

CONTRACT LAW

Part I

General Provisions

Group 1 general Principles

Article 1: Function of contract

A contract is a agreement between different organizations, between organization and individuals, or between individuals for the creation or termination of civil rights and obligations A contract's function is to establish relationships in assets between various economic sectors and branches, to raise the responsibility of organizations and individuals towards obligations in view of improving and developing material relationships in the people's daily life and the commodity-currency relation in the national economic basis.

Article 2: Partners to A Contract

A contract might be established between:

- State or collective organizations;
- State or collective organizations with other juridical persons or individuals;
- Juridical persons and individuals.

Group 2 Conditions and Terms of Contracts

Article 3: Contracting Parties

Contracting parties include the debtor and the creditor. The debtor is the party which has the obligation to perform a designated task for the interest of the creditor, such as handing over assets, performing a work, undertaking expenses and others or not performing a designated task.

Article 4: Types of Contracts

A contract may be established by one, two or several parties. A unilateral contract is an agreement made by one party binding itself on a non-reciprocal obligation, such as handing over assets. A bilateral or multilateral contract is an agreement made between two or more parties entailing rights and obligation between the contracting parties. Civil contracts will become economic contracts if their purposes over economic activities.

Article 5: Conditions of Contracts

The conditions of a legal contract are:

- The willingness of contracting parties;
- The ability of contracting parties in conduct;
- The subject of contract must be precise, evident and legal;

- The reason of contracts must comply to the laws;
- The form of contracts must conform to legal definitions.

Article 6: Willingness of Contracting parties

The assets of contracting parties to enter a contract will be considered a willingness. If one contracting party enters a contract out of error, misleading, duress or violence, or if a contract is liable to entail damage for one party, it will not be considered as based on willingness. If the purpose of the contract does not correspond to the agreement reached between partners, it will be considered as established by error.

If one contracting party has made use of tricks to mislead the other party in assenting to enter the contract, it will be considered as established under deception. A contract will be considered as made under duress or violence when either contracting party assents to enter the contract from fear of such acts endangering itself, its family, assets or relatives.

A contract will be considered as damaging for one party when the contracting partners gain obligation benefit from the contract.

Article 7: Ability in Conduct

Ability in conduct designates the ability through its own acts to create civil rights and obligations to itself. Any person will be considered as possessing the ability in conduct when acknowledged as a juridical person.

Article 8: Purpose of Contracts

The purpose of a contract is the goal established as needed by the contracting parties. Such purpose may be precise, evident, legal or harmless to social order and enforceable.

Article 9: Reason of Contracts

The reason of a contract is the fact encouraging the contract's establishment and the contracting parties to implement their rights and obligations. The reason of a contract must be evident and legal.

Article 10: Form of contracts

A contract must be made in writing. A contract may be verbally made in case its value is under five thousand kip, except for leases. A contract in written form must display the date and signatures of the contracting parties. A contract may be either hand or typewritten, manifesting in three forms:

- Contracts concluded in the presence of a court registrar or of the village administrative committee, together with three witnesses;
- Contracts concluded among the partners themselves and certified by the village administrative committee;
- Contracts concluded among the parties themselves;

- Contract between state or collective organizations, contracts between organizations and individuals must be made in written form.

Article 11: Terms of contracts

The terms of a contract is a necessary agreement guiding the contracting parties in implementing their mutual rights and obligations. Such agreement may include:

- Purpose, price, period of performance, payment, delivery;
- Scope, quantity and quality of contractual obligations;
- Place of contract performance and obligation in mutual information;
- consequences from breach of contracts; mediatory bodies entitled to solve differences;
- Conditions for contract alteration and termination before term.

The purpose, price, and period of performance are necessary terms for all types of contract.

Article 12: Offer and Acceptance of contracts

A verbal contract, where the offerer does not mention a deadline for acceptance, when the offeree receives the offer at any time and place, and may give an answer at the time and place, will be considered as concluded from that moment on. In the case of written contract where the deadline for response is not mentioned by the offerer, the offeree must send an answer to the offerer within thirty days from the day the offer was received. If the offerer stipulates a deadline for acceptance, the contract will be considered as approved when the answer reaches the offerer within the stipulated period of time, and the offerer has no right for revocation. If the offer is accepted by the offerer, the contract will be considered as approved. If the acceptance includes addendum, deletion, or alteration which are agreed by the initial offerer, the contract will be considered as approved.

