A C T
respecting Private Limited Companies
No. 138/1994, as amended
(1 January 2007)

SECTION I
General Provisions

Art. 1
According to the present Act a Private Limited Company denotes a Company where no
member is personally responsible for the Company’s total liabilities. The Minister of Commerce deals
with matters relating to Private Limited Companies in accordance with the Act, other than those
which relate to the registration of Private Limited Companies, but these are dealt with by the Minister
of Finance. "Minister" in the present Act refers to the Minister of Commerce, unless the Minister of
Finance be specifically named.

The share capital of a Private Limited Company shall amount to a minimum of ISK 500,000
and shall be divided into one or more shares. The Minister may amend this amount in conformity
with the changes of rate-of-exchange of the euro. The amount shall, however, at all times be based on
the entire hundred thousand ISK. Amendment to the amount shall enter into force at year’s
beginning, provided that notice thereof has been given no later than by December 15th, of the
previous year. In case a Private Limited Company meets the requirement for minimum share capital
at the time of its establishment it is not in duty bound to raise its share capital although a revision of
the minimum amount in accordance with the present paragraph lead to that the Company’s share
capital no longer reach the minimum amount of share capital necessary to facilitate the establishment
of a Private Limited Company. In case the share capital of an older Company has been raised up to or
beyond the limits of the first to fourth sentences that minimum shall not be reduced beyond that
minimum unless the low share capital of the Company has been raised or reduced simultaneously.

Private Limited Companies may determine their share capital in foreign currency, provided that
these have obtained authority from the Register of Annual Accounts for the entry of books and the
preparation of annual accounts in a foreign currency. The Companies shall maintain the new
currency unchanged for a minimum of five years, unless the Minister grant an exemption from these
time-limits.

In addition to the Icelandic krona share capital may be fixed in the following currencies:- euro,
British pound, Danish, Norwegian and Swedish kronas, United States dollar, Japanese yens and
Swiss francs. In a decision of a shareholders’ meeting an account shall be given of nominal value in
the Icelandic kronas and foreign currency. Upon conversation to another currency the nominal value
of share capital shall be in conformity with the provisions of the Act respecting Annual Accounts
concerning the conversion.

The Minister may lay down rules to the effect that other currencies may be used as a reference
and may also stipulate further conditions for share capital being fixed in another currency than the
Icelandic krona and when that conversion may be undertaken.

Private Limited Companies alone are right and in duty bound to include the word "einkahlutafélag" (Private Limited Company) in their names or the abbreviation "ehf". In other
respects the names of the Companies are subject to the provisions of the Act respecting Firms.
The name, identity number and address shall be specified in letterheads, order forms and similar documents of Private Limited Companies and their branches as well as the registering party and conceivable registration number other than the identity number. As it pertains to the branch of a Company there shall in addition hereto be specified a conceivable register or registration number of the Company in its homeland. In case the name of a Private Limited Company or a branch is used there shall be added information relating to bankruptcy administration or the handling of dissolution of the Company if that enters the question. Information in accordance with the present paragraph shall also be given on the website, if any, of Private Limited Companies and the branches thereof.

Art. 2

In case a Private Limited Company holds such a large part of the share capital in another Private Limited Company or a Public Limited Company as to wield the majority of votes in the Company, the former is considered to be a parent Company, but the latter a subsidiary Company.

In case a subsidiary Company or a parent Company along with one or more subsidiaries or more than one subsidiary Companies jointly possess such an amount of share capital in another Private Limited Company or a Public Limited Company as is referred to in para. 1, the last-mentioned Company is considered a subsidiary of the parent Company.

In case a Private Limited Company does else, on account of shareholders or agreement, hold control in another Private or Public Limited Company, the former Company is also considered to be a parent Company and the latter a subsidiary Company.

Parent and subsidiary Companies jointly constitute a group.

SECTION II

Establishment of a Private Limited Company

Art. 3

The founders of a Private Limited Company, one or more of them, shall prepare and sign a Memorandum of Association (Charter) in writing and shall register for shares. Founders alone shall be subscribers to shares. A Memorandum of Association shall contain draft Articles of Association for the Company and decisions on the matters dealt with in Art. 4.

A founder, if he is alone, or at least one founder if there are more of them, shall be resident in this Country, unless the Minister grant an exemption therefrom. The condition of residence does not, however, apply to the citizens of the States being parties to the Agreement on the European Economic Area, provided that the citizens concerned be resident in an EEA State. Neither does the condition of residence apply concerning citizens of States being parties to the Convention Establishing the European Free Trade Association or the Faroese resident in an EEA State, a State being a party to the Convention or the Faroe Islands. In such instances evidence of citizenship and residence must be produced.

Founders may be individuals, the Icelandic State and its institutes, Municipalities and their institutes, registered Public Limited Companies, registered Co-operative Societies, other registered Companies with limited liability, registered partnership Companies, registered syndicates and freehold institutes which are subject to official supervision. The Minister may grant an exemption from the conditions of the present paragraph. The aforementioned Companies and establishments resident in an EEA State, a State being a party to the Convention Establishing the European Free Trade Association or the Faroe Islands may, however, be founders without an exemption. In such instances evidence of residence must be submitted.

A founder may neither have requested or be subject to moratorium, nor may his estate be subject to bankruptcy administration. In case of an individual he shall be of legal age.

A party signing a Memorandum of Association and other foundation documents for and on behalf of a lawful party shall satisfy the conditions stipulated in respect of individuals. In addition to
his principal he shall be responsible as if he were a founder himself, except for the payment of the
shares to which his principal has subscribed.

Art. 4
The following shall at all times be specified in Memorandum of Association:-

1. The names, identity numbers and addresses of the founders;
2. how shares are divided between the founders;
3. which amount shall be paid for each share;
4. whether the Company is to sustain the costs of establishment and, in the affirmative, the
   estimated costs.

The first report of the Board of Directors shall specify the actual costs of the establishment, cf.
clause 4, para. 1.

Art. 5
Memorandum of Association shall contain special provisions:-

1. In case shares may be paid for by means of other valuables than cash;
2. in case the Company shall accept such valuables against payment by other means than shares;
3. if some founders or others shall enjoy special rights in the Company.

As it pertains to clauses 1 and 2, para. 1, there shall attach to the Memorandum of Association
a report containing:-

1. Names, identity numbers and addresses of those herein under reference;
2. a description of each payment or that which is received;
3. information concerning the method used upon the assessment;
4. specification of remuneration for that which is received and
5. a declaration to the effect that the specific valuables correspond at least to the agreed
   remuneration, including the nominal value of the shares to be issued plus a conceivable
   surcharge on account of overprice; the remuneration must not exceed the amount at which
   these valuables may be credited in the Company’s accounts.

Payment by means of values other than cash shall be of financial worth. Claims on founders
may be considered payment. The payment may not consist of the duty to discharge work or render
service.

Documents which are not largely quoted in a Memorandum of Association but referred to
therein shall attach thereto.

Agreements relating to the take-over or the purchase of firms and other items in connection
with the establishment of a Limited Company and which are not mentioned in a Memorandum of
Association are not valid vis-a-vis the Company.

Art. 6
To a Memorandum of Association there shall attach a declaration from a State Authorized
Public Accountant or an Attorney-at-Law stating that a report in accordance with para. 2, Art. 5, be
correct.

In case a Company shall in connection with its establishment, take over or purchase a concern
in operation there shall accompany the Memorandum of Association the Company’s initial Balance
Sheet confirmed by a State Authorized Public Accountant. The account shall be prepared in
conformity with the provisions of the Act respecting Annual Accounts and it shall be inscribed by an
Auditor without reservation and thereto shall attach an Auditor’s certificate stating that the concern’s status has not diminished as of the time upon which the take-over shall be based and until the establishment of the Company.

An Auditor or an Attorney-at-Law is entitled to undertake such studies as he considers necessary and he may require such information and assistance from the founders or the Company as he feels is needed in order for him to discharge his duties.

Art. 7
The founders shall submit proposals for the Articles of Association of a Private Limited Company.

The Articles of Association of a Private Limited Company shall specify the following items:-

1. The Company’s name and conceivable foreign byname;
2. the Company’s address;
3. the Company’s object;
4. the share capital;
5. as to whether the share capital be divided into shares and, in the affirmative, the amount of the shares (nominal value) and shareholders’ voting rights;
6. the number or minimum and maximum number of Directors and conceivable Reserve Directors, the tenure of office of members of the Board of Directors, the number of Auditors or Inspectors and their tenure of office;
7. how shareholders’ meetings shall be called;
8. which matters shall be submitted to an Annual General Meeting and
9. what shall be the Company’s fiscal year.

The Articles of Association shall also specify the following items to which an attitude may have been adopted:-

1. Whether shareholders shall in part or in full be subject to redemption by the Company or others of their shares and in accordance with which rules;
2. whether any obstructions be raised against shareholders’ authority for the handling of their shares, cf. Art. 14 and 15, and, in the affirmative, which, or
3. whether special rights shall attach to any shares in the Company, cf. Art. 12.

To the extent to which it is not the object of the Company to acquire financial profit for the shareholders the Company’s Articles of Association shall specify how the profit shall be appropriated and how the Company’s assets shall be treated upon dissolution of the Company.

Art. 8
A decision relating to the establishment of a Company shall be made at an establishment meeting. There shall be submitted a signed Memorandum of Association, proposed Articles of Association and other documents which are necessary. The Company is deemed to have been established if the founders are unanimous about this and the basis on which the Company is founded.

After it has been decided to establish the Company its Board of Directors and Auditors or Inspectors shall be elected.

Art. 9
A Company’s Board of Directors shall give notice of it for registration within two months as of the date of the Memorandum of Association.
A Company may not be registered unless the total share capital be paid. The same applies to that which shall be paid in excess of nominal price in conformity with the Memorandum of Association.

In case notification of the establishment of a Private Limited Company is not received by the Register of Limited Companies within the respite referred to in para. 1, registration shall be rejected. In that case the obligations of those who have subscribed to share capital will be dropped. The same applies if registration is rejected for other reasons.

Art. 10

An unregistered Company can neither acquire rights nor assume duties. Neither can it be a party to Law Court Cases.

In case a legal act be performed for and on behalf of a Company prior to the registration thereof, those having participated in the act or decisions relating thereto will be personally responsible in solidum for fulfilment. Upon registration a Company will assume the duties which are consequent of a Memorandum of Association or which a Company has undertaken after an establishment meeting.

In case a legal act be performed prior to the registration of a Company and if the contracting party was aware that the Company was not registered he may, unless otherwise agreed, invalidate the act, provided that notification to the Register of Limited Companies be not given within the respite referred to in Art. 9 or if registration has been rejected. In case the contracting party was unaware that the Company had not been registered he may invalidate the legal act while the Company remains unregistered.

SECTION III
Payment of Share Capital

Art. 11

Payment for a share may not amount to less than its nominal value and this shall be effected prior to registration, cf. para. 1, Art. 9.

Conditions which a shareholder imposes in connection with the establishment of a Private Limited Company and which do not conform with the present Act or the Memorandum of Association are invalid.

A claim which has arisen from subscription may not be set-off against a claim which a shareholder may possess against the Company, unless its Board of Directors approve thereof. The Board of Directors may, however, not give such an approval if the setting-off can cause loss to the Company or its creditors.

SECTION IV
Shares and Share Register

Art. 12

In a Private Limited Company one or more shares are the property of one or more shareholders. In case there be more than one shareholder all shares shall have equal rights having regard for the amount, unless otherwise determined in the Company’s Articles of Association. Therein may i.a. be included stipulations on classes of shares without voting rights.

Art. 13

Shares may be sold and hypothecated, unless otherwise decided in Laws or stipulated in the Company’s Articles of Association. The Articles of Association may determine restrictions on dealings in shares in conformity with the provisions of Art. 14 and 15 or special Acts.
Art. 14

It may be resolved in Articles of Association that upon change in ownership of a share other than one occurring through inheritance or administration of an estate, shareholders or others shall have priority right of purchase. Articles of Association shall then contain further rules relating to this subject and therein the following shall i.a. be specified:-

a. The order of holders of priority right of purchase;
b. provisions respecting respite for a holder of priority right of purchase to exercise his right of pre-emption which may be two months at the most and the respite will be counted as of a notification to the Board of Directors respecting offers and
c. provisions respecting respite for payment of the purchase price which may, however, not exceed three months as of the time the purchase was decided upon; if there is at hand an offer from a third party into which the holder of a right of pre-emption enters, the provisions of that offer relating to terms of payment shall, however, apply.

In case an offer apply to numerous shares of one or more shareholders it is not possible to utilize the priority right of purchase as it pertains to several of these, unless this be specifically permitted in Articles of Association. In case the Articles of Association contain provisions relating to a computation basis for the purchase price of shares this is invalid if it leads to an obviously unreasonable price for the shares or terms are obviously unreasonable in other respects.

A Company’s Board of Directors shall forthwith give holders of priority right of purchase notice in writing about a notification of offer.

In case Articles of Association do not contain provisions respecting a computation basis for purchase price and an accord relating thereto is not reached the purchase price shall be fixed by assessors appointed by a Court of Law in the Company’s venue. In case either party will not abide by the decision of the assessors appointed by a Court of Law he may submit the decision to Courts of Law, but a Lawsuit shall be instituted within three months as of the time the assessors appointed by a Court of Law completed their assessment.

Art. 15

It may be resolved in Articles of Association that hypothecation, sale or other assignment of shares may be undertaken only with the Company’s approval.

