors, external auditors, auditing firms and managers, as well between them and the company.

2. The articles of association, with regard to internal relationships, or the single contracts, with regard to relationships with third parties, may freely envisage arbitration clauses on any disputes. Arbitration shall in any case take place within the territory of the Republic of San Marino.

3. The arbitration clause shall not be allowed in job contracts.

Art. 117
(Statute of limitations)

1.[49] Any action related to company management, as well as actions for liability against the company directors, auditors, external auditors, auditing firms, managers and liquidators and all actions aimed at having the company or the decisions of its General Meeting declared null and void, shall be barred after a period of two years following the date of occurrence of the action which has given rise to the dispute.

2. If the action is based on a deed which failed to be entered in the Register or deposited with the Court Registry, the time-limit shall start from the date on which the plaintiff becomes aware thereof.

3. The statute of limitations referred to in this Article shall be suspended through an extra-judicial notice in writing.

4. The running of the statute of limitations shall remain suspended as long as the directors, auditors, external auditors, auditing firms, managers and liquidators against whom the action is brought remain in office.

5. If the company is undergoing bankruptcy proceedings, the statute of limitations referred to in the preceding paragraph shall start to run as of the starting date of the proceedings.

Art. 118
(Appeals)

1. All measures relative to non-contentious proceedings adopted by the Law Commissioner in application of this Law may be appealed against to the Judge of Civil Appeals.

2. The appeal shall suspend the effectiveness of the contested measure, except where otherwise decided by the Judge of Appeal.

3. The appeal deed shall be deposited by an advocate with the Court Registry, together with the reasons and documents evidencing the appellant's interest and the grounds of the appeal, within thirty days following the notification of the measure.

4. The appeal referred to in this Article shall be subject to the tax applying to appeals relative to non-contentious proceedings.

5. No other means of appeal shall be admitted against the measures referred to in this Article.

6. Any other contentious dispute shall be governed by ordinary rules on civil litigation.

[49] As superseded by Art. 39 of Delegated Decree no. 130 of 11 December 2006.

SECTION VIII
TRANSITIONAL AND FINAL PROVISIONS

Art. 119
(Repeal)

1. The following shall be repealed:
- Law no. 68 of 13 June 1990 and subsequent amendments and integrations, with the exclusion of Article 4 (Non-commercial associations and foundations: definitions and basic provisions);
- Articles 7, 8, 8 bis, 9, 9 bis, 10, 10 bis, 10 ter, 11, 11 bis, 12, 12 bis, 13, 14, 16, 19, 20 and 21 of Law no. 53 of 28 April 1999 and subsequent amendments and integrations;
- Decree no. 9 of 1 February 2002, with reference to incompatible parts;
- Article 1, paragraph 2, point 3 and Article 3, last paragraph of Decree no. 3 of 31 January 1924;
- Articles 62 and 63 of Law no. 165 of 18 December 2003.

2. Any law provision not expressly mentioned in this Law and in contrast with any provision thereof shall be intended as repealed.

Art. 120 [50]
(Transitional provisions)

1. Companies entered in the Register on the date of entry into force of this Law shall adjust their articles of association to the new provisions contained therein by 31 May 2008, by depositing with the Court Registry a certified copy of the revised version of the articles of association as approved by the General Meeting.

2. After such date, companies having failed to adjust their articles of association to this Law shall dissolve and undergo winding-up proceedings, even *ex officio*. In the event of inaction, the Law Commissioner shall establish a time-limit not exceeding sixty days to deposit the documents attesting that the articles of association have been adjusted to the Law, or to convene an ad hoc General Meeting with a view to adopting the necessary decisions.

3. With regard to companies for which, according to the law, the appointment of the auditor shall no longer be mandatory as of the date of entry into force of this Law, the auditors shall be removed from office from 31 December 2005, without prejudice to the power of the General Meeting to extend their mandates in compliance with the minimum law requirements. The General Meeting shall be required to acknowledge the removal from office. The effects of the activities performed by the auditor prior to the entry into force of this Law shall in any case not be affected. In case of removal from office under this paragraph, any auditor shall be exempted from fulfilling all subsequent obligations, including those referred to in Article 83 of this Law.

4. In drawing up the 2006 balance sheet, it shall be possible not to indicate the amount of the corresponding item of the previous financial year.

[50] As superseded by Art. 40 of Delegated Decree no. 130 of 11 December 2006.

Art. 120 *bis*[51]
(Coordination provisions)

1. Companies incorporated pursuant to Article 12, paragraph 5 of Law no. 68 of 13 June 1990 shall be subject to this Law, without prejudice to what established by Article 2, paragraph 2 of the same Law. Nevertheless, in case of dissolution, the partner holding the licence who has incorporated the company, or the partner to whom the majority stake was transferred prior to the entry into force of this Law, shall maintain the right to reacquire ownership of the licence, provided that he/she is entitled thereto.

2. Companies incorporated prior to the entry into force of this Law shall be subject to the obligation referred to in Article 10, paragraph 5, calculating the three-year time-limit for the payment of all contributions starting from the entry into force of this Law. The document attesting the payment of the contributions shall be deposited with the Court Registry by the directors within sixty days following the date of payment.

3. Companies incorporated with the authorisation of the Congress of State prior to the entry into force of this Law may modify the corporate purpose solely with the authorisation of the Congress of State, unless they intend to be subject to the provisions of Article 9 of this Law or unless the modification consists of a mere elimination of activities or product sectors from the corporate purpose.

4. With regard to joint-stock companies with a sole partner entered in the Register prior to the entry into force of this Law, the sole partner shall have the benefit of limited liability starting from the moment when he/she has fulfilled the obligations contemplated by Article 12 of this Law, without prejudice to unlimited liability for the preceding liabilities.

5. With regard to companies entered in the Register prior to the entry into force of this Law, the indication of the date of entry in the Register, where contemplated by law, shall be replaced by the indication of the date of legal recognition.

Art. 121[52]
(Revisions)

1. The provisions of this Law may be modified by delegated decree within a maximum of twenty-four months from the date of publication of this Law.

2. Without prejudice to specific provisions contained in Law no. 168 of 22 November 2005 relative to subjective and objective requirements to be met by those wishing to incorporate a trading company, the procedures concerning company incorporation contained in Law no. 168 of 22 November 2005 shall be harmonised with the new provisions of this Law through a delegated decree to be issued within two years following the entry into force of this Law.

[51] As superseded by Art. 17 of Delegated Decree n. 33 of 20 February 2008, ratified with Delegated Decree no. 49 of 19 March 2008.
[52] As superseded by Art. 18 of Delegated Decree no. 33 of 20 February 2008, ratified with Delegated Decree no. 49 of 19 March 2008.

Art. 122
(Entry into force)

1. This Law shall enter into force on the one hundred and eightieth day following that of its legal publication.

Done at our Residence, on 2 March 2006/1705 since the Foundation of the Republic

THE CAPTAINS REGENT
Claudio Muccioli – Antonello Bacciocchi

THE SECRETARY OF STATE
FOR INTERNAL AFFAIRS
Rosa Zafferani