Article 13: Void Contracts

A contract established not in conformity to the conditions stipulated in Article 5 of this law will be considered as void. A contract will be void in part or in totality, indefinitely or definitely.

Article 14: Indefinitely and definitely void contract.

1. An indefinitely void contract is a void contract relating to the rights and interest of individuals only. An indefinitely void contract is:

- a contract established under deception or duress or on unilateral damages;
- a contract established by a party unable in conduct;
- a contract established by a person lacking consciousness;
- a contract established under the ill intention of a representative;
- a contract established by necessity in specially critical situations.

If the indefinitely void contract is approved or adopted by a party losing its right and interest, the contract will be considered as valid.

2. A definitely void contract relating to the common right and obligations of the state or of the society.

A definitely void contract is:

- a contract established in contradiction with the interest of the state or of the society;
- a contract established by a juridical entity in contradiction with its statute governing its organization and activity;
- a contract established under a concealment;
- a contract established in a breached form.

The contracting parties have absolutely no right to approve and endorse a definitely void contract.

Article 15: Void Contracts in Part or in Totality

In case the reason implicating a contract to become void is related to all parts of the contract, such contract will be considered as totally void and non-valid. If the reason leading a contract to be void is related to a part of the contract, such contract will be considered as void specifically for the concerned part, while the remaining part will be considered as still valid.

Article 16: Revocation of Void Contracts

A void contract may be revoked. If either contracting party knows that the concluded contract is void, it must immediately inform the other party for revocation of the contract.

Perhaps or tutors of minors, mentally unsound persons also have the right to request the re?? of such contract. Minors, mentally unsound persons have the right to request the revo?? their recovery to a state of ability in conduct. For indefinitely void contracts, only the contracting parties may request their revocation. An in the case of definitely void contract, all concerned beneficiaries have the right to request for revocation.

Article 17: Consequences of Void Contracts

When a contract is acknowledged as void:

1. The assets applied by each contracting party will be returned to both in case the contract was not established in conformity with the legal principles, or the contract between juridical entities was established in contradiction to their purposes and goals, or the contract was concluded by a minor, a mentally unsound person, an unconscious person, or the contract is damaging one party's interest;

2. The applied assets must be returned to the damaged party in case the contract was concluded under deception or duress, whereas the applied assets of the other party will be nationalized.

3. In case the contract was made in contradiction to the interest of the state or of the society, all applied assets will be nationalized in totality.

Article 18: Principles of contract implementation

The contracting parties implement a concluded contract with sincerity and in totality according to the schedule and at the location specified in the or law. The contracting parties are forbidden to refuse the implementation of contractual obligations and to unilaterally alter the terms of the contract, unless authorized by the law. The creditor has the right to refuse a party's partial implementation of contractual obligations, if not stipulated otherwise by contract or law.

Article 19: Schedule for the Performance of Obligations

Contractual obligation must be performed on specified schedule and in accordance with contractual or legal provisions. If the obligation performance schedule is not specified, the creditor has the right to demand its implementation and the debtor has the right to implement it at all time. In case the creditor demands its implementation, the debtor is obliged to fulfill it within fifteen days from the day the former has formulated his demand. The debtor may perform the obligation before schedule if it is not alien to the contract or law and is approved by the creditor.

Article 20: Location of Obligation Performance

Contractual obligations will be performed at location specified by contract or law. If such location is not specified, obligations will be performed at the following location:

1. Obligations in handing over a construction building will be performed at the construction site;
2. Financial obligations will be performed at the address of the creditor when such obligations exist, except for financial obligations of state, collective and social organizations.

If the creditor has moved to another address during the performance of obligations and has informed the debtor, the obligations will be performed at the creditor's new address, while expenses for obligation performance will be taken in charge by the creditor;

3. Other obligations will be performed at the debtor's address during the existence of the obligation. If the debtor is a juridical entity, such performance will take place at its office.

Article 21: Payment

For the payment, the creditor must deliver a bill by himself or at the debtor's request. The bill must be made immediately or, at the latest, within two weeks after the performance of contractual obligation. Payment will only take place after a bill is delivered. The bill holder is considered as having received the amount of money stipulated in the bill, unless provided otherwise in the contract.