The Company’s Board of Directors will decide as to whether approval shall be granted, unless otherwise resolved in the Articles of Association. A decision as to whether or not approval shall be granted shall be made without delay and never later than two months after approval is requested. The party having sought approval shall forthwith be given notice of the Board’s decision on this matter. In case approval has not been received within two months after application in writing therefore approval shall be deemed to have been granted.

In case a Company’s Board of Directors reject sale or other endorsement of shares the shareholder may require the Company to redeem the shares in question. In case a price cannot be agreed upon this shall be fixed within three months by assessors who shall be appointed by a Court of Law in the Company’s venue. The Company will sustain the costs incurred by the assessment. In case either party will not abide by the decision by the assessors appointed by a Court of Law he may refer the decision to the Courts, but a Lawsuit shall be instituted within three months as of the time the assessors appointed by a Court of Law completed their assessment.

Art. 16

In case a shareholder owns over nine-tenth of the share capital of a Company and controls corresponding voting power the shareholder and the Company’s Board of Directors may jointly decide that other shareholders of the Company shall be subject to the shareholder’s redemption of their shares. In case this be decided upon notice shall be sent to the named shareholders in the same
manner as that which applies to the calling of an Annual General Meeting as appropriate and wherein
they are encouraged to endorse their shares to the shareholder within four weeks.

The terms of redemption and the basis of assessment of the redemption price shall be specified
in the notification. In case an accord cannot be reached concerning the price it shall furthermore be
specified that this will be determined by assessors appointed by a Court of Law in the Company’s
venue. The provisions of para. 4, Art. 14 apply. Finally information shall be granted in the notice
concerning the provisions of para. 3 of the present Article.

In case the determination of assessors leads to a higher redemption price than offered by the
shareholder that price will apply also to the shareholders in the selfsame class who have not requested
an assessment. Costs of the determination of the price will be paid by the shareholder, unless a Court
of Law consider that due to special reasons the minority of shareholders concerned shall pay the costs
in part or in full.

Art. 17

In case a share be not endorsed in accordance with the provisions of Art. 16 the value thereof
shall be paid into a deposit storage account in the name of the holder of rights. As of that time the
shareholder is deemed to be the rightful owner of the share and the previous owners’ share certificates
are invalid. Further provisions relating hereto may be laid down in Articles of Association.

Art. 18

In case a shareholder owns over nine-tenth of the share capital of a Company and controls
corresponding voting power each individual minority shareholder may require redemption with the
shareholder. The provisions of para. 4, Art. 14 and the 2nd sentence, para. 3, Art. 16 apply as
appropriate.

Art. 19

When a Private Limited Company has been established its Board of Directors shall forthwith
prepare a register of shares. It is permissible to have the register in a secure looseleaf or card form or
to computerize it.

Shares shall be recorded in numerical order in a register of shares and in respect of each share
an account shall be given of the owner’s name, identity number and address.

Share certificates may be issued in Private Limited Companies.

In case of a change of ownership of a share and the provisions of Art. 14 and 15 do not obstruct
this the name of the new shareholder shall be entered in the register of shares when he or his lawful
representative gives notice of the change of ownership and proves his right. A mention shall
furthermore be made of the date of the change of ownership and the registration. A person who has
acquired a share cannot exercise his rights in the capacity of a shareholder unless his name has been
recorded in the register of shares or he has given notice and evidence of his ownership of the share.

In case a shareholder or a holder of a lien so requires the Company shall issue a confirmation of
an entry in the register of shares.

A register of shares shall at all times be kept at a Company’s office and all shareholders and the
authorities have access thereto and may acquaint themselves with the contents thereof.

Art. 20

The conveyance of shares for ownership or hypothecation thereof will not be valid vis-a-vis the
conveyor’s creditors or mortgagor unless the Company has received notification to that effect from
the conveyor or the mortgagor.

In case a shareholder has conveyed or hypothecated the selfsame shares to more than a single
party the right of a subsequent endorsee or mortgagee will take precedence if the Company first
receives notice of conveyance or hypothecation to him and the subsequent party was bona fide at the
time of the receipt of the notification by the Company.
Art. 21

In case many parties own a share together they can apply their rights in the Company only through a joint representative.

Art. 22

In case a Private Limited Company which is the registered property of more than a single party comes into the hands of a single party the Register of Limited Companies shall be given notice thereof.

SECTION V
Increase of Share Capital

Art. 23

A shareholders’ meeting may decide upon an increase of share capital either, by means of subscription to new shares or the issue of compensation shares, cf., however, Art. 30. An increase of share capital may not be decided upon until the Company has been registered.

A proposal for the increase of share capital shall be available for study by shareholders and shall be sent to them in accordance with the rules which are specified in para. 4, Art. 63. The proposal shall furthermore be submitted at a shareholders’ meeting. If the accounts for the immediate past fiscal year are not to be debated at the selfsame shareholders’ meeting the following documentation shall also be submitted:-

a. Transcription of the accounts for the immediate past fiscal year inscribed respecting the despatch of an Annual General Meeting and transcription of Auditors’ report relating to such accounts;

b. a report by the Board of Directors wherein information is granted relating to items which are of major importance concerning the Company’s financial status and which have been subject to changes after the accounts were prepared and

c. a declaration by Auditors or Inspectors concerning the aforementioned report by the Board of Directors.

The call to a shareholders’ meeting at which a decision is to be made about an increase of share capital shall contain information about the right of shareholders or others to subscription, cf. Art. 24, and details as to how those holding subscription right shall act if they wish to avail themselves of that right. In case shareholders’ subscription right is to be deviated from the reasons therefore shall be explained.

Art. 24

Upon an increase of share capital shareholders are entitled to subscribe to new shares in direct proportion to their holdings unless the Articles of Association decide otherwise. In case any of the older shareholders does not utilize his subscription rights in full or conveys these, other older shareholders possess an increased right to subscription which they cannot convey to others.

In case of more than a single class of shares where voting rights or entitlement to dividend or allocation of the Company’s assets varies, it is possible, in the Company’s Articles of Association, to grant shareholders in these classes priority right to subscribe to shares in their own classes. In such instances shareholders in other classes can first avail themselves of the priority right to subscription in accordance with para. 1 after the shareholders specified therein.

A shareholders’ meeting may with the number of votes stipulated in Art. 68 decide to deviate from the rule specified in para. 1, provided that shareholders be in no way treated with discrimination.
A shareholders’ meeting cannot, however, decide upon a more extensive deviation from shareholders’ right to subscription than that specified in the call to the meeting without the approval of those shareholders who are subject to an abridgment of their right to subscription.

Art. 25
The following shall be mentioned in a decision relating to an increase of share capital by means of subscription to new shares:-

1. How much the share capital shall be increased and a maximum and minimum may be laid down in respect of the increase;
2. the class of shares to which the new shares shall belong if the Company has or shall have classification of shares;
3. priority right of shareholders or others for subscription to shares or who can alternatively subscribe to shares;
4. respite for subscription and shareholders’ respite to avail themselves of their priority right to subscription and the respite shall be no less than two weeks as of notification to shareholders of a decision to raise share capital which shall be sent immediately in the wake of the decision;
5. respite for the payment of shares which may, however, not be longer than until registration of increase, along with rules as to how the shares shall be divided in case those who do not hold priority right have subscribed to more share capital than is being offered, provided that the Board of Directors be not charged with the division;
6. the nominal value of shares and their rate;
7. the Company’s estimated costs on account of the increase of the share capital.

In case restrictions shall be imposed upon trading in new shares or the new shareholders shall be obligated to be subject to redemption of their shares, this shall be mentioned in the decision.

The new shares shall grant rights within the Company as of the date of registration of the increase of share capital, provided that there be no alternative decision in the resolution of the shareholders’ meeting relating to the increase.

The actual costs of the increase of share capital shall be specified in the next report of the Board of Directors accompanying the annual accounts.

Art. 26
In case the new shares may be paid for by means of the set-off of indebtedness or in another manner than with cash, rules relating thereto shall be laid down in the shareholders’ meeting’s decision on the increase of share capital. The provisions of Art. 5 - 6 shall apply hereto as appropriate. The Company’s Board of Directors shall submit a report in accordance with para. 2, Art. 5.

A report from the Board of Directors and a declaration from a State Authorized Public Accountant or an Attorney-at-Law concerning this matter shall have been available at the Company’s office for inspection by shareholders for at least a week prior to a shareholders’ meeting being held and shall also be submitted at the meeting.

The provisions of para. 1 and 2 do not apply to an increase of share capital which occurs upon merger on the basis of Section XIV of the Act respecting Public Limited Companies or Section XIV of the present Act.

Art. 27
Subscription to new shares occurs by registration in a Record of Minutes.

In case subscription has been effected with reservation the rules of para. 2, Art. 11, shall be applied as appropriate.
Art. 28
Notification of an increase of share capital will not be entered in the register of shares until the total share capital has been paid-up as well as that which is to be paid in excess of nominal value. In case notification has not been sent within a year as of the time a decision was made or registration is rejected the decision on the increase of share capital and the obligations of the shareholders who have already subscribed to shares will be dropped. Amounts which have been paid shall be refunded to subscribers without delay.

Art. 29
An increase of share capital by means of the issue of compensation shares may proceed in such a manner that transfer be effected of amounts which may in accordance with Art. 74 be paid as dividend or upon transfer from a lawful reserve fund as per para. 3, Art. 75.
The amount of the increase of share capital by means of the issue of compensation shares shall be specified in a decision on the increase of share capital. The provisions of clause, 2, para. 1, para. 2 and 3, Art. 25, shall apply to the decision.
This increase of share capital will not be valid until a decision has been recorded.

Art. 30
Provisions contained in a Company’s Articles of Association may authorize the Board of Directors to increase the share capital by means of subscription to new shares.
A shareholders’ meeting can grant a Company’s Board of Directors authority to decide upon the issue of compensation shares during a current fiscal year by an amount of up to a specified maximum. The provisions of clause 2, para. 1, 2 and 3, Art. 25, apply to the decision.
The Board of Directors may approve of requisite amendments to the Articles of Association on the basis of para. 1 and 2.

SECTION VI
Taking of Credit Subject to Special Conditions

Art. 31
A shareholders’ meeting may resolve with the plurality of votes required for the amendment of Articles of Association that the Company take a bond issue loan which entitle a creditor to convert his claim on the Company for a share in it.
The resolution of a shareholders’ meeting in accordance with para. 1 shall specify terms of credit and rules relating to conversion of the claim to shares in the Company. This shall also stipulate the creditor’s legal position in case of an increase or reduction of share capital, an issue of new convertible bonds or in case of winding-up of the Company, i.a. by means of merger, prior to the claim being converted to shares. The provisions of Art. 23 - 24, clauses 1 - 5, para. 1, 2 and 3, Art. 25 and Art. 26 - 27 apply to the decision on priority right to subscription.
In a resolution according to para. 1 the shareholders’ meeting shall grant a Company’s Board of Directors authority to raise the share capital by the amount consequent of the conversion of the bonds to shares. A shareholders’ meeting’s resolution shall be adopted to a Company’s Articles of Association. When the respite for the taking of credit has come to an end a Company’s Board of Directors may delete the provision from the Articles of Association.
In case the amount paid for a bond is lower than the nominal value of the share or shares into which the bond may be converted in accordance with the credit terms, the conversion may be undertaken only provided the balance be paid to the Company or met by means of the Company’s free capital and reserves (equity).
Art. 32

Notice of a resolution in accordance with Art. 31 shall be given within two weeks to the Register of Limited Companies. The notification shall specify the amount by which share capital may be raised and the respite within which a bond must be converted to shares.

When a respite under para. 1 has expired the Company’s Board of Directors shall forthwith advise the Register of Limited Companies of the number of bonds which have been converted to shares. In case the respite be longer than a year the Board of Directors shall, no later than a month after the end of each fiscal year, give notice of how many bonds have been converted to shares during the year. When notice of the conversion has been registered the share capital will be deemed to have been raised by the amount of the total nominal value of these shares.

A Company’s Board of Directors may effect amendments to the Articles of Association which result from the increase of share capital.

Art. 33

A shareholders’ meeting or the Company’s Board of Directors, after having been duly authorized by a shareholders’ meeting, may decide to take credit against bonds at interest based in full or in part on the dividend paid to shareholders or on a year’s profit, provided that the provisions of Laws and instructions relating to the fixing of interest be heeded.

SECTION VII
Reduction of Share Capital

Art. 34

Except for a reduction of share capital in accordance with the rules of Art. 37 and para. 4, Art. 38, a shareholders’ meeting alone may render a decision relating to a reduction. Such a decision may not be made until the Company has been registered. A call to a meeting shall i.a. specify the reasons for the reduction in accordance with para. 2 of the present Article and how this shall proceed.

The provisions of para. 2, Art. 23, apply as appropriate to decisions concerning the reduction of share capital. A decision shall make a mention of the amount by which share capital is to be reduced along with information as to how the reduction funds shall be appropriated, but these may be appropriated thus:-

1. For meeting a loss which will not be met in another manner;
2. For payment to shareholders;
3. For depreciation of shareholders’ payment obligation or
4. For contribution into a special fund which may be used in accordance with a decision of a shareholders’ meeting only.

A shareholders’ meeting may decide upon a reduction of share capital for the purpose specified in clauses 2, 3 and 4, para. 2, only provided the Board of Directors submit or approve of such a proposal. After the reduction of share capital there shall be at hand assets corresponding to at least the share capital and legally prescribed reserve funds.

