

BOOK TWO REAL RIGHTS

TITLE I PROPERTY

Article 284. Definition of Property

(1) Property is the totality of property rights and obligations (which are susceptible of monetary assessment), regarded as an amount of assets and liabilities tightly connected between them, belonging to a certain natural person or legal entity.

(2) All assets of the natural person are part of its property.

Article 285. Assets

(1) Assets are all things susceptible of individual or collective appropriation, as well as property rights.

(2) Things are corporeal objects with regard to which civil rights and obligations can exist.

Article 286. Civil Circulation of Assets

Assets may circulate freely, save for cases when their circulation is limited or prohibited by law.

Article 287. Animals

(1) Animals are not considered things. They are protected by special laws.

(2) With regard to animals, provisions regulating things shall apply, save for cases provided by law.

Article 288. Movable and Immovable Assets

(1) An asset is either movable or immovable.

(2) Immovable assets are land plots, underground areas, separate water reservoirs, rooted plantations, buildings, constructions and any other objects firmly attached to soil, as well as anything that is, naturally or artificially, firmly incorporated in the mentioned constructions and objects, namely assets that cannot be moved without causing a significant damage to their destination.

(3) There shall also be deemed immovable materials that are temporarily separated from a plot, but with the purpose of return to the initial use, as long as they are preserved in the same form, as well as integrant parts of an immovable asset that are temporary detached from that asset, where these parts are destined for reassembling. New materials used instead of the old ones become immovable assets.

(4) Under the law, some other assets can be related to the category of immovables.

(5) Assets that are not attributed to the category of immovables, including money and securities, are deemed movable assets.

Article 289. Provisions Applicable to Real Rights

Provisions regarding immovable assets shall apply accordingly to real rights over these assets.

Article 290. Registration of Rights to Immovable Assets

(1) The right of ownership and other real rights to immovable assets, charges over these rights, their rise, modification and termination are subject to state registration.

(2) State registration of rights to immovable assets is public. The body authorized to perform state registration is bound to give to any person information about all rights and charges registered with regard to any immovable asset.

(3) Upon the request of the person whose right is registered, the body bound to perform registration shall issue a document confirming registration procedure or shall stamp the document submitted for registration.

Article 291. Divisible and Indivisible Assets

(1) Assets that can be divided in kind without change in their economic destination are divisible assets.

(2) Assets, the parts of which, resulting from partition, lose the initial qualities and destination, are deemed indivisible.

(3) By transaction, an asset, divisible by its nature, can be deemed indivisible.

Article 292. Principal Assets and Accessories

(1) An asset meant for permanent economic use of another (principal) asset and linked with the latter through a common destination is deemed to be an accessory asset, as long as it is appropriate for such use. All other assets are deemed principal.

(2) The common destination may be established only by the owner of both assets, unless otherwise provided in the contract.

(3) The accessory asset follows the legal status of the principal one, unless otherwise agreed by the parties.

(4) Cease of quality of accessory asset may not be relied upon against the third party that has previously acquired rights pertaining to the principal asset.

(5) Temporary separation of the accessory asset from the principal one does not remove its quality as accessory asset.

(6) Rights of a third party to an asset shall not be prejudiced by its transformation into an accessory asset.

Article 293. Fungible and Non-Fungible Assets

(1) Assets that can be substituted by other assets, without prejudice to validity of payment when performing an obligation, are deemed fungible assets. All other assets are deemed non-fungible.

(2) The quality of an asset as fungible or non-fungible may be reversed by virtue of transaction.

Article 294. Assets Determined Individually and Generically

(1) An asset is by its nature characterized by properties that are only inherent to that asset shall be deemed individually determined.

(2) An asset possessing features which are common for all assets of the same type and which is individualized by counting, measuring and weighting, shall be deemed generically determined. Generically determined assets are fungible.

(3) The quality of an asset as individually or generically determined may be reversed by virtue of a transaction.

Article 295. Consumable and Non-Consumable Assets

(1) Assets, common use of which implies alienation or consumption of their substance, shall be deemed consumable. All other assets are non-consumable.

(2) A consumable asset can be deemed non-consumable by virtue of a transaction.

Article 296. Assets Belonging to Public Domain and to Private Domain

(1) Assets belonging to the state or to administrative territorial units shall be deemed assets of private domain, unless transferred to the public domain by law or by legally provided procedure.

(2) The public domain of the state or of administrative territorial units shall comprise assets determined by law and assets that by their nature are of public use or interest. Public interest implies that the asset is designated for use in a public service or in any activity that satisfies needs of a community, without community's direct access to asset's use, according to the mentioned destination, being necessary.

(3) Underground, air space, water and forest resources used to the public interest, natural resources of the economic zone and continental plateau, communication networks, as well as other assets set by law constitute exclusive object of public property.

(6) Assets of the public domain are inalienable, non-enforceable and non-prescribable. The right of ownership over these assets does not terminate by nonuse and shall not be acquired by third persons through usucapion.

Article 297. Complex Assets

(1) Where several assets constitute a single whole that is destined for common use attributed by the nature of unification, these assets shall be deemed a single asset (complex asset).

(2) The effects of transaction concluded with respect to a complex asset shall cover all its parts, unless otherwise provided by the transaction or by law.

Article 298. Universality of Things

(1) The factual universality is a plurality of homogeneous corporeal assets considered as a single whole.