Payment may be made in cash, transfer money, cheque or material or labor as consented by the creditor. In case of payment by cheque, the date of payment is the day the creditor receives the cheque. In payment by transfer money, the day the creditor receives a notice will be considered at the date of payment. In payment by

mail, the date of payment will be the day the creditor transfers money or assets through postal services.

Article 22: Information on Difficulties in Contract Performance

When difficulties arise in the performance of a contract, although either contracting party has tried its utmost but fails to perform regularly its obligations, it must inform the other party of the cause of such difficulties in due time before the expiration of the contract. Information of difficulties will not constitute a cause of releasing the debtor from his responsibilities, and after such difficulties have ended, he will still have to perform his contractual obligations.

Article 23: Effectiveness of Contracts on Other Individuals

The creditor has the right to transfer his power to other individuals (called the new creditor) to claim for assets from a concerned debtor must hand over documents relating to the claims of debts to the new creditor and be responsible for him of the assigned right is false. In case the creditor expires, a heir to heritage is entitled to claim the assets from the concerned debtor. The debtor has also the right to assign his obligation to another person (called the new debtor) to perform it in his place upon prior consent of the creditor. If the debtor expires, the heir to the heritage will perform the obligation in his place.

Article 24: Guarantee of Contract Performance

In ?? a reasonable contract performance, in order to meet the creditor or to ?? potential damages due to failure of contract performance or to unreasonable contract?? , the law allows to apply various methods, such as mortgage, warranty and penalty.

Article 25: Mortgage

Mortgagere is an agreement reached between the contracting parties whereas one party (called the mortgager) deposits assets with the other party (called the mortgagee) to secure the settlement of debts, and the mortgager is entitled to redeem it on schedule as specified in the mortgaging contract.

If the mortgager does not redeem the mortgage on schedule as agreed, the mortgage will become the property of the mortgagee. In case the value of the mortgage is higher than the debts, the mortgagee might purchase or sell them. After deducting the principal and interest, the remaining amount must be returned to the mortgager the latter is entitled to demand the mortgage proves to be insufficient to refund the mortgagee the latter is entitled to demand the remaining sum from the mortgager.

Article 26: Forms of Mortgages

Mortgaging must be acknowledged in a written form at the same time or prior to the loan contract. The mortgaging contract may be included in the loan contract or a part. Mortgages must belong to the mortgager. The mortgaging person might be the mortgager himself or another person.

Article 27: Rights and obligations of mortgager and mortgagee.

In case the mortgages generate gains, they will belong to the mortgager. If the mortgagee needs to acquire such gains, he will have to purchase it. The mortgagee is obliged to preserve, but do not have the right to make use of mortgages during all the period of mortgaging, except if provided in the contract. If mortgages are damaged or deteriorated because of the mortgager, the latter must assume the responsibility, except if it happened by accident or because of uncontrollable reasons. In case the mortgagee incurs expenses in keeping the mortgages, the former has the right to demand compensation. The mortgager expires before the schedule specified for redemption, his heir has the right to do so.

Article 28: Priority in the Settlement of Debts

A creditor with mortgages in his possession will have priority for debt payment before other creditors without mortgages. Proceeds from the sale of mortgages will be used for total debt payment to creditors in possession of mortgages before, and the rest will be paid to the other creditors.

Article 29: Security in Assets

A security in assets in when the debtor has not mortgaged assets with the creditor but confides his titles of property over the assets to the creditor as security .

Article 30: Security Through An Individual or Juridical Entity

Security through an individual or juridical entity is a form of security whereby an individual or juridical entity agrees to guarantee debt payment at the place of the debtor when the latter fails the loan contract. In debt payment security for the debtor, the guarantor may place a security for the debts in totality or in part. At the expiration of the period specified in the contract, the creditor must demand for debt payment from the debtor before. If the latter fails to pay the debt, the creditor can then claim it from the guarantor.

The guarantor must pay the entire or part of the debt on behalf of the debtor as agreed in the contract. In payment of the debt, the guarantor is only obliged to pay the principal; the interest and others fees are to be taken in charge by the debtor unless otherwise specified in the contract. In case the debtor is only in the position to pay part of the debt , the guarantor must pay the remaining sum. As the guarantor has paid the debt on behalf of the debtor, he will become the latter's creditor and is entitled to demand the payment of the principal and the interest.