If payment is to be rendered out of the Company’s assets of an amount higher than that of the reduction, this shall be stated both in the decision and an announcement in accordance with Art. 36 along with the amount being in excess thereof.

Notice of a decision concerning the reduction of share capital shall be given to the Register of Limited Companies in conformity with the rules of Section XVII.

The decision will be invalidated if notice is not given at the correct time, cf. para. 1, Art. 123.
Art. 35

In case the entire amount of reduction is to be appropriated to set-off loss notification to the effect that a reduction of share capital has been undertaken shall be given forthwith.

Art. 36

In case the amount of reduction is to be appropriated in part or in full for the purpose specified in clauses 2, 3 and 4, para. 2, Art. 34, there shall, unless the share capital be simultaneously increased by a corresponding amount, be two publications in the "Legal Gazette" of a call to the Company’s claimants to file their claims with the Company’s Board of Directors within two months as of the first publication of the call. Provided the claims filed and fallen due are not paid and a satisfactory guarantee placed in respect of the payment of claims which have not fallen due or which are in dispute the reduction of share capital may not be implemented. In case a dispute arise between a Company and claimants as to whether a guarantee which is offered be sufficient the parties concerned may within two weeks as of the time the guarantee is offered submit the matter before a District Court in the Company’s venue. At the request of the parties the Register of Limited Companies may decree whether a guarantee being offered be sufficient.

In case a Company prove that its assets exceed liabilities the Minister is authorized to grant it an exemption from the duty to issue a call to creditors in accordance with para. 1 if it is considered clear that the Company’s claimants will not sustain loss thereby.

Notice of a reduction of share capital shall, in addition to the requisite evidence, be accompanied by a declaration which has been signed by a Company’s Board of Directors and Auditors to the effect that liabilities to the Company’s creditors will not prevent a reduction of share capital.

In case notice of the implementation of reduction of share capital has not been received within a year as of the recording of the decision, it will be invalidated and the notice given in accordance with para. 5, Art. 34, shall be deleted from the Register of Limited Companies.

Art. 37

Reduction of share capital by means of the redemption of shares in accordance with specific rules may be undertaken in accordance with a decision by a Company’s Board of Directors without call under Art. 36 when the provisions respecting redemption and further rules relating to the implementation thereof have been included in a Company’s Articles of Association upon its establishment or, in case of issued shares owing to an increase of share capital, in a shareholders’ meeting’s decision concerning the increase.

A reduction of share capital in accordance with para. 1 may be undertaken only provided that the Company will, following upon the reduction, retain assets which correspond at least to the share capital and legally prescribed reserve funds.

SECTION VIII

Own Shares

Art. 38

A Private Limited Company itself may never hold more than 10% of own shares for a longer time than six months. In case the Company acquire more share capital, such as by means of purchases or through other conveyances, it shall have sold shares so that a legally stipulated limit be reached within six months. The purchase of own shares may be financed only out of the Company’s free funds.

In case a subsidiary Company acquires or takes as mortgage shares in its parent Company the provisions of para. 1 apply.
A Private Limited Company may not accept own shares as a mortgage as security for shareholders’ loans, cf. Art. 79.

In case shares are not sold at the correct time in accordance with para. 1 the Board of Directors shall arrange for reducing the share capital by the amount of the nominal value of these shares, cf. Section VII.

SECTION IX
Respecting Company Board of Directors and Manager

Art. 39

The Board of Directors of a Private Limited Company shall consist of at least three persons, unless there be four or fewer shareholders, then it is sufficient that the Board consist of one or two persons. In case the Board of Directors of a Company consist of one person at least one Reserve Director shall be selected.

A shareholders’ meeting will elect the Board of Directors. It is permissible to grant the authorities or others the right to nominate one or more Directors in the Articles of Association. The majority of the Board shall, however, at all times be elected by a shareholders’ meeting. The Directors who are elected shall all be elected at the selfsame meeting.

Upon the election of the Board of Directors majority or proportional elections may be applied and elections shall occur between individuals or lists with the names of one or more individuals.

It may be decided in Articles of Association how Directors shall be elected and the same applies to the implementation of the elections.

In case the Articles of Association do not stipulate the arrangement of the elections the elections shall proceed as majority elections between individuals.

In case Articles of Association do not contain instructions concerning the implementation of elections these shall proceed as follows:-

a. Majority Elections. In case of elections between individuals each vote may be used as often as the number of persons to be elected. In case lists be offered the list receiving the greatest number of votes will have its men elected.

b. Proportional Elections. Elections between lists and individuals. In case of elections between lists there shall, in order to establish how many candidates have been elected from each list, be written down the number of votes of the lists, each below the identifying mark of each list, thereupon half the figures, thereafter a third thereof, then a quarter etc., depending upon how many shall be elected and a maximum each list can obtain, so that the conclusive figures be in a row for each list. Thereupon the highest conclusive figures shall be marked, an equal number to the Directors to be elected, and each list will get as many persons elected as it possesses of these figures. In case there be too few names on a list to render it possible to complete the allocation of Directorships to it that list shall be bypassed and allocation shall occur to other lists in accordance with the rules described herein. In case of elections between individuals a shareholder may split his votes in any proportions he chooses himself on as many persons as are to be elected or fewer. In case a ballot ticket does not mention the division of votes between those for whom these are cast they shall be divided equally.

In case shareholders controlling at least a fifth of the share capital so require proportional elections shall be applied upon the election of the Company’s Directors.

A Directors’ commission will apply during the period specified in the Articles of Association. The electoral term shall be completed at the end of an Annual General Meeting, at the latest four years after the election.

The provisions of the Act respecting Directors apply to their Reserves.
Art. 40

A Director may give notice of the termination of his office at any time. He shall send a notification thereof to the Company’s Board of Directors and also to the person who has nominated him if he has not been elected at a shareholders’ meeting. A person who has elected or nominated a Director may dismiss him. The provisions of Art. 39 must, however, be heeded if proportional elections have proceeded, so that dismissal will require over two-third in a two-person Board, over three-quarters in a three-person Board, over four-fifths in a four-person Board, over five-sixths in a five-person Board, over six-sevenths in a six-person Board, over seven-eights in a seven-person Board, over eight-ninths in an eight-person Board, over nine-tenths in a nine-person Board etc. A shareholders’ meeting may at all times dismiss all the Directors it elected and have an election to the Board of Directors proceed anew.

If a Director’s office is concluded prior to the completion of the electoral period or if he no longer meets the conditions of Art. 42 to be able to remain on the Board and there is no Reserve to replace him, the remaining Directors are subject to the duty of arranging for the election of a new Director for the remainder of the electoral period of the former or to request a nomination. If the election pertains to a shareholders’ meeting it is, however, possible to postpone the election of a new Director until the next Annual General Meeting when an election of a Board of Directors is to be held, provided that the Board be able to render decisions with the Directors and Reserves remaining.

In case a Company become without a Board of Directors those who latest discharged Board duties shall be formally deemed to act as spokesmen until a new Board of Directors takes over.

Art. 41

A Company’s Board of Directors can engage one or more Managers. The majority of a Board shall be formed by persons who are not Managers of the Company. In case a single person be the Board of Directors he may also be the Manager. On a two-person Board one of them may be the Manager.

Art. 42

Members of the Board of Directors or Managers shall be of legal status, in control of their finances and may not during the immediate past three years have in connection with business operations been subject to Judgment for a punishable act according to the Penal Code or Acts respecting Public Limited Companies, Private Limited Companies, book-keeping, annual accounts, bankruptcies or official charges.

The Managers and at least half of the Directors shall be resident in this Country. In case of one Director the condition of residence applies to him and it also applies to one out of two Directors. The Minister may grant an exemption from the condition. Condition of residence does, however, not apply to the citizens of the States being parties to the Agreement on the European Economic Area, provided that the citizens concerned be resident in an EEA State. Neither does the condition of residence apply to citizens of States being parties to the Convention Establishing the European Free Trade Association or the Faroese resident in an EEA State, a State being a party to the Convention or the Faroe Islands. In such instances evidence must be given of citizenship and residence.

Art. 43

Upon assuming office Directors and Managers shall render a report to the Board of Directors relating to their holdings in the Company and in Companies within the selfsame group of Companies. They shall also subsequently report on their purchase and sale of such shares.

Directors and Managers may not abuse their position in dealings involving shares in the Company or Companies within the selfsame group.
Art. 44

The Company’s Board of Directors will undertake Company’s affairs and shall see to it that the Company’s organization and activities be at all times in correct and good condition. In case a Manager be engaged the Board of Directors and the Manager undertake the management of the Company, cf. para. 2, Art. 41.

The Manager undertakes the daily operation of the Company and shall in that respect follow the policy and instructions which have been laid down by the Company’s Board of Directors. Daily operations do not extend to unusual or major arrangements. The Manager may make such arrangements only in accordance with special authority from the Company’s Board of Directors, unless it be impossible to await the decisions of the Board without considerable inconvenience for the Company’s operations. In such instances the Company’s Board shall be advised about the arrangement without delay.

A Company’s Board of Directors shall see to it that the book-keeping and the handling of the Company’s funds be sufficiently supervised. In case a Manager be engaged he shall see to it that the Company’s books be entered in conformity with Laws and customs and that the handling of the Company’s assets be performed in secure manner.

The Company’s Board of Directors alone may grant Powers of Procuration.

Art. 45

When a group of Companies is formed the Board of Directors of the parent Company shall notify the Board of the subsidiary Company accordingly. The latter shall grant the former any information which is necessary relating to an assessment of the financial status of the group and its activities.

A parent Company shall grant the Board of Directors of a subsidiary Company information relating to matters of importance for the subsidiary Company. The Board of Directors of a subsidiary Company shall be given notice of contemplated decisions which are of importance for the subsidiary Company prior to a final decision being made.

Art. 46

A Company’s Board of Directors shall elect a Chairman, unless it be decided in the Articles of Association that a shareholders’ meeting shall elect a Chairman separately. The provisions of para. 3 - 7, Art. 39, concerning proportional elections, shall, however, be heeded. In case of even votes lots shall be drawn to decide the issue. The Manager of a Company may not be elected Chairman of the Company.

The Chairman will call Board meetings and see to it that other Directors be called to attend these. A meeting shall also be held at all times if required by a Director or the Manager. The Manager attends meetings of a Company’s Board of Directors although he be not a Board-member and he has the right to debate and to submit proposals there, unless the Company’s Board of Directors decide otherwise in individual instances.

It is possible to hold Board of Directors’ meetings with the assistance of electronic media as far as this is in conformity with the implementation of the tasks of the Company’s Board of Directors. The provision of the first sentence notwithstanding a Director or Manager may require that a Board meeting be held in a conventional manner. In other respects the provisions of the Act apply to Board meetings and the use of electronic documents apply, as appropriate, to electronic Board meetings and relations in connection therewith.

A Record of Minutes shall be kept to show what occurs at Board meetings and this shall be signed by those attending a meeting. A Director or a Manager who are not in agreement with a decision by the Board is entitled to have his dissenting opinion entered in the Record of Minutes.

A Company’s Board of Directors shall lay down their working rules wherein there are further stipulations concerning the execution of the Board’s work.
The provisions of para. 1 and 2 do not apply if the Company’s Board of Directors consists of a single person only. He shall generally make important decisions on Company affairs after having consulted the Manager and will enter these in the Company’s Record of Minutes as well as dates and other items of importance.

Art. 47

A multi-member Board of Directors is competent to make decisions when the majority of the Directors attend a meeting, provided that stricter requirements be not stipulated in a Company’s Articles of Association. An important decision may, however, not be made unless all the Directors have been in a position to debate the matter, if possible. In case a Director be excused on account of indisposition, absence and the like and a Reserve has been selected he shall be afforded an opportunity of participating in Board meetings for the duration of the unavoidable absence.

A simple plurality of votes will decide issues at Board meetings, unless the Articles of Association stipulate otherwise. It may be stipulated in Articles of Association that the Chairman’s vote decide the issue when votes break even.

Art. 48

A Director or a Manager may not participate in the handling of a matter relating to the preparation of an agreement between the Company and himself, legal action against himself or the preparation of agreement between the Company and a third person or legal proceedings against a third person if he has considerable interests to safeguard and which might be in conflict with the Company’s interests. A Director and a Manager are in duty bound to disclose information about such incidents.

Art. 49

A Company’s Board of Directors will represent and sign for the Company.

A Company’s Board of Directors may grant Directors, Managers or others authority to sign for the Company, provided that the Articles of Association do not make alternative stipulations. The provisions of Art. 42 and 48 apply to those authorized to sign for the firm and who are not Directors or Managers.

The right of signature may be limited to such an extent that more than one person shall jointly wield it. It is not possible to register other limitations to the right of signature.

A Company’s Board of Directors may at any time withdraw authority to sign for the firm which they have granted.

Art. 50

A Manager may at all times represent the Company in matters being within his scope in accordance with the provisions of Art. 44.

Art. 51

A Company’s Board of Directors, Manager and those others being authorized to represent the Company may not make any such arrangements as are obviously suited to acquire improper interests for specific shareholders or others at the expense of other shareholders or the Company.

A Company’s Board of Directors and Manager may not carry out the decisions of a shareholders’ meeting or other parties administering the Company if the decisions are invalid on account of the fact that these are in conflict with Laws or Company Articles of Association.