(2) The legal universality is a plurality of corporeal and incorporeal assets of any type, which, together, are considered a single whole.

Article 299. Fruit

(1) The fruit of a thing is the income, the gain and the products that the asset yields.

(2) The fruit of a right is the income and the benefits obtained consequent to the use of the right.

(3) Fruits of thing and of right are also deemed income and benefits which this thing or right provide by virtue of legal relations.

(4) The authority over the thing or right gives opportunity to retain the fruits of this thing or right, in compliance with the duration and extent of that authority, unless otherwise provided by law.

(5) Where the person is bound to return the fruits, he may demand compensation for outlays incurred with regard to those fruits, if those outlays are the result of a judicious administration and do not exceed the value of the fruits.

Article 300. Appurtenant and Limited Rights

(1) A right is appurtenant where it is associated with another right in such manner that it cannot exist without it.

(2) A right is limited where it derivates from a larger right which is charged with that limited right.

Article 301. Protected Results of Intellectual Activity

(1) In cases and in the manner set, the law recognizes the exclusive right of natural person and legal entity to the results of intellectual activity and to attributes of identification of legal entities, as well as to elements for individualization of production, works or services delivered (firm name, commercial emblem, trademark, etc.).

(2) The results of intellectual activity and elements for identification and individualization are objects of an exclusive right and may be used by third parties only subject to the consent of the entitled person.

Article 302. Money

(1) The national currency – leu – is a legal means of payment, mandatory for acceptance according to the nominal value on the territory of the Republic of Moldova.

(2) Cases, conditions and procedure of payments in foreign currency on the territory of the Republic of Moldova shall be provided for in the law.

TITLE II POSSESSION

Article 303. Acquisition and Exercise of Possession

(1) Possession is obtained by voluntary mastering of the asset.

(2) The person shall not be deemed possessor where he masters the asset in favor of another person, by virtue of powers of possession granted to him by the latter. The possessor is the person that granted the powers.

(3) Where the possessor started to possess for another person, it is presumed that he preserved this quality, until the contrary is proved.

(4) Where several persons possess an asset, they are deemed co-possessors.

(5) Where several persons possess parts of an asset, they are deemed possessors of separate parts.

(6) Incapable persons and legal entities shall exercise possession through their legal representative.

Article 304. Direct and Indirect Possession

(1) The possessor can master the asset directly, through his own power (direct possession) or through another person (indirect possession).

(2) Where the person possesses the asset as usufructuary, pledge creditor, lessee, agricultural lessee, and depositor or by virtue of another similar legal relation, by which he is entitled or bound towards another person to exercise temporary possession of a certain asset, the latter shall also be deemed possessor.

Article 305. Presumption of Ownership

(1) The possessor is presumed to be the owner of the asset, unless it is proved that he started to possess in favor of another person. This presumption does not apply in case where the right of ownership must be registered in the public register or in relation to a former possessor whose asset has been stolen, lost, or taken out from possession in another manner without his consent, save for money and securities.

(2) It shall be deemed that the previous possessor was owner of the asset during the period he possessed that asset.

Article 306. Presumption of Continuous Possession

Where the person possessed the asset at the beginning and at the end of a certain period, it shall be presumed that he continuously possessed the asset during that entire period.

Article 307. Possession in Good Faith

(1) The possessor in good faith is the person that lawfully possesses or that may be deemed entitled to possess, under a diligent examination of the grounds for his entitlement, necessary in civil relations. Good faith is presumed.

(2) Possession in good faith ceases where the owner or another person with preferential right submits well-grounded claims to the possessor.

Article 308. Claim of by Possessor in Good Faith of Asset in Illicit Possession

Where the possessor in good faith is deprived of the asset, he may claim restitution of that asset from the new possessor within 3 years. This rule shall not apply where the new possessor has a preferential title to possession. The claim of possession may be applied in relation to the person that has preferential title to possession, where the asset has been obtained by the latter through violence or fraud.

Article 309. Right of Possessor in Good Faith to Non-Disturbed Possession

Where the possessor has not been deprived of the thing, but the exercise of possession is disturbed in any other way, the possessor in good faith may demand, as an owner, cessation of disturbance, as well as compensation for damage caused to possession. Compensation may also be claimed where cessation of disturbance is not demanded or cessation is impossible.

Article 310. Legitimate Possession

(1) The legitimate possessor may not be submitted a claim for handing over the asset. During the period of legitimate possession, the fruits of the asset shall be deemed his property, unless expressly stipulated otherwise.

(2) Provisions of par.(1) also apply to relations between direct and indirect possessor.

Article 311. Duties and Rights of Possessor in Good Faith with regard to Asset Handing Over

(1) The possessor in good faith that is not entitled to possess the asset or has lost this title is bound to hand the asset over to the entitled person. Where the entitled person does not exercise his right and the possessor rightfully considers that he must maintain possession, the fruits of the asset and the title shall belong to the possessor.

(2) The possessor in good faith may demand from the entitled person compensation for improvements, where these improvements cannot be separated without damaging the asset, as well as for investment, charges, taxes and other outlays incurred during possession in good faith of the asset, which are not compensated through asset's use and fruits obtained, having regard of the fruits that were not obtained, due to possessor's fault. This rule also applies to outlays that resulted in an increase in asset's value, if that increase still exists at the moment of asset's handing over.

(3) The possessor in good faith is allowed not to hand over the asset until his claims are satisfied.

Article 312. Duties of Possessor in