The guarantor has the right to protect the debtor he has guaranteed. The debtor and the guarantor have the obligations to inform each on debt settlement.

Article 31: Penalty

Penalty is a measure applied against persons who fail to perform the contract or perform it partially or do not conform to the specified time. Penalty is to be applied according to the specific regulations of the relevant sector or according to the

agreement reached between the contracting partners in case there are no specific regulations.

Article 32: Alternation or Termination of A Contract

A concluded contract can only be altered or terminated on mutual consent of the contracting parties. If there is a breach of contract, the affected party may alter or terminate the contract on an unilateral basis. Alteration or termination of a written contract must be made in a written form.

As a contract is terminated, implemented worked work is to be considered as finished. If one party has fulfilled its obligation, the other party will also have to fulfill his as compensation. Pending obligations are to be considered as terminated.

Article 33: Expiration of a Contract.

The contract shall be expired in the following cases:

- The contract is fully and correctly performed;
- The contracting parties are merged into one party;
- The contracting parties have reached an agreement;
- The contract may not be performed;
- Any of the contracting parties having expired, a third person cannot continue performing;
- The legal person, a party to the contract, has been terminated or collapsed.

In case a juridical person is terminated or collapses, his contract partner is entitled to claim for compensation for expenses and damages from the responsible person in charge of assets belonging to the terminated or collapsed juridical person.

Article 34: Settlement of Disputes

In some cases, contracting partners may not agree on the performance of a contract, when a contracting party notices it is disadvantaged by the contract, such as when the contract is not valid, failure of contract performance or incomplete contract performance, it is entitled to request the other party to settle the problem. If the requested party does not agree, the requesting party is entitled to lodge a court appeal for the settlement of the dispute. If such dispute is of economic order between organizations economic units with foreign partners, will be settled by the economic mediation authorities.

Article 35: Case Term in Prosecution

A case term in prosecution will last for ten years for construction contracts and three years for other contracts, such as loan contracts, leases. Case term in prosecution shall begin as the contract expires. A case term will be suspended in case:

- An accident or uncontrollable happening occurs hampering the submission of prosecution;
- The plaintiff or the defendant engaged in the armed forces is ordered to the front or war.

Article 36: Consequences of Breach of contract

The breach of contract means failure to perform contractual obligation in whole or in part, or irrational performance by either party, such as low quality, non-conformity to schedule and to locations specified in the contract. Any contracting party breaching the contract must be responsible for incurred losses, except if the contract breach took place by accident or force majeure such as thunder, flood, earthquake and others.

PART II

NATURE OF CONTRACT

Article 37: Sale Contract

A sale contract is an agreement between contracting parties whereby the seller delivers assets to the buyer who must accept and pay them at the agreed price. The seller will sell any article which belongs to him. In the making of the contract, the seller must inform the buyer on other persons' rights to the sold assets, such as the asset still being occupied by a lessee. Failure to do so will entitle the buyer to request the rescission of the contract and compensation for damages or the reduction of sale price. If the assets sold to the buyer are confiscated by verdict of the court or by the economic negotiating body, the seller must compensate for damages incurred to the buyer.

When the property right belongs to the buyer prior to the delivery of assets, the seller has the obligation to preserve such assets from damages or deterioration until they are taken over by the buyer and the assets to each other, or from the time the buyer proceeds to payment although the assets are not yet handed over by the seller, or from the time the seller delivers the assets though the buyer has not yet made the payment. The buyer has the obligation to pay for assets as specified in the contract.

Article 38: Quality of sold Assets

The quality of sold assets must conform to the standard provided in the contract. If not, the seller must be responsible for them. In case the buyer notices that such assets are of poor quality, he has the right to request to change them with the same kind of products which are up to the quality standard or to request price reduction or contract rescission and at the same time to claim for compensation of damages.

The buyer has the obligation to control the bought assets and must inform the seller immediately in case deficiencies are discovered in the bought assets. Otherwise, the buyer must be responsible for such deficiencies.

Article 39: Credit Sales Goods

In the sale of goods, the seller may sell them on credit. The buyer gains property right over credit sales goods from the day such assets are delivered by the buyer if not provided otherwise in the contract.