In case there be a single shareholder only in a Private Limited Company contracts between himself and the Company shall be entered in a Record of Minutes or prepared in writing in an alternative manner, unless there be a case of contracts constituting an item of daily transactions at customary terms.
Art. 52
In case a party representing a Company in accordance with the provisions of Art. 49 - 50 performs a legal act for and on behalf of the Company that act binds the Company, unless:-

1. He has exceeded the limits of his authority which are determined in the present Act;
2. He has exceeded the limits of his authority in another manner and provided his negotiating party has or should have been aware of the lack of authority and it must be considered unreasonable for the other party to pursue his right.

The publication of a notice in accordance with para. 1, Art. 125, concerning the object of the Company according to its Articles of Association will not individually and separately be considered to constitute sufficient evidence to the effect that the negotiating party has or should have been aware of the lack of authority in accordance with clause. 2, para 1 of the present Article.

Art. 53
After notice has been published in the "Legal Gazette" of the election or nomination of members of the Board of Directors or the engagement of a Manager in conformity with Art. 125 the Company cannot plead vis-a-vis a third party defects upon the election, nomination or engagement, unless the Company show that he has been aware of the defect.

Art. 54
An Annual General Meeting will annually determine the wages of Directors.
A Company’s Board of Directors will determine the wages and terms of a Manager.

Art. 54 a
The Board of Directors of a Company, in duty bound to elect an Auditor in accordance with para. 1-3, Art. 98 of Act No. 3/2006 respecting Annual Accounts, shall approve the Company’s remuneration policy concerning wages and other payments to the Chief Executive Officer and other supreme Officers of the Company as well as its Directors. The remuneration policy shall reveal the basic items concerning the remuneration of Officers and Directors and a Company’s policy concerning agreements with Officers and Directors. It shall also be revealed there whether and under which circumstances and within which framework it be permissible to pay or compensate Officers and Directors in addition to basic wage, i.a. in the form of:-

   a. the delivery of shares;
   b. performance-linked payments;
   c. shares, purchase and sale rights, priority purchase right and other kinds of payments which are linked to shares in the Company or development of the price of shares in the Company;
   d. loan agreements (thereunder special credit terms), provided that these be permitted under the present or other Acts;
   e. pension agreements;
   f. retirement agreements.

The remuneration policy is binding for the Company’s Board of Directors as it pertains to payments under clause c, para. 1. In other respects the remuneration policy is guidance for the Company’s Board of Directors, unless it has been determined in the Company’s Articles of Association that this shall be binding. The Company’s Board of Directors shall publish the remuneration policy in connection with the Company’s Annual General Meeting. The Company’s Board of Directors shall also enlighten the parties with whom it negotiates about what be contained in the remuneration policy, including to which extent it be binding.

The remuneration policy shall be approved at the Company’s Annual General Meeting with or without amendments. There the Company’s Board of Directors shall also give an account of the
remuneration of the Company’s Officers and Directors and the estimated costs on account of the right of share purchase options and explain the implementation of an approved remuneration policy.

In case the Company’s Board of Directors deviate from the remuneration policy this shall be substantiated in each individual instance in the Record of Minutes of the Company’s Board of Directors.

SECTION X
Shareholders’ Meetings

Art. 55
A shareholders’ meeting wields supreme power in the affairs of a Private Limited Company in accordance with that which is decided in Laws and the Company’s Articles of Association.

Shareholders wield their power to decide upon the Company’s affairs at shareholders’ meetings. This does, however, not apply to a Private Limited Company of a single party only. There a shareholder replaces a shareholders’ meeting, makes decisions himself for and on behalf of the Company and enters these in a Record of Minutes.

All shareholders are authorized to attend shareholders’ meetings and to speak there.

Art. 55 a
In case there is no different stipulation in a Company’s Articles of Association a Board of Directors may determine that shareholders may participate electronically in shareholders’ meetings, including the casting of votes, without being present.

A shareholders’ meeting may decide that a shareholders’ meeting will be held electronically only. It shall be revealed in the decision how electronic media in connection with participation in the shareholders’ meeting shall be used. The decision shall be adopted in the Company’s Articles of Association. The provisions of Art. 68 shall apply to the decision and amendments thereof.

The Company’s Board of Directors will determine which requirements shall be specified for technical outfit for use at shareholders’ meetings which are held electronically in part or in full. In a call to a shareholders’ meeting there shall be presented information on technical outfit and details of how shareholders can give notice of their electronic participation and where they can obtain information about the implementation of electronic participation at a shareholders’ meeting.

A condition for the holding of an electronic shareholders’ meeting is that the Company’s Board of Directors see to it that the meeting may proceed in a secure manner. The equipment which is used shall be such that it be ensured that legal conditions stipulated for a shareholders’ meeting be met, including the right of shareholders to attend a shareholders’ meeting, speak there and cast votes. The technical outfit shall also render it possible to confirm in a secure manner which shareholders attend the meeting and the votes they wield as well as the conclusions of the castings of votes.

A shareholders’ meeting may determine that shareholders participating in an electronic shareholders’ meeting shall submit questions about the agenda or documents submitted et al., which are connected with the shareholders’ meeting, within a respite which shall be determined in the Articles of Association. A decision by a shareholders’ meeting shall be incorporated into the Company’s Articles of Association. The provisions of Art. 68 apply to the decision and amendments thereof.

In other respects the provisions of the present Act on shareholders’ meetings apply, as appropriate, to electronic shareholders’ meetings.

Art. 55 b
A shareholders’ meeting may render a decision on the use of electronic communications of documents and electronic mail in communication between the Company and its shareholders instead of sending or submitting documents written on paper. It is possible to use electronic communication
between the Company and its shareholders, formal requirements which have been made in decisions concerning the pertaining documents and notifications notwithstanding.

In a decision on the basis of para. 1 it shall be revealed to which notifications and communications the decision extends and how it is permitted or obligatory to use electronic communications. It shall also be revealed in the decision where shareholders can find information concerning the implementation of electronic communication and the requirements relating to technical outfit.

A decision by a shareholders’ meeting on the basis of para. 1 and para. 2 shall be incorporated into the Company’s Articles of Association. The provisions of Art. 68 apply to the decision and amendments thereof.

Although a shareholders’ meeting has not rendered a decision to adopt electronic communications between the Company and shareholders on the basis of para. 1 it is permissible to use electronic communications between the Company and the shareholders who have negotiated this.

Where Laws stipulate that notifications from the Company, i.a. to shareholders, shall be communicated by means of official calling in or notice in the “Legal Gazette” electronic notifications on the basis of para. 1 cannot replace this.

Art. 56

A shareholder may have his representative attend a shareholders’ meeting on his behalf. A shareholder is authorized to attend a meeting along with an advisor. An advisor has neither the right to speak, submit proposals nor vote at shareholders’ meetings.

A representative shall submit a dated Power of Attorney in writing. Power of Attorney will never remain valid for more than five years as of its date. Power of Attorney may be withdrawn at any time.

Art. 57

Each share grants the right to vote. It may be decided in Company Articles of Association that increased voting value attach to specific shares and that shares may even be without voting rights.

It may be determined in Articles of Association that nobody can on his behalf or that of others control more than a limited share of the aggregate votes in the Company.

A Company’s own shares and those held by a subsidiary in a parent Company will not enjoy voting rights. Such shares shall not be included when the approval of all shareholders, a specific majority of the total share capital or that which is wielded at a shareholders’ meeting is required.

A shareholder himself, acting with a representative or as a representative for others, is not permitted to participate in voting at a shareholders’ meeting on legal proceedings against himself or on his liability toward the Company. The same applies to legal action against others or relating to the liability of others if a shareholder has considerable interests to safeguard there and which might be in conflict with the Company’s interests.

Art. 58

A shareholders’ meeting shall be held at a Company’s domicile, unless Company Articles of Association stipulate that a meeting shall or may be held at another place. It is permissible to hold a shareholders’ meeting elsewhere if that is necessary due to specific reasons.

Art. 59

An Annual General Meeting shall be held as Company Articles of Association determine, but yet no less than once a year and never later than eight months as of the end of each fiscal year. Annual accounts and Auditors’ or Inspectors’ report shall be submitted at an Annual General Meeting. A consolidated account shall also be submitted in a parent Company.

A decision on the following shall be made at an Annual General Meeting:-
If shareholders controlling a minimum of a third of the share capital so require in writing at an Annual General Meeting, decisions on the matters specified in clauses a and b, para. 2, shall be deferred until an extended Annual General Meeting which shall be held at the earliest one month and at the latest two months later. Further postponement cannot be required.

In case of a single shareholder he shall make decisions in accordance with the present Article.

Art. 60
An extraordinary meeting shall be held when the Company’s Board of Directors deem this necessary. An extraordinary meeting shall be called within fourteen days if shareholders controlling a minimum of a tenth of the share capital so require in writing and specify the agenda, provided that a lower limit be not fixed in Company Articles of Association.

Art. 61
Each shareholder is entitled to have a specific matter taken for consideration at a shareholders’ meeting if he submits a requirement in writing relating thereto with the Company’s Board of Directors at such extensive advance notice that it be possible to introduce the matter to the agenda of the meeting.

Art. 62
A Company’s Board of Directors will undertake the calling of shareholders’ meetings. If the Company has no active Board of Directors or the Company’s Board omit calling a shareholders’ meeting which shall be held in accordance with Laws, Company Articles of Association or a decision by a shareholders’ meeting the Minister shall have the meeting called if a Director, Manager, Auditor, Inspector or shareholder so requires. A representative of the Minister shall direct shareholders’ meetings which the Minister has had called, cf. para. 3, Art. 65, and the Company’s Board of Directors are in duty bound to hand over to him a register of shares, the Company’s Record of Minutes and Audit.

The Treasury will temporarily pay costs on account of the meeting. It is, however, permissible to impose a condition to the effect that the party requesting a meeting to be called shall lay down security for the payment of costs. The Company will finally sustain the costs. In case the Company does not pay an invoice within three months as of the date thereof the party requesting the meeting, however, forfeits his security funds, but possesses, in its stead, a claim on the Company.

The provisions of Art. 55a notwithstanding the Minister may decide that a shareholders’ meeting which the Minister calls in accordance with para. 2 shall be held in a conventional manner.

Art. 63
A shareholders’ meeting shall be called at the earliest four weeks in advance of a meeting and, in case longer notice be not stipulated in Company Articles of Association, at least a week before a meeting. In case it be approved to postpone a shareholders’ meeting for more than four weeks the extended meeting shall be called. If the validity of a decision by a shareholders’ meeting is under Company Articles of Association subject to the approval of two meetings the call to the latter meeting
shall not be undertaken until the former meeting has been held. The call for that meeting shall specify
the decision of the previous meeting.

Meetings shall be called in the manner decided by Company Articles of Association. A call
shall, however, be in writing to all the shareholders having requested this and who are recorded in the
register of shares.

A call to a meeting shall specify the matters to be taken for consideration at a shareholders’
meeting. In case a proposal for amendments to the Articles of Association of a Company shall be
taken for consideration at the meeting the main subject of the motion shall be specified in a call to a
meeting.

At least a week before a shareholders’ meeting the agenda and, final proposals and annual
accounts (if a parent Company also a consolidated account), the Board’s report and Auditors’ or
Inspectors’ report and the proposals of the Board of Directors on the remuneration policy in
Companies in duty bound to elect an Auditor, cf. Art. 54a, in case of an Annual General Meeting,
shall be submitted on view for shareholders at a Company’s offices and simultaneously sent to any
registered shareholder who requests this.

The formal rules of para. 1 - 4 may be omitted if all shareholders attend a shareholders’
meeting and are agreed thereto.

Art. 64

It is not possible to take for final decision at a shareholders’ meeting matters which have not
been specified in an agenda unless this meets the approval of all of the Company’s shareholders, but a
resolution thereon may be made as guidance for the Company’s Board of Directors. Although a
matter has not been mentioned in an agenda this will not prevent a decision that an extraordinary
meeting be called to debate the matter, but an Annual General Meeting may also at all times despatch
a matter which it is obligatory to take for consideration there in accordance with Laws or Company
Articles of Association.

Art. 65

A Chairman will direct a shareholders’ meeting. The meeting will elect a Chairman from
among shareholders or others, unless Company Articles of Association stipulate otherwise.

The Chairman of a Company’s Board of Directors or another person nominated by the Board
will open a shareholders’ meeting and direct elections to the Chair.

In case a shareholders’ meeting be called in accordance with para. 2, Art. 62, the representative
of the Minister will decide upon a Chairman.

When a meeting has been opened a list shall be prepared of shareholders and shareholders’
representatives attending the meeting in order that it be clear how many shares and number of votes
each of them controls. This list shall be used until a shareholders’ meeting might effect amendments
to it.

A Chairman of a meeting shall have a Secretary elected to keep the Record of Minutes.
Decisions by a shareholders’ meeting and the results of elections shall be entered in the Record of
Minutes. A list of the shareholders and representatives present shall be entered in the Record of
Minutes or attached thereto. The Minutes shall be read aloud at the end of a meeting and comments
shall be entered therein, if presented. The Chairman and Secretary of the meeting shall sign the
Record of Minutes.

At the latest fourteen days after a shareholders’ meeting shareholders shall have access to the
Record of Minutes or a certified transcription of Minutes at the Company’s offices. A Record of
Minutes shall be preserved in a secure manner.

Art. 66

When a shareholder so requires and that may be done without loss to the Company in the
opinion of the Company’s Board of Directors, the Board and the Manager shall submit to a
shareholders’ meeting information relating to such matters as are of importance for assessment of the Company’s annual accounts and its status in other respects or which may have an effect upon the shareholders’ attitude to matters which are to be decided upon at the meeting. The duty to grant information also applies to the Company’s connection with other Companies within the selfsame group.

