

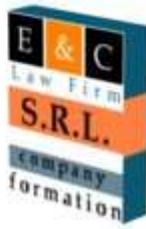


oriented towards **foreign investors**®

Enescu & Cuc is a Law Firm located in Bucharest, Romania specialized in Commercial and Real Estate Law. We are company formation specialists; up to this point we have incorporated over **100** companies with **foreign** shareholding structures, different types of Romanian **branches** and **representative offices**.



SRL FORMATION



A SRL (Limited Liability Company) is the most frequent type of legal entity in Romania. This type of company is able to have from 1 to 50 shareholders, a minimum share capital of 200 Lei (around 70 Euros) and no limitations regarding foreign shareholding structure or management.

Shareholders can be physical persons or legal entities.

SRL companies are registered through the local Trade Register Office and will require a series of documents from the shareholders and administrators (Directors) such as:

Articles of Association (required to contain certain information), Affidavits and Specimen Signatures. In case the shareholders are foreign companies then the Romanian Trade Register will also require their registration documents for proof of their existence.

Are there any limitations related to future activities of the company?

Yes. For some activities it is necessary to have a unique activity code (NACE code). These situations are however quite rare, usually SRL companies are allowed to have as many activity codes as required by the shareholders. Also for some NACE codes there is the need of obtaining special permits from the authorities, before of after the incorporation.

Is it necessary to have a Romanian shareholder or administrator?

No.

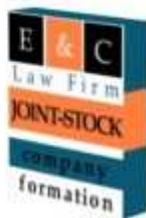
Is it necessary to hire a local accountant?

Yes. A Romanian accountant will also handle interactions with Tax Authorities in behalf of your Romanian company.

What are the setup costs for a SRL formation?

Costs depend on a series of factors such as number and type of shareholders. In any case the minimum share capital is around 70 Euros and the Trade Register taxes amount to approximately 120 Euros. You should also consider costs for translating the incorporation documents (around 150 - 200 Euros or even more depending on the number and types of shareholders) and attorney-fees.

JOINT-STOCK FORMATION



Why should I incorporate a Joint-Stock company?

There are of course many reasons why investors choose to incorporate an SA (Romanian Joint-Stock) Company ranging from simply gaining a certain business status to activating in a field which necessitates this type of business entity (such as financial activities for instance) or listing on the Stock Exchange.

What is the minimum share capital?

The registered capital cannot be less than LEI 90.000. The Government may at least once in 2 years modify the minimal value of the registered capital for the amount to signify the lei equivalent of EUR 25.000. The shareholders' contributions may be done in cash or in receivables.

What is different from a SRL company?

The Romanian Joint-Stock has many characteristics which cannot obviously be all mentioned in this presentation. For example: according to their delivery manner, the social shares can be nominative and bearer stock. The Law stipulates that their type must be mentioned in the articles of incorporation of the Romanian company, otherwise it will be considered nominative. By the decision of the extraordinary general meeting of the shareholders, the nominative social shares can be converted in bearer stock and vice versa.

Another characteristic would be the manner of decision-making in the company, the so-called General Shareholder Meetings. The general meetings may be ordinary and extraordinary. The ordinary general meeting rallies at least once a year, in no more than 5 months from the conclusion of the financial exercise. The general extraordinary meeting takes place every time it is necessary in order to be taken a decision for the juridical form change of the company, the company social office moving, its object of activity, the creation or the dissolution of some

secondary registered offices, the prolongation of the society duration, the increase of the registered capital, its decrease or its replenishment by issuance of new social shares as well as for any modification of the Articles of Association or any other decision whose approval has been requested in the extraordinary general meeting.

Another characteristic in the company management: If more administrators are appointed, they constitute an administration council which will be managed by a president chosen from the range of the council members. The president is the one who coordinates the activity of the council and reports towards the general meeting of the shareholders.

What are the setup costs for a Romanian Joint-Stock?

There are obviously higher costs for setting up a Joint-Stock than an SRL Company, from the minimum share capital of 25,000 Euros to translation costs of around 400 Euros or even more according to the number and type of shareholders and of course attorney-fees.

Is it necessary to have a Romanian shareholder or administrator?

No.

Should I expect anything different when incorporating an SA (Joint-Stock)?

Investors should be ready to set up a more complicated type of business entity which will necessitate good lawyer-client communication.

BRANCH FORMATION



It is possible under Romanian Law to establish branches of an existing foreign company starting its business activities in Romania. There are 3 types of branches in Romania, respectively:

Romanian Sub-Company ("Filiala")

The Romanian sub-company has a distinct legal personality from the mother-company. The sub-company owns its own patrimony, distinct in the entire patrimony of the company and is able to sign contracts with third parties in its own name, also owning one or more bank accounts.

How is a Romanian "Filiala" incorporated?

A *filiala* is incorporated the same way any other Romanian company would be, by approval of the local Trade Register. Of course if the sole shareholder is in this case a foreign company and this company will have to provide certain documents attesting its existence abroad.

What are the setup costs?

Costs are the same as when incorporating a Romanian company with one or more foreign legal entities as shareholders.

Romanian "Sucursala"

Similar to the sub-company, the branch constitutes a way of expanding the mother-company for national or international objectives. Unlike the sub-company, the Romanian branch does not become a distinct legal entity, being part of the structure of the mother-company.

How is a Romanian "Sucursala" incorporated?

A *Sucursala* is incorporated with the approval of the local Trade Register, however the type documents requested by the Trade Register judge will differ. For instance the Romanian authorities will require certain accounting documents of the foreign company.

What are the setup costs?

Costs will be higher than when incorporating a *filiala* as the procedure is a slightly more complicated requesting a larger number of documents.

Romanian Representative Office ("Reprezentanta")

This external structure is substantially different from both *filiala* or *sucursala* as a Representative Office cannot be an enterprise producing goods or any type of service provider. A Representative Office in Romania is simply an intermediary between the mother-company and its current contractual partners thus exercising either mandatary or commission functions.

How is a Romanian Representative Office incorporated?

A Romanian Representative Office is formed through a procedure with the Ministry of Commerce and not the local Trade Register.

What are the setup costs?

The investor will have to take into account that the setup tax is in amount of 1,600 USD. To this will of course be added translation costs (a large number of documents need to be translated) and attorney-fees.

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