If such assets need to be registered, the buyer's property right will come into effect from the day registration is made. The sale of goods on credit will be performed

in conformity to the prices decided on the day of the sale. Subsequent change in price of the sold goods will not impact in any way on decided prices.

Article 40: Purchase of Illegally Acquired Assets

Any individual purchasing assets in good faith at a reasonable price on the market, purchasing and making use of assets back when he reimburses the costs to the buyer, but has the right to claim for compensation from the seller.

In case the buyer purchases assets in ill faith, the owner has the right to retrieve them without any reimbursement to the buyer. The buyer may claim for reimbursement from the seller, but has no right to file a prosecution the court.

Article 41: Delivery of Sold Goods or Assets

The seller will deliver sold goods or assets to the address of the buyer or to an agreed place. The buyer has the obligation to accept the goods or assets delivered to him. Payment of transport cost depend on the agreement reached between the contracting parties. If the seller fails to deliver the sold goods or assets on the agreed time, the buyer is entitled to refuse such goods or assets. In case the buyer has paid the delivery costs, he will have the seller to pay the interest according to the law.

If the seller delivers sold goods or assets in an insufficient number, not entirely, not in ?? to the quality standard provided in the sale contract, the buyer may refuse to accept and ?? goods. If the buyer has already paid the goods, the seller will have to reimbursement him and right even compensation for damages.

Article 42: Exchange Contract

An exchange contract is an agreement between contracting parties whereby a party gives assets to other party and the latter compensates the former with assets. An exchange contract shall be performed in accordance with the regulations of the sale contract.

Article 43: On Sale Contract

An on sale contract is an agreement contracting parties on the sale of assets that the seller still has the right to purchase back within three years at the same prices. Upon expiration of the three period, the seller has the right to extend the on sale term in case a prior agreement must will made while concluding the contract, but for not more than one year. By the time the term comes to its and if the seller does not purchase the assets back, the buyer will definitely become the owner of the assets.

Article 44: Produce of on sale contract

If the on sale assets produce any profit, the buyer who has already paid for them in totality will have the ownership over the generated profit. In case the buyer has not yet fully paid for them, he will only acquire the produce if he pays the interest of the remaining sum to the seller.

Article 45: Preservation of on Sale Good

The buyer must preserve the on sale assets, whereas the seller must reimburse expenses incurred by the buyer in preserving such assets. In case such expenses are minimal, they will be taken in charge by the buyer. The buyer may make use of on sale assets. If the seller purchases back the assets within term, the buyer must return them in their original condition.

Article 46: Loan Contract

A loan contract is an agreement between contracting parties whereby the lender places money or assets under the property of the borrower and the latter must return the lent money or assets at the original quality and quantity to the lender at the agreed date as stipulated in the contract. If a date is not specified in the contract, the lender's recommendations should be followed as stipulated in Article 19 of this law. A loan contract may specify the goals of lent money or assets, and the borrower must make use of the money and asset as stipulated in the contract.

A loan contract may specify the goals of lent money or assets, and the borrower must make use of the money and assets as stipulated in the contract.

Loan and lent assets will only bring about interests if specified in the contract. Interest from bank loans must conform to the regulations of the concerned bank. Aside from bank loans, computation of annual interest must not exceed three percent higher than for bank loans.

In loans, it is forbidden to take interests equal to the capital and let interests exceed the capital. At the date of reimbursement as agreed in the contract, if the lender refuses to accept the money or asset, further interests may not be charged any longer.

Article 47: Responsibilities of a Married Couple Over Debts

A couple or either side must bear responsibility for loans in the following cases:

- The husband and the wife have together borrowed money or assets;
- The husband or the wife have borrows money or assets for family use;
- The husband or the wife alone borrows money or assets for his or her own interest. In this case, the husband or the wife who pays the debt has the right to be reimbursed upon dowry sharing.

Article 48: Asset Borrowing

A contract on asset borrowing is an agreement between contracting parties whereby the lender allows the borrower to use his assets free of charge and the latter must return them to their owner in their original condition at the agreed time. In case the assets are damaged or deteriorated when with the borrower, the latter must be responsible, except is agreed otherwise in the contract. If not in the capacity to return the borrower may compensate with money or other assets in accordance with the lender's agreement and with current market prices.