If information is not available at a shareholders’ meeting, shareholders shall within fourteen days thereafter have access to information in writing with the Company and this shall also be sent to the shareholders who have so requested.

Art. 67

A simple plurality of votes will decide issues at a shareholders’ meeting, unless otherwise stipulated in Laws or Company Articles of Association. In case votes break even at elections in the Company lots drawn will decide the issues, unless otherwise stipulated in Company Articles of Association.

Art. 68

A decision relating to an amendment to Company Articles of Association shall be made at a shareholders’ meeting, unless the Board of Directors have authority to amend the Articles according to the present Act. A decision will become valid only provided it obtain the approval of a minimum of two-third of the votes cast and also the approval of shareholders controlling at least two-third of the share capital in respect of which votes are wielded at the shareholders’ meeting. In the instances dealt with in para. 2, Art. 55a, and para. 3, Art. 55b, it is also a condition for amendments of the Company’s Articles of Association that shareholders controlling a quarter of the share capital do not cast votes against the decision. A decision shall in other respects meet further instructions which may be stipulated in Company Articles of Association in addition to the special provisions of Art. 69.

Notice of the approval of amendment to a Private Limited Company’s Articles of Association shall be given forthwith to the Register of Limited Companies and the amendment will not enter into force until it has been recorded.

Art. 69

The approval of all shareholders is required in order that decisions on the following amendments to Company Articles of Association enter into force:

1. To abridge shareholders’ right to the payment of dividend or to other allocation from the Company for the benefit of others than shareholders;
2. to increase shareholders’ liabilities toward the Company;
3. to limit shareholders’ authority for the handling of their shares under the provisions of Art. 14 and 15 or to obligate shareholders to be subject to redemption of their shares without there being a case of dissolution of the Company.

A decision relating to amendment to Company Articles of Association which abridges the right of shareholders to dividend or other payment out of the Company’s assets without, however, clause 1, para. 1 applying, will be valid only provided shareholders controlling over nine-tenth of the share capital in respect of which votes are wielded at a shareholders’ meeting vote for it.

A decision relating to amendment to Company Articles of Association which deranges the judicial relationship between shareholders will be valid only provided those shareholders who are to be subject to an abridgement of rights vote for it. In case there be more than a single class of shares in the Company it is possible to effect an amendment to Company Articles of Association which causes derangement of the judicial relationship between the classes of shares if shareholders owning more than nine-tenth of the share capital in the class of shares due to be subject to abridgement and
whose votes are represented at a meeting and more than half of the class of shares as a whole vote for the amendment.

Art. 70

A shareholders’ meeting may not reach a decision which is obviously suited to acquire improper interests for specific shareholders or others at the expense of other shareholders or the Company.

Art. 71

A shareholder, a Director or a Manager may institute legal proceedings on account of a decision by a shareholders’ meeting which has been made in an unlawful manner or is in conflict with the present Act or the Company’s Articles of Association.

Legal action shall be instituted within three months as of the time a decision was made, else it will be considered to be valid.

The provisions of para. 2 do not apply:-

a. When the decision is unlawful, even with the approval of all shareholders;

b. when the approval of all or specific shareholders is required in order that a decision enter into force and such an approval has not been obtained;

c. when a call to a shareholders’ meeting has not been undertaken or the rules applying to the call to a meeting have not been abided by to a considerable extent;

d. when the shareholder who has instituted legal action after expiry of the respite specified in para. 2, but yet within two years after a decision was made, has had a presentable reason to delay legal action and the application of the provisions of para. 2 would be obviously unreasonable.

In case the conclusion of a Court Case be to the effect that a decision by a shareholders’ meeting be deemed invalid the decision shall be rendered null and void or amended. It is, however, possible to effect an amendment to a decision by a shareholders’ meeting only provided that this be required and that it be within the Court’s jurisdiction to decide how the decision should rightly have been. Judgment in such a Lawsuit will be binding for those shareholders who have not been parties to legal proceedings. Transcriptions of Judgments in such Cases shall be sent to the Register of Limited Companies and the findings thereof shall be recorded there if there is deemed to be reason therefore.

SECTION XI
Special Investigations

Art. 72

At an Annual General Meeting or another shareholders’ meeting where the matter is on the agenda a shareholder may submit a proposal to the effect that an investigation be conducted into the establishment of a Company, specific items relating to the activities of the Company or certain sectors of the book-keeping or the annual accounts. In case the proposal obtain the support of a group of shareholders controlling a minimum of a one tenth of the share capital a shareholder may at the latest a month after the completion of the meeting request the Minister to nominate investigators. The request shall be taken into account provided that the Minister consider there to be sufficient reason therefore. The Minister shall afford the Company's Board of Directors and Auditors and, when applicable, those concerned with the matter an opportunity of expressing their opinion of the requirement prior to his reaching its decision. The Minister will fix the number of investigators and they shall include both a State Authorized Public Accountant and a Lawyer.
The provisions of the Act respecting Annual Accounts concerning conditions of qualifications, facilities, attendance at meetings and the granting of information to Auditors or Inspectors also apply to Special Investigators as appropriate.

The Investigators shall render a report in writing to shareholders' meetings. They shall be paid remuneration from the Company and this shall be fixed by the Minister.

A report from Investigators shall be available on show for shareholders at the Company's offices for at least a week before a shareholders' meeting.

SECTION XII
Allocation of Dividend, Reserve Funds et al.

Art. 73

It is not permissible to allocate out of Company funds to shareholders unless this proceed in accordance with rules relating to the allocation of dividend, a refund owing to a reduction of share capital or reserve fund or on account of the dissolution of the Company.

Art. 74

It is only permissible to allocate as dividend profit in accordance with approved annual accounts for the immediate past fiscal year, profit brought forward from previous years and free funds after deducting loss which has not been met, and the moneys which according to Laws or Company Articles of Association shall be contributed to a reserve fund or for other use.

In a parent Company it is not permissible to allocate an amount of dividend which would be in conflict with good operational practice having regard for the financial status of the group although allocation of dividend be else permitted.

Art. 75

At the least ten per cent of the profit which is not devoted to meeting conceivable loss of previous years and is not contributed to other legally stipulated funds shall be contributed to a reserve fund until this amounts to ten per cent of the share capital. When that limit has been reached contributions shall be a minimum of five per cent until the fund amounts to a quarter of the share capital. It is possible to stipulate higher contributions in Company Articles of Association.

If a Company has been paid more than a nominal price for shares at the time of establishment or the share capital has been raised, the moneys paid in excess of nominal price shall be contributed to a share premium account of paid share capital in accordance with the Act respecting Annual Accounts after deducting costs of establishing the Company or increasing the share capital. The moneys which the Company has acquired on account of the sale of compensation shares which have not been collected shall also be contributed to a reserve fund.

It is permissible to use a reserve fund to meet a loss which cannot be met by means of transfer from other funds. In case a reserve fund exceed a quarter of the share capital it is permissible to use the excess amount to increase the share capital or, if the instructions contained in Art. 36 are heeded, for other needs.

Art. 76

A shareholders' meeting will decide upon the allocation of dividend after a Company's Board of Directors have submitted proposals in that respect. It may not be decided to allocate more dividend than a Company's Board of Directors propose or approve.

Shareholders holding a total of at least a tenth of the share capital may at an Annual General Meeting, provided that a Company's Board of Directors be advised thereof in accordance with the provisions of Art. 61, require an Annual General Meeting to decide upon the allocation of a sum as dividend amounting to a minimum of a quarter of the remainder of annual profit when the loss of previous years has been met and that which shall be contributed to a reserve fund in accordance with
Laws or Company Articles of Association or which cannot be allocated as dividend for other reasons has been deducted. It is, however, not permissible to require allocation of more than the equivalent of two per cent of the Company's capital and reserves (equity).

The date of maturity of dividend shall be no later than six months after a decision relating to the allocation thereof has been made.

Art. 77

If payment to a shareholder has been effected in conflict with the provisions of the present Act he shall refund that which he has received with interest which shall be equal to the maximum rate of interest on general savings accounts. This does not, however, apply to the allocation of dividend if the shareholder neither knew nor could have known that the payment was unlawful.

In case it be found that the moneys cannot be refunded those having participated in a decision on the payment and its implementation or in the preparation or approval of the incorrect accounting shall be held responsible under the provisions of Art. 108 - 110.

Art. 78

A shareholders' meeting may decide to make presents from the Company's funds to public welfare, humanitarian issues or for similar purposes as far as this will be considered suitable having regard for the object of the gift, the Company's financial status and circumstances in other respects.

A Company's Board of Directors are authorized to devote minor amounts, having regard for the Company's financial status, to the purpose referred to in para. 1.

Art. 79

A Private Limited Company is neither authorized to grant shareholders, Directors or Managers of the Company or its parent Company credit nor to place security for them. A Company is also forbidden to grant credit or place security for a party who is married to or a co-habitant of a party under the 1st sentence or related thereto through paternity or descendence or who is specially close to the party concerned in another respect. The provisions of the present paragraph do, however, not extend to ordinary commercial credit.

A Private Limited Company may not grant credit in order to finance the purchase of shares in the Company or its parent Company, irrespective of whether the parent Company is a Private or a Public Limited Company. Neither may a Private Limited Company contribute funds nor place security in connection with such purchases. The provisions of the 1st and 2nd sentence do not, however, apply to purchases by employees of the Company or an associate Company of shares or the purchase of shares for them. The provisions of Art. 74 shall be heeded.

The Company’s security placed for the aforementioned parties in conflict with the provisions of para. 1 and 2 is, however, binding, unless the negotiating party has been or should have been aware of the fact that the security has been placed contrary to these provisions.

In case the Company has rendered payments in connection with arrangements which are contrary to para. 1 and 2 these shall be refunded with deferred interest.

If it is not possible to refund the moneys or withdraw a security those who made or subsequently implemented arrangements in accordance with para. 1 and 2 are responsible for the Company’s loss.

The provisions of para. 1 and 2 do not apply to credit and contribution to a parent Company and security for the obligations of a parent Company.

The provisions of para. 1 and 2 will not be applied concerning deposit money banks or other financial establishments.

A mention of every credit, contribution and security in accordance with the present Article shall be made in the Record of Minutes of the Company’s Board of Directors.
SECTION XIII
Dissolution of a Company

Art. 80

A Company's Board of Directors are in duty bound to surrender the Company's estate for bankruptcy administration as stipulated in the provisions of the Act respecting Bankruptcy Administration et al.

In case assets remain when an estate has been subjected to bankruptcy administration after all creditors' claims have been met these shall be divided between shareholders in proportion to their holdings, unless a Company's Articles of Association stipulate an alternative arrangement. A lawful shareholders' meeting may, however, decide to continue the operation of the Company, provided that legally prescribed conditions therefor be met.

Art. 81

Shareholders controlling over a fifth of the share capital may require a Judgment to the effect that a Company be dissolved on the grounds that shareholders have deliberately abused their position within the Company or participated in offences against the present Act or the Company's Articles of Association.

In case it be required before a Court of Law on the part of the Company it may be decided in a Judgment that dissolution of the Company be replaced by it, within a respite and at a price decided upon in the Judgment, redeeming shares belonging to the shareholders who have required dissolution of the Company, cf. para. 1.

Art. 82

The estate of a Private Limited Company shall be taken for administration upon the requirement of the Minister:-

1. When a Company shall be dissolved in accordance with provisions of Laws, but a shareholders' meeting does not decide upon winding-up of the Company;
2. in case the Company does not give the Register of Limited Companies notice about the Board of Directors or Board members who meet legally stipulated conditions within a year as of the legally stipulated respite to do so;
3. when the audited and approved annual accounts have not been sent to the Register of Annual Accounts during the immediate past three fiscal years, cf. the provisions of the Act respecting Annual Accounts concerning the delivery of annual accounts;
4. if the Register of Limited Companies rejects or invalidates the authorization of a Winding-up Committee in accordance with para. 4 - 6 of Art. 86.

The estate of a Private Limited Company shall be taken for administration upon the requirement of shareholders:-

1. When a Company shall be dissolved in accordance with provisions contained in its Articles of Association, but dissolution of a Company is not decided by a shareholders' meeting;
2. in case a requirement in accordance with para. 1, Art. 81 has been taken into account by means of a Judgment.

The estate of a Private Limited Company shall be taken for administration upon the requirement of a Company’s Board of Directors in case shareholders controlling a minimum of two-third of the Company’s total share capital have agreed to dissolve the Company in that manner or if the conditions of para. 2, Art. 85 for the appointment of a Winding-up Committee are not met.
A Company’s Board of Directors shall arrange for the holding of a shareholders’ meeting within six months as of the time capital and reserves (equity) has, according to the Company’s books, become less than its registered share capital. At the shareholders’ meeting the Board of Directors shall give an account of the Company’s financial status and, if required, submit proposals relating to necessary arrangements, including dissolution of the Company.

Art. 83

In case the Register of Limited Companies consider a Private Limited Company to have ceased operations, the Company is without an active Board of Directors, an Auditor or an Inspector or it does not attend to its reporting duty to the Register, the Register shall send those being or who may be expected to be spokesmen for the Company according to its registration or the latest registered Board Chairman or Directors a warning to the effect that the Company be struck off the Register of Limited Companies, provided that information will not be forthcoming within the respite prescribed by the Register giving probabilities of the Company still being operated.

In case no reply or an unsatisfactory reply be received within the stipulated respite a warning of deregistration to the Company’s spokesmen and others having interests to safeguard shall be published once in the "Legal Gazette". In case no satisfactory reply or comments be received within the respite specified therein registration of the Private Limited Company may be dropped.

Within a year as of deregistration shareholders or creditors can file a claim to the effect that the Private Limited Company’s estate be taken for administration in conformity with Art. 84. The Register of Limited Companies may also alter registration to the effect that a deregistered Company be registered anew, provided that an application relating thereto be received within a year as of deregistration in accordance with the present Article and special circumstances justify the renewed registration. The Company’s name may not be disposed of during this period.

Despite the fact that a Private Limited Company has been dropped from the Register of Limited Companies in accordance with the present Article this does in no way alter the possible personal responsibility of Directors or shareholders owing to the Company’s obligations.

Art. 83 a

In a Private Limited Company free from liabilities shareholders may deliver to the Register of Limited Companies a declaration in writing to the effect that all the Company’s liabilities fallen due and not fallen due have been paid and that the Company has been dissolved. The declaration shall be signed with the name, Identity Number and address of all the Company’s shareholders. To the declaration there shall be attached a certificate from Customs and Tax authorities to the effect that the Company owe no official dues.

The Register of Limited Companies may register the dissolution of the Company only if the shareholders’ declaration is received by the Register within two weeks as of the signing of the declaration.

Shareholders are directly, undivided and unlimited responsible for the liabilities of the Private Limited Company, irrespective of whether those have fallen due, not fallen due or are in dispute as of the time the declaration concerning the dissolution of the Company was given.

There shall be allocated to shareholders such assets of a Private Limited Company as may remain.

Art. 84

When a District Judge has received a requirement relating to administration in accordance with para. 1 or 2 of Art. 82 or para. 3 of Art. 83 he shall proceed with this in accordance with the instructions contained in the Act respecting Bankruptcy Administration et al. concerning a creditor’s requirement to the effect that a debtor’s estate be subjected to bankruptcy administration.

A District Judge shall pronounce a decree as to whether a requirement to the effect that the estate of a Private Limited Company be subjected to administration shall be approved. In case the
requirement be taken into account the estate shall be handled in accordance with instructions contained in the Act respecting the Administration of Death Estates et al., concerning the handling of a death estate where heirs do not assume responsibility for the liabilities of the deceased, except for the fact that shareholders do not enjoy the same position as heirs upon such administration until it is revealed following upon the completion of the respite for declaring claims that the assets of the estate will suffice to meet liabilities.

Art. 85

In case shareholders controlling a minimum of two-third of a Company's total share capital have made a decision at a shareholders' meeting to the effect that the Company shall be dissolved and do not desire that administration proceed in accordance with para. 3, Art. 82, the Company's Board of Directors shall forthwith have a Balance Sheet and Profit and Loss Account prepared for the Company. These accounts shall be accompanied by an opinion from a State Authorized Public Accountant as to whether the Company's assets suffice to meet its liabilities.

Within a month as of the time a shareholders' meeting has decided upon the dissolution of a Company in accordance with para. 1 another shareholders' meeting shall be held and there the accounts according to para. 1 shall be submitted. In case it be revealed that the Company's assets suffice to meet liabilities a Winding-up Committee shall be elected at the meeting. In case it be revealed that the Company's assets will not for certain suffice to meet its liabilities the Company's Board of Directors shall request administration of the Company's estate in accordance with para. 3, Art. 82. The same shall apply in the instances referred to in para. 4, Art. 82.

Art. 86

A minimum of two and a maximum of five persons shall be elected to a Winding-up Committee by means of proportional ballot. A group of shareholders controlling a minimum of a third of the total share capital is entitled to have the choice of one member of the Winding-up Committee.

At least one member of a Winding-up Committee shall be a District Court Attorney, an Advocate to the Supreme Court of Iceland or a State Authorized Public Accountant.

When a Winding-up Committee have been elected they shall give the Register of Limited Companies notice of a decision on the dissolution of the Company and their election and they shall request the Register's authorization of their function. When authorization has been obtained the Winding-up Committee will take over the rights and duties of the Company's Board of Directors and Manager(s).

The Register of Limited Companies is right to reject the authorization of a Winding-up if the documentation at hand does not show that the decision about dissolution of the Company or the election of the Winding-up Committee have been correctly performed or if it is deemed doubtful that the Company's assets suffice to meet its liabilities.

In case a person who has been authorized to function on a Winding-up Committee desire to be relieved of his duties or if a member of a Winding-up Committee dies before the Committee have completed their task the Winding-up Committee shall forthwith give the Register of Limited Companies notice thereof and call a shareholders' meeting within a month to elect a new person to replace the former. In case authorization of a new member of a Winding-up Committee be not sought without undue delay the Register of Limited Companies is authorized to cancel the authorization of the Winding-up Committee.

In case the Register of Limited Companies consider undue delay to have occurred in the work of a Winding-up Committee or that the Committee have in another manner violated their duties it shall admonish them and grant a respite for the making of amends. In case matters will not have been brought into correct order within such a respite the Register of Limited Companies is authorized to cancel the authorization of a Winding-up Committee.
Members of a Winding-up Committee guarantee one for all and all for one for the Company's shareholders and creditors the entire loss which they may deliberately or through gross inadvertence cause the latter by means of their work.

Art. 87

When a Winding-up Committee have been authorized they shall cause to be published twice in the "Legal Gazette" an announcement relating to the dissolution of the Company along with a call to creditors to declare their claims on the Company to the Winding-up Committee within two months as of the time of the former appearance of the announcement. The judicial effects of such a call for claims shall be the same as those applied to the bankruptcy administration of the estate of a Private Limited Company.

In an announcement in accordance with para. 1 a Winding-up Committee shall call a meeting with a Company's creditors and shareholders in order to deal with claims on the Company and that meeting shall be held within a month as of the completion of the respite for the declaration of claims.

The authorization of a Winding-up Committee and the call for claims will not alter the right of creditors to seek fulfilment of their claims in accordance with general rules.

As it pertains to claims on the Company and its mutual agreements there shall apply the provisions of Sections XV and XVI of the Act respecting Bankruptcy Administration et al., as appropriate.

Art. 88

When the respite to declare claims comes to an end a Winding-up Committee shall prepare a list of the claims which they have received. They shall express their opinion as to whether or to which extent they consider that each declaration of claim or claim should be admitted. In case the Winding-up Committee do not deem it possible to admit a declaration of claim or a claim in full in the form in which it has been declared they shall give the claimant concerned notice thereof in a verifiable manner and call him specifically to the meeting at which declared claims will be dealt with.

In case there be no protests against the attitude of the Winding-up Committee to declared claims at a meeting which is held for the discussion of declared claims their attitude shall be considered to be finally approved of by all those concerned.

In case a creditor protest the attitude of a Winding-up Committee to the recognition of his declaration of claim or claim or if a claim be subject to protest by another creditor or shareholder and their dispute is not resolved at the meeting, the Winding-up Committee shall forthwith refer this for resolution to a District Judge in the venue of the Company and the Judge will pronounce a decree relating thereto.

In case a Winding-up Committee receive a claim after the completion of the respite for the declaration of claims the handling thereof shall be subject to the provisions of Art. 118 of the Act respecting Bankruptcy Administration et al., as appropriate.

In case a Winding-up Committee consider there to be reason to doubt that the Company's assets suffice to meet its liabilities upon completion of the respite for the declaration of claims they shall without delay hand its estate over for bankruptcy administration. It shall then be announced twice in the "Legal Gazette" that the estate has been subjected to bankruptcy administration, but the call for claims by the Winding-up Committee and the respite for the declaration of claims in accordance with para. 1, Art. 87 shall be final upon the bankruptcy administration. In other respects there apply to the administration the general rules of the Act respecting Bankruptcy Administration et al.

In case the estate of a Private Limited Company be subjected to bankruptcy administration in the manner stated in para. 5 the date of respite shall upon proceedings concerning the estate be deemed to be the day on which a shareholders' meeting has fixed for dissolution of the Company in accordance with para. 1, Art. 85, but the date of decree or the commencement date of administration shall be deemed to be the day when the Winding-up Committee have obtained the authorization of the Register of Limited Companies.
Art. 89

Immediately after the completion of a meeting in accordance with Art. 88 and when sufficient assets of the Company have fetched a price a Winding-up Committee shall effect payment of admitted claims on the Company. The Committee shall reserve funds for the payment of claims in dispute.

A Winding-up Committee shall call shareholders to a meeting about the arrangement of the dissolution of the Company as required.

Upon completion of the payment of claims and when funds have been detailed for payment of claims in dispute in accordance with para. 1 and when shareholders' attitude as to which extent the Company's assets shall be realized has been revealed, the Winding-up Committee shall prepare a proposal for allocation to shareholders and the Company's final accounts. Payments to shareholders shall be in correct proportion to their holdings, unless otherwise decided in the Company's Articles of Association.

A Winding-up Committee shall call shareholders' meeting to discuss the final accounts and proposal for allocation. In case the proposal be not protested or observations passed on the accounts a Winding-up Committee shall pay out the shareholders or convey assets to them in conformity with the proposals.

Art. 90

In case a Winding-up Committee have not completed work within a year as of their being authorized they shall give the Register of Limited Companies an account in writing of the reasons therefore and thereafter twice a year until they complete their work.

In case a dispute arise upon proceedings of a Winding-up Committee which would upon bankruptcy administration be dealt with according to special rules of the Act respecting Bankruptcy Administration et al., a Winding-up Committee shall without delay refer the matter in dispute to a District Judge who will pronounce a decree relating to the dispute. General rules apply to the appealing of such decrees.

Art. 91

In case a creditor or a shareholder does not collect funds which are to be allocated to him upon the dissolution of the Company or in case a dispute concerning the validity of a claim according to para. 3, Art. 88 remains unresolved upon allocation by a Winding-up Committee, the Committee shall place the amount concerned on a deposit account in a money deposit bank authorized to receive deposit storage funds. In case the funds be not collected within ten years, according to circumstances as of the resolution of a dispute concerning a creditor's claim, these shall accrue to the Treasury.

When a Winding-up Committee have completed allocation to shareholders or placed funds on deposit accounts in accordance with para. 1 they shall give the Register of Limited Companies notice of the completion of their work and deliver to it the Company's final accounts, their report on allocation, the receipts of those who have accepted payments and documentation for deposit accounts as well as the Company's entire documents and books.

A Winding-up Committee shall announce the completion of their work and the conclusion of matters in the "Legal Gazette".

Art. 92

When payment of claims on the Company has been completed or funds for the settlement of claims in dispute have been placed on a deposit account a shareholders' meeting may decide that the work of a Winding-up Committee shall be completed and that the Company resume activities if shareholders controlling a minimum of two-third of the total share capital approve thereof. The Register of Limited Companies shall be given notice of the resolution, but it is not permissible to
resume activities until the resolution has been recorded and the Company meets legally prescribed conditions in other respects.

Art. 93

In case a Company's assets be revealed after a Winding-up Committee have completed work or if a dispute about the validity of a creditor's claim ends with funds which have been deposited on a storage account on account of the claim not being utilized in full for settlement thereof, the Winding-up Committee shall resume their work without a call for claims and shall allocate assets in conformity with their original allocation report. The provisions of para. 2 and 3, Art. 91, apply to the completion of continued administration.

In case it be not possible for a Winding-up Committee to undertake continued administration in accordance with para. 1 the Register of Limited Companies shall legally appoint without nomination one or more persons to a special Winding-up Committee to undertake the continuation of the administration.

SECTION XIV
Merger and Conversion of a Private Limited Company to a Public Limited Company
Merger

Art. 94

The provisions of the present Section concerning merger apply upon the dissolution of a Private Limited Company without settlement of debts in such a manner that the Company is entirely merged with another Private Limited Company by means of the take-over of assets and liabilities (merger with take-over) and when two or more Private Limited Companies merge into a new Private Limited Company (merger with the establishment of a new Company).

In case a Public Limited Company is taken over upon merger the provisions of Section XIV of the Act respecting Public Limited Companies apply to the dissolution of that Company.

Art. 95

The Boards of Directors of the merging Companies shall jointly prepare and sign a merger schedule which shall contain information and provisions concerning the following:-

1. The names and forms of the Companies, i.a. whether a name or a conceivable extra name shall be maintained as an extra name of the take-over Company;
2. the Companies' address;
3. remuneration for the shares in the Company which has been taken over;
4. as of which time the shares which are conceivably handed over as payment grant the right to dividend and special conditions concerning that right;
5. which rights in the take-over Company are obtained by conceivable owners of shares and bonds with special rights in the Company which is taken over;
6. other conceivable arrangements for the benefit of the owners of the shares and bonds referred to in clause 5;
7. as of which time-limit rights and duties in the Company being taken over shall be considered to be ceased from an accounting point of view, cf. para. 2, Art. 96;
8. some special emoluments which Directors, Managers and Auditors and Inspectors as per Art. 97 enjoy;
9. draft Articles of Association if a new Company is to be formed upon the merger.
Art. 96

The Board of Directors of each of the Companies shall prepare a statement wherein the merger schedule is explained and substantiated. The statement shall deal with the economic and legal grounds forming the basis of the merger schedule as well as the determination of remuneration for the shares, including specific difficulties in connection with the decision.