Article 49: Leasing Contract

A leasing contract is an agreement between contracting parties whereby a lessor allows a lessee to make temporary use of his property and the lessee must pay a rental at the agreed price and time. A leasing contract may be concluded without specification on time. In such case, the lessor or the lessee has the right to terminate the contract at any time, but must notify the contracting partner three months in advance for fixed properties, such as houses, buildings, and one month in advance in case of lease of movable properties, such as cars, boats, animals. Before leasing assets, the lessor must notify the lessee on the deficiencies or specificities of such assets. In case the lessor fails to give notice to the lessee on the assets' deficiencies or specificities and damages or deterioration occurs from such omission, the lessee shall not be responsible.

Article 50: Payment of Rental

The lessee may pay the rental on a daily, weekly, monthly, annual basis or in advance. In case the lessee pays in advance, but the contract is terminated before term, the lessor must return the remaining rent from the advanced payment to the lessee and the latter is entitled to claim indemnities from the lessor who has violated the contract by the lessor, the lessee is entitled to claim the remaining rent from the advance payment and compensation for damages from the lessor.

Article 51: Use and Repair of Rent Assets

The lessee must use in conformity with the contract and their utility the assets which are administered and cared, and return such assets to the lessor in their original condition after the end of the contract. The lessee must be responsible for damage or deterioration arising from his fault. During the use of rent assets, such as lock mending, patching up of leaking roof or of punctured tire, will be taken in charge by the lessee. Major repairs, such as re-covering of roof, engine overhaul, will be taken in charge by the lessor.

Article 52: Transfer of Ownership Over Rent Assets

In case the lessor transfers or sells his rented assets to other persons, the leasing contract remains effective for the new owner but the lessor must inform the new owner that the assets are under the use of another person.

Group 5 Deposit Contract

Article 53: Deposit Contract.

A deposit contract is an agreement between contracting parties whereby the depositor deposits assets under the care of a depository who will return them in their original condition when claimed. A deposit may be charged or free of charge depending on the contracting parties' agreement or specific regulation.

In case a deposit has a time limit, the depository is not entitled to return the assets before term except in the necessary cases, whereas the depositor may do so. Charge for deposit will be computed according to their current duration, unless otherwise

agreed in the contract. If a deposit is limitless, the depositor may retrieve it back at any time and the depository is entitled to ask the depositor to recall his deposit at an appropriate time.

Article 54: Obligations of Depository

A depository has the obligation to preserve the deposit from any damage, deterioration or degradation, and to return it in its original condition. The depository has no right to make use or transfer such assets to the care of other persons, except if authorized by the owner. If the deposit bears profit, the gains will belong to the depositor.

In case of loss, damage or degeneration of the deposit, the depository shall inform the depositor at once. The depository must be responsible for such damages, unless arising by accident or uncontrollable reasons.

Article 55: Obligation of the Depositor

A depositor has the obligation to notify the depository on the assets' deficiencies or features, hereafter both contracting parties will jointly check the current condition of the assets. If the depositor fails to notify the depository on the features of the assets, thus affecting the depository and the deposit, the depositor is responsible for arising damages. The depositor must accept the assets at the due time and pay the depositing charge if agreed so.

In the contracting parties agree on depositing charges from the contract's conclusion, delay in the delivery of the deposit will be taken in charge by the depositor. In addition, the depositor will also be responsible for delays in the retrieval of such assets. When the depository incurs expenses in taking care of deposit, the depositor will have to refund them.

In case the deposit is of volatile nature and easily degenerates and the depositor fails to retrieve it on due time, the depository is entitled to sell it and deduct the depositing cost, while the remaining sum must be returned to the depositor.

Article 56: Assignment Contract

An assignment contract is an agreement between contracting parties whereby an assignee must undertake a task on behalf of and on the expenses of an assignor. The latter has the obligation to pay compensation to the former as specified in the contract or in the law. The assignee may only execute the assignment when in possession of a letter of assignment, except for assignment of minor importance.

An assignment should be made in a written form and must not exceed three years. In the assignment's duration is not specified in the contract, it will be effective for a period of one year from the day the letter of assignment is formulated. Parents or guardian of a minor, a husband or a wife may act on behalf of each other without a letter of assignment.