There shall attach to the statement an audited joint Balance Sheet and Profit and Loss Account showing the entire assets and liabilities of each individual Company, the changes which the merger is considered to entail and a draft of the initial Balance Sheet of the take-over Company. The provisions of the Act respecting Annual Accounts apply as appropriate to the commencement account and explanatory notes contained therein. The lay-out of the joint Balance Sheet and Profit and Loss Account for the Companies shall be based on the date of settlement which may not be more than six months prior to signatures being affixed to the merger schedule.

Art. 97

In each individual merger Company an Auditor or Inspector shall render a report on the merger schedule. The Companies may have one or more joint Auditors or Inspectors.

The provisions of para. 3, Art. 6, apply as appropriate.

The report shall contain a declaration stating to which extent the remuneration for the shares in the Company which is taken over be reasonable and substantiated. The declaration shall describe the method or methods which were used upon determining the remuneration and include an assessment as to whether the method or methods be adequate in this instance. The declaration shall furthermore specify the price to which each method individually leads as well as which internal interpretation shall be applied to methods upon the determination of prices. In case the determination of price has been subject to special difficulties these shall be specified in the declaration.

An Auditor or an Inspector shall furthermore give a declaration stating to which extent the merger may diminish the possibilities of creditors for recourse in the individual Companies.

Art. 98

At least a month following upon signatures being affixed to the schedule of merger each merger Company shall send to the Register of Limited Companies a copy of the schedule certified by the Company’s Board of Directors. Simultaneously there shall also be sent to the Register of Limited Companies an Auditor’s or an Inspector’s declaration in accordance with para. 4, Art. 97, cf. Art. 99.

Information on the receipt of documents referred to in para. 1 shall be published in accordance with para. 1, Art. 125. In case an Auditor or an Inspector does in his declaration in accordance with para. 4, Art. 97, consider that the merger may diminish the possibilities of creditors for recourse notification shall contain information pertaining thereto and the attention of creditors shall be directed to their rights under Art. 97 and Art. 101.

Art. 99

A decision concerning merger of a Company which has been taken over will be made by a shareholders’ meeting. cf., however, para. 2, Art. 55, in conformity with the provisions of Art. 68 and further rules which may be contained in Company Articles of Association concerning dissolution or merger of a Company, cf., however, Art. 104. In case a Company is subject to processing by a Winding-up Committee merger may be decided upon only provided allocation to shareholders has not been commenced and that the meeting simultaneously decide that the work of the Winding-up Committee shall cease.

A decision on a merger in a take-over Company will be made by the Company’s Board of Directors, unless a shareholders’ meeting need effect amendments to the Articles of Association in other respects than that which pertains to the name of the take-over Company. A shareholders’ meeting will furthermore make a decision if shareholders holding 25% or thereover of the share capital, cf., however, para. 3, so require in writing within two weeks as of the time the receipt of a
merger schedule has been announced in accordance with para. 1, Art. 125. In such an instance a
decision shall be made with the majority specified in Art. 68. The Company’s Board of Directors will
call a shareholders’ meeting within two weeks as of the receipt of the requirement.

In the take-over Company a shareholders’ meeting will furthermore decide upon merger if the
shareholders who may in accordance with the Company’s Articles of Association and in conformity
with Art. 60 require a shareholders’ meeting to request this. The provisions of the 3rd and 4th
sentence, para. 2 apply, as appropriate.

A shareholders’ meeting may at the earliest be held a month following upon the publication of a
notice of the receipt of the merger plan under Art. 98 and the Auditor’s or Inspector’s declaration as
per para. 4, Art. 97 and no later than four months following upon the publication. In case the merger
be not approved on the basis of such a merger plan or the meeting be not held within the time-limit as
per the first sentence the merger plan is deemed to be dismissed.

At the latest a month prior to the shareholders’ meeting the following documents shall be
submitted for inspection or delivery for shareholders at the office of each individual merger
Company:-

1. A merger schedule;
2. annual accounts of all the merger Companies covering the immediate past three years or a
   shorter period if the Company has been operated more briefly;
3. Balance Sheet and Profit and Loss Account in respect of the past portion of the current fiscal
   year prior to the initial Balance Sheet referred to in para. 2, Art. 96 being prepared for the take-
   over Company;
4. statement by the Board of Directors, i.a. a joint Balance Sheet and Profit and Loss Account and
   an initial Balance Sheet, cf. para. 2, Art. 96 and
5. an Auditor’s or Inspector’s report and declaration in accordance with Art. 97.

Creditors requesting this shall obtain information relating to the date of decision in accordance
with para. 1 - 3.

Art. 100

Shareholders in one or more Companies which have been taken over may require
compensation from the Company concerned if they have made a reservation in respect thereof at the
shareholders’ meeting and provided that remuneration for the shares be neither reasonable nor
substantiated, cf. para. 3, Art. 97. In this instance a Lawsuit shall be instituted at the latest two weeks
after merger has been decided in all merger Companies.

Art. 101

In case an Auditor or an Inspector does consider in his declaration under para. 4, Art. 97, that
creditors’ possibilities of recourse deteriorate upon merger creditors holding claims having been
established prior to the publication of a notice of the merger schedule under Art. 98 for which no
special security has been placed can declare these their claims within a month as of the making of
decision concerning merger in all the merger Companies.

Demands may be made for payment of declared claims which have fallen due and it may also
be required that satisfactory security be placed for declared claims which have not fallen due.

In case the contrary be not shown it will not be considered necessary to place security in
accordance with para. 2 if the redemption of the claims is secured on the basis of the provisions of
special Acts respecting the merger Companies.

In case a dispute arise between a Company and creditors who have declared claims as to
whether security shall be placed or an offered security be sufficient both parties can within two weeks
of a declaration of claims submit the matter to a District Court in the Company’s venue.
Creditors are not permitted to convey in a binding manner the right to require security in accordance with para. 2 in the agreement forming the basis of the claim.

Owners of securities to which special rights are attached shall not be granted lesser rights in the take-over Company than they had in the Company which was taken over, unless a meeting of the owners of the securities, if such a meeting is stipulated in Laws, has approved of amendments to rights, the owners thereof have individually approved of the amendments or the owners are entitled to the take-over Company’s redemption of their certificates.

Art. 102

A Company which has been taken over is deemed to be dissolved and its rights and duties as an entity are considered to have been passed on to a merger Company when:-

1. The merger has been approved in all the merger Companies;
2. the conditions of para. 5 are met;
3. claims in accordance with Art. 100 have been resolved, unless satisfactory security for these be placed;
4. claims in accordance with Art. 101 have been resolved.

As and when the conditions of para. 1 have been met the shareholders of a Company which has been taken over who obtain payment in shares become shareholders in the take-over Company.

In case the merger Companies hold shares in a Company which has been taken over it is not possible to exchange these for shares in the take-over Company.

The provisions of Art. 27 do not apply to an increase of the share capital of the take-over Company on the basis of assets and liabilities of the Company which is taken over.

In case a new Company be formed upon merger, but this is to be registered separately, and the Company’s Board of Directors and Auditors or Inspectors are not elected immediately following upon a shareholders’ meeting’s approval of the merger, a shareholders’ meeting of the new Company shall be held within two weeks in order to elect a Company’s Board of Directors and Auditors or Inspectors.

Art. 103

The Board of Directors of each merger Company shall give the Register of Limited Companies notice of the decision on merger within two weeks following upon the introduction of the judicial effects of the merger in accordance with para. 1, Art. 102. The take-over Company may give notice of the merger for and on behalf of the Companies. To the notice there shall be attached such documents as are specified in clauses 3 - 5, para. 5, Art. 99, originals or copies, certified by the Company’s Board of Directors, along with Records of Minutes of the shareholders’ meetings having decided upon the merger.

Art. 104

In case a Private Limited Company be dissolved without the refunding of debts so that it be entirely merged with another Private Limited Company owning all the shares in the Company being taken over the Board of Directors of the latter may render a decision on merger. In other respects there apply, as appropriate, the provisions of clauses 1 - 2, 5 - 6 and 8 - 9, para. 1, Art. 95; 1st sentence, para. 1, Art. 96; Art. 98; 2nd sentence, para. 1 and para. 2 - 6, Art. 99; Art. 101; Art. 102 and Art. 103.

Respite in accordance with para. 5, Art. 99, if any, shall be calculated as of the decision by the Company’s Board of Directors concerning merger. Audited consolidated Balance Sheet and Profit and Loss Account shall also be prepared in accordance with para. 2, Art. 96.

One or more Auditors or Inspectors, cf. para. 1, Art. 97, shall prepare a declaration in conformity with para. 4, Art. 97.
Art. 105

In case a Private Limited Company be dissolved without the refunding of debts with take-over by the Icelandic State or an Icelandic Municipality of the Company’s entire assets and liabilities there shall, as appropriate, be applied the provisions of Art. 95; para. 1, Art. 96; para. 1 - 3, Art. 97; 1st sentence, para. 1 and 1st sentence, para. 2, Art. 98; para. 1, 4 and 5, Art. 99; Art. 100; clause 1, para. 1, Art. 102 and Art. 103.

Art. 106

Shareholders in the Company or Companies which are merged with others who have voted against amalgamation or merger to form a new Company are entitled to redemption of their shares if this is required in writing within a month as of the time the shareholders' meeting was held. In case it has been requested of shareholders prior to the casting of votes that those wishing to avail themselves of the right of redemption indicate their will in that respect this is then subject to the condition that the parties concerned have given a declaration accordingly at the shareholders' meeting. The Company shall purchase the shares from them at a price corresponding to the value thereof and, in case there be not a question of an accord, this shall be fixed by assessors appointed by a Court of Law in the Company's venue. Either party may consult Courts of Law about the assessor's decision. Legal action must be taken within three months as of the time an assessment has been undertaken.

Conversion of a Private Limited Company to a Public Limited Company

Art. 107

A shareholders’ meeting can, with the number of votes required for amending Company’s Articles of Association, agree to convert a Private Limited Company to a Public Limited Company. The provisions of Art. 5a - c (now Art. 6 - 8) in the Act respecting Public Limited Companies apply as appropriate. The submission and forwarding of a report will, however, be in accordance with para. 4, Art. 63 of the present Act. Notification of the resolution shall be sent to every registered shareholder within two weeks who did not attend the shareholders’ meeting.

The conversion of a Private Limited Company to a Public Limited Company is deemed to have occurred when Company Articles of Association have been amended in such a manner as to meet the requirements of the Act respecting Public Limited Companies and the Company has been registered as such in the Register of Limited Companies.

Shares in a Public Limited Company shall be issued before a year has passed as of the conversion. It is not permissible to issue these before the conversion.

If five years have passed as of the time of the conversion without all rightful parties having submitted a request to the effect that their share certificates in the Public Limited Company be delivered the Company’s Board of Directors may by means of an announcement in the "Legal Gazette" challenge the parties to call for the share certificates within six months. When the respite has elapsed and nobody has presented himself the Board of Directors may, at the expense of the shareholder concerned, sell the share certificates in the Public Limited Company through the intermediary of a party who is under Law authorized to deal in such papers. The Company may deduct the cost of the announcement and the sale from the sales value. In case the sales value has not been collected within five years as of the sale the amount will accrue to the Company.

SECTION XV
Compensation et al.
Art. 108

The founders, Directors, Managers, Auditors and Inspectors of a Private Limited Company as well as Investigators are in duty bound to compensate the loss which they have caused the Company in the course of their duties, irrespective of whether this has been wilful or through inadvertence. The same applies when a shareholder or others sustain loss on account of offences against the provisions of the present Act or Company Articles of Association.

A shareholder is in duty bound to compensate loss which he has deliberately or through gross inadvertence caused to the Company, other shareholders or a third party by means of violation of the present Act or the Company’s Articles of Association.

An amount of indemnity may be reduced having regard in a suitable measure for the extent of the guilt and the loss, the financial situation of the party causing the loss and other circumstances.

Art. 109

A decision to the effect that a Company shall submit a claim for compensation, cf. Art. 108, shall be made at a shareholders' meeting.

In case a shareholders' meeting has concluded a resolution relating to a person's diminished responsibility or rejected motions to apply financial liability, groups of shareholders controlling a minimum of one-fifth of the Company's total share capital may file the claim for compensation on account of and in the name of the Company. Costs incurred through such a Case are of no concern to the Company. Those taking action may, however, require that costs be paid by the Company up to the amount which the Company would be awarded as damages.

The decision of a shareholders' meeting respecting diminished responsibility or to the effect that liability for financial indemnity shall not be applied will not be binding for the Company's bankruptcy estate if the Company is deemed to have been insolvent at the time the decision was made or the date of respite is commenced within a year as of the decision.

Art. 110

The indemnification Suits referred to in para. 1 - 2, Art. 109 shall be brought, unless the claim be based on a punishable act:-

a. Against founders within two years as of the time a decision relating to the establishment of a Company was made;
b. against Directors and Managers as well as Investigators within two years as of the conclusion of the fiscal year during which the decision or the act on which the Case is based was approved or effected;
c. against Auditors or Inspectors within two years as of the time of completion of auditing and submission of audit report or declaration.

Lawsuits in accordance with para. 3, Art. 109 shall be brought at the latest three months after the Company has been declared bankrupt.

SECTION XVI
Branches of Foreign Private Limited Companies

Art. 111

Foreign Private Limited Companies and Companies in a corresponding legal form having legal domicile and venue in a State within the European Economic Area, States being parties to the Convention Establishing the European Free Trade Association or in the Faroe Islands may engage in activities with the operation of a branch in this Country.
Other foreign Private Limited Companies and Companies in a corresponding legal form may engage in activities with the operation of a branch in this Country if this is permitted in an International Treaty to which Iceland is a party or the Minister deems it right to authorize this. The Minister may lay down rules relating to these items.

Art. 112

All legal dealings resulting from the activities of a branch of a foreign Company in this Country shall be subject to Icelandic Laws and jurisdiction.

Art. 113

The name of a branch of a foreign Private Limited Company shall specify the name of the foreign Company and mention shall be made of the fact that this be a case of a branch.

Art. 114

One or more Branch Managers shall head a branch. A Branch Manager shall be of legal age and in control of his financial affairs. In other respects there apply the provisions of the present Act respecting Managers concerning residence et al., as appropriate.

A Branch Manager will sign undertakings of the branch and will be responsible for the heeding of Icelandic Laws concerning its operation. A Company's Board of Directors may, however, grant Powers of Procuration for the branch, provided that holder of Powers of Procuration meet the conditions of para. 1 relating to Branch Managers.

Art. 115

Notice of the establishment of a branch of a foreign Private Limited Company shall be given to the Register of Limited Companies. The provisions of Section XVII respecting registration of Private Limited Companies regarding notifications of the Companies' establishment shall apply, as appropriate. In a notice of the establishment of a branch it shall be stated in clear words by which country’s Laws the foreign Private Limited Company operates. A mention shall also be made of the Register where the foreign [Private] Limited Company is registered along with the Company’s registration number in that Register as well as the form of the Company. In a notification of a branch of a foreign Private Limited Company or a Company having a corresponding legal form and having legal domicile and venue in a State outside the European Economic Area, outside a State being a party to the Convention Establishing the European Free Trade Association or outside the Faroe Islands a mention shall be made of the Company’s legal form, headquarters and object and at least once a year the amount of share capital if this information is not disclosed in the Memorandum and Articles of Association or in documents with amendment thereof. When a Private Limited Company has more than one branch it is sufficient to send only once the Memorandum and Articles of Association and notices of amendments thereof as well as the Company’s annual accounts, but there must be a clear reference to the registration of an earlier branch, including the registration number (Identity No.) of the branch, cf. Art. 116 or in State which is not a party to the Convention Establishing the European Free Association.

The Branch Manager will sign such notice and be responsible for its subject and appendices.
A branch may not commence operations until it has been registered.

Art. 116

A Branch Manager shall give the Register of Limited Companies notice of all amendments of that which is registered, cf. Art. 123 and para. 1, Art. 115.

A Branch Manager shall send to the Register of Annual Accounts the annual accounts of the principal Company and branch in accordance with the Act respecting Annual Accounts.
Art. 117

If the foreign Company is taken for bankruptcy administration or the handling of Company dissolution the Branch Manager shall give notice thereof without delay to the Register of Limited Companies as well as of the identity of those in charge of bankruptcy proceedings or the handling of the dissolution of the Company, their powers and the end of the administration. Comparable information shall be granted concerning moratorium, compositions and comparable acts. The provisions of para. 7, Art. 1 shall be heeded.

Art. 118

A branch shall be deleted from the Register of Limited Companies:–

1. If the foreign Private Limited Company decides to abolish the branch;
2. if this is required by a creditor who has proved by means of fruitless execution or act of sequestration or a Branch Manager's admission that the Company's assets in this Country do not suffice for the settlement of his claim. This clause does not apply to branches owned by Companies in the European Economic Area, in States being parties to the Convention Establishing the European Free Trade Association or in the Faroe Islands;
3. if a Branch Manager no longer meets the conditions of Art. 114 or leaves his post. The Register of Limited Companies may, however, grant a Company suitable respite to bring matters into correct order in this respect;
4. if the foreign Company has been deleted from a Register of Limited Companies abroad;
5. if the branch does not meet the provisions of Icelandic Industrial legislation concerning its activities here.

Art. 119

In case a branch is to be deleted from the Register of Limited Companies the claims of creditors which have originated through the operations of the branch will fall due. The provisions of the present Article will be implemented only provided inter-State Treaties do not obstruct this.

Art. 120

A Branch Manager will be responsible for liabilities which he established for and on behalf of the branch prior to its registration as well as after having become aware of the foreign Company's bankruptcy, cf. Art. 117, or of incidents causing a branch to be deleted from the Register of Limited Companies, cf. Art. 118.

SECTION XVII
Registration of Private Limited Companies

Art. 121

The Director of Internal Revenue registers Icelandic Private Limited Companies and branches of foreign Private Limited Companies and operates a Register of Limited Companies for that purpose. The Minister of Finance is authorized to lay down by means of Regulations further provisions relating to the registration of Private Limited Companies, including the organization of the registration, the operation of the Register of Limited Companies, access to the Register and the collection of charges, i.a. in respect of the issue of certificates and use of the information which the Register of Limited Companies has in computerized form.

Notifications to the Register of Limited Companies along with appendices and stipulated registration and publication documents shall be sent direct to the Register of Limited Companies.
Art. 122

Notice concerning the establishment of a Private Limited Company shall specify the following:-

1. The provisions of the Company's Articles of Association concerning the subject referred to in clauses 1 - 3, 5 and 9, para. 1 and clauses 1 - 3, para. 2, Art. 7;
2. the amount of share capital and in which manner payment has been effected;
3. the names, identity numbers and addresses of the Company's founders, Directors and Reserve Directors, Managers and all those authorized to sign for the Company as well as Auditors or Inspectors;
4. as to whether there be one or more shareholders; in case there be or will be a single shareholder details on him shall be recorded.

A notice shall be signed by all the Directors of a Company and the signatures shall be confirmed by a Notary Public, an Attorney-at-Law, a State Authorized Public Accountant or two witnesses.

A notice shall be accompanied by the following:-

1. Memorandum of Association, accounting documentation referred to in para. 2, Art. 6, as well as other documentation and papers in connection with the establishment of the Company;
2. a certified transcription of the Record of Minutes for the establishment meeting;
3. evidence to the effect that the founders meet the conditions referred to in Art. 3, the Directors and Manager those stated in Art. 42 and the Auditors or Inspectors those conditions of qualifications referred to in the Act respecting Annual Accounts along with confirmation in writing to the effect that they have undertaken the auditing.

The Register of Limited Companies may furthermore require any such documentation and information as will be necessary for adopting an attitude as to whether the Laws and the Company's Articles of Association have been adhered to upon the establishment of the Company. The Register may i.a. require a declaration from an Attorney-at-Law or a State Authorized Public Accountant to the effect that information contained in a notice of the establishment of a Private Limited Company concerning the payment of share capital be correct.

Art. 123

Amendments to Company Articles of Association or other items notice of which has been given shall be notified within a month, unless otherwise stipulated in the present Act. Evidence of the legality of amendments may be required. Notifications of amendments shall be signed by the majority of the Board of Directors or holders of Powers of Procuration. The provisions of para. 4, Art. 122 will remain in force as appropriate. When notices are given of amendments to the Articles or Memorandum of Association in other respects a new overall text shall be submitted with the amendments included. The Company’s Board of Directors or the party replacing them shall give notice of the beginning and end of the administration of dissolution of the Company.

Art. 124

Registration shall be rejected if notices do not meet the instructions of the present Act or a Company's Articles of Association or if decisions are not made in the manner determined by Laws or in Articles of Association.

In case defects may be remedied in a simple manner by means of a decision by a shareholders' meeting or a resolution by the Board of Directors, the Company shall be granted sufficient respite to make amends accordingly. Registration shall be rejected if amends have not been made within the respite.
The notifying party shall be advised by letter of a rejection and the reasons for it.

In case registration of a notice may be of importance for a third party the Register of Limited Companies shall have arrangements made to have that party advised accordingly in a satisfactory manner.

If the notifying party will not abide by decisions in accordance with para. 1 and 2 of the present Article he may submit the matter to Courts of Law. Legal action shall be initiated within six months as of the time the notifying party obtained knowledge about a decision.

In case someone deem himself to be wronged by means of a registration, he may submit the matter to Courts of Law, provided that legal action be initiated within six months as of the time notice was published in the "Legal Gazette". If a party so desires comments on the findings in a Case shall be recorded free of charge in the Register of Limited Companies and subsequently published in accordance with Art. 125.

Art. 125

The Register of Limited Companies shall, at the expense of the notifying party, have published in the "Legal Gazette" the main subject of that which has been recorded concerning the establishment of new Private Limited Companies and reference to the principal subject of extraordinary announcements. In other instances the Register of Limited Companies can arrange for the publication of more than a reference in the main subject of an extraordinary announcement if it deems this necessary.

That which has been recorded and published in the "Legal Gazette" shall be considered to be known to a person, unless circumstances be such that he may be deemed to have been unaware thereof and unable to know about it. The provisions of the 1st sentence do not, however, apply to arrangements which are made within sixteen days following upon publication if the person concerned proves that he has been unable to acquire knowledge about that which was published.

In case publication in the "Legal Gazette" has not been undertaken, notice will not be valid except for those who may be proved to have been aware thereof.

In case of lack of conformity between that which is recorded and that which is published in the "Legal Gazette" the Company cannot plead the published text vis-a-vis a third person. He may, on the other hand, plead the published text vis-a-vis the Company, unless it be proved that he has been aware of that which was recorded.

SECTION XVIII
Penalties et al.

Art. 126

In case founders, Directors, a Manager, Auditors, Inspectors, members of a Winding-up Committee or a Branch Manager of a foreign Private Limited Company or others neglect their duties in accordance with the present Act, Company Articles of Association or resolutions by a shareholders' meeting, the Register of Limited Companies may invite them to discharge duties subject to a daily or weekly fine. Courts of Law may be consulted about the legality of a decree within a month as of the serving thereof.

Art. 127

The following is subject to fines or imprisonment for up to two years:-

1. To report deliberately incorrectly or in a misleading manner on the status of a Private Limited Company or other factors relating thereto in an official advertisement or announcement, reports, annual accounts or declarations to shareholders’ meetings or a Company’s spokesmen or notifications to the Register of Limited Companies;
2. wilfully to violate the provisions of the present Act relating to the payment of share capital, the register of shares, own shares, the Chairman’s duty concerning the calling of Board meetings (para. 2, Art. 46), contributions to reserve fund, allocation of dividend, refund of share capital contributions, credit or security to shareholders et al. (Art. 79) and notification of the establishment of a branch and the initial operation thereof (Art. 115). The same applies to violations of the rules respecting share capital in foreign currency in accordance with para. 3, Art. 1, and the giving of information in accordance with para. 7, Art. 1.

3. To deliver without authority or use a password or another comparable expression to be present or participate in an electronic Board meeting or an electronic shareholders’ meeting, including the casting of votes.

4. To deliver without authority or use a password or another comparable means to read, alter or send electronic messages et al., coming under the provisions of the Act respecting Electronic Communications.

Art. 128

Anyone deliberately spreading incorrect reports or in another corresponding manner creating incorrect ideas about the status of a Private Limited Company or other factors relating thereto so that this may have an effect on the sale or sales price of shares in the Company shall be subject to fines or imprisonment for up to two years.

If a person managing a Private Limited Company or representing a Company in other respects deliberately reports incorrectly or in a misleading manner on the status or assets of a Company in documents, letters to customers, circular letters or notices or reports to official parties, this will be subject to fines or imprisonment for up to one year, provided that the provisions of Art. 127 or para. 1 of the present Article do not apply thereto.

Art. 129

A person who becomes guilty of the following acts as it pertains to the casting of votes at a shareholders' meeting shall be subject to fines or imprisonment for up to two years:-

1. Acquires for himself or others an unlawful opportunity to participate in the casting of votes or confuses voting in another manner;
2. endeavours by means of unlawful compulsion, abridgement of freedom or abuse of the position of a superior to induce a shareholder or his representative to cast votes in a specific manner or to abstain from voting;
3. sees to it by means of a fraudulent act that a shareholder or his representative abstain from voting although he has intended to do so or that his vote becomes void or has another effect than that which was intended;
4. pays, promises to pay or offers a shareholder or his representative money or other profit for not availing himself of the right to cast a vote or to vote contrary to the interests of the Company;
5. accepts, asks for or has himself or others offered profit for not using his right to vote or to cast a vote contrary to the interests of the Company.

Art. 130

A person neglecting to give notice to the Register of Limited Companies in accordance with the present Act shall be subject to fines or imprisonment for up to one year.

Art. 131

In case a person managing a Company or another having represented the Company has been sentenced to a fine on account of a violation of his duties for the Company, the Company will be responsible for the payment of the fine if collection from the culprit himself has proved fruitless. If there are no provisions in penal Judgment relating to a Company's responsibility, the fine will be
collected by means of execution with the Company only provided the Company's duty be adjudged in a special criminal Case.

SECTION XIX
Entry into Force of the Act et al.

Art. 132
The present Act enters into force on September 1st, 1997.
Temporary provisions I and II in the Act respecting Public Limited Companies concerning the reregistration of registered Public Limited Companies as Private Limited Companies shall apply.
Share certificates in Public Limited Companies which become Private Limited Companies will become invalid.

Art. 133
In Acts which have entered into force prior to the present Act it shall be considered that Limited Companies refer to Private Limited Companies only in accordance with the present Act.
The provisions of para. 1 notwithstanding banks, savings banks and other credit establishments, securities concerns and Insurance Companies cannot operate as Private Limited Companies.

Art. 134
[Annulled]

Art. 135
The Minister may by means of Regulations lay down further provisions relating to the implementation of the present Act, cf., however, para. 2, Art. 121.

Art. 136
Where the present Act stipulates or provides for a document being signed this condition will be met by the use of an electronic signature.