Article 57: Obligation of an Assignee

The assignee has the obligation to execute the assignment by himself according to the assignor's recommendations and as sincerely as his own task. If the assignee is not in the position to execute the assignment by himself due to objective causes, he is entitled to transfer it to a third person, but must notify the assignor at once on the third

person's personality and capability for approval. Otherwise, the assignee will be responsible for damages affecting the assignor caused by the third person's acts. The assignee also has the obligation to report on and hand over objects, money or documents acquired from the assignment's execution to the assignor at once. In case the assignee causes damages to the assignor during the assignment's execution, he will be responsible for compensation to the assignor.

Article 58: Obligations of an Assignor

The assignor must ensure materials which are necessary for the execution of the assignee's work, acknowledge the fulfilled assignment, compensate the assignee if specified in the contract and acknowledge the assignee's expenses during his assignment. The assignor has the right to refuse any work implemented by the assignee which is not conform to his recommendation or in excess of the assignment.

If the assignor refuses the work executed by the assignee in conformity with the assignment, as well as incurred expenses, he is responsible for the compensation of the total damages.

Article 59: Service Contract

A service contract is an agreement between contracting parties whereby a service seller must serve, undertake or create something according to the requirement of the service buyer who must pay the services at the agreed price. The service seller has the obligation to hand over the accomplished task to the service buyer in due time and with guaranteed quality. In case the service seller fails to provide quality work, the service buyer may refuse such services. The serviceseller is also entitled to demand service fees and will have to compensate the cost of materials supplied by the service buyer.

The service buyer has the obligation to accept the seller's accomplished work and pay the service fees. If the service buyer has the obligation to accept the seller's accomplished work and pay the service seller on their deficiencies, he will assume the responsibility and will also have to pay the service fees. In case the service buyer needs to change service seller, he must pay the former service seller for the partially fulfilled work.

Article 60: Construction Contract

A construction contract is an agreement between contracting parties whereby the contractor must build a certain object according to the plan of a project owner with materials provided by the project owner or by himself . The project owner must accept and pay for the built item.

The contractor has the right to notify the project owner that he is not in measure to implement the latter's recommendations or to use his materials or facilities which are not to quality standard. If adjustment is not made in a proper time, the contractor is entitled to request the termination of the contract and claim for compensation.

In case materials and facilities belong tot he project owner, the contractor must made good use of it, otherwise he will be responsible. In addition, he must also make a report on their use and return the remaining part to the project owner.

The project owner has the right to inspect the constructions. In the construction are not built or do not conform to the terms of the contract, affecting their quality or condition, the project owner is entitled to request an adjustment or repair within an appropriate period of time or to claim for compensation if the materials or equipment used for the adjustment belong to him. In special case, the project owner may request the revocation of the contract and demand compensation.

Materials or equipment supplied by the project owner must be of quality, standard and delivered in due time.

Article 61: Quality Guarantee of Constructions

The contractor must ensure the construction techniques of his constructions.

After the project owner accepts a construction, if defects are still noticed, the project owner is entitled to demand the contractor to undertake further repairs without any cost in case the period of guarantee has not expired yet.

Article 62: Transportation Contract

A transportation contract is an agreement between contracting parties whereby a party is a carrier transporting passengers, cargo or merchandises to destination or according to the requirement of the other party. Transportation may take place by land, water or air and must comply to specific regulations.

A carrier has the obligation to safely transport passengers, to deliver assigned cargo or merchandises to their destination and hand them over to the nominee. Transport fees may be paid in advance or afterwards as agreed. In case an accident occurs, the carrier must be responsible for the expired or injured passengers, for damaged cargo or merchandises during transportation, unless caused by accident or uncontrollable reasons.

Article 63: Contract on Joint Venture

A contract on joint venture is an agreement between two or more persons to joint money or assets for investment in a business operation and share of dividend. Shareholders may make any agreement in conformity with the statute of the enterprise.

Article 64: Duration of A Joint Enterprise

A joint enterprise will terminate in the following cases:

1. When the contractor on joint venture expires;
2. In case the duration of the contract is not specified, the joint enterprise will terminate when:
 - The capital of the joint enterprise is less than specified by the law;
 - The joint enterprise may not continue its operation;
 - A shareholder expires without heir to continue the business operation;

Article 65: Final Financial Arrangements

When a joint enterprise terminates, if there is no specific agreement in the contract, the share of the profit or losses will take place on the basis of shares held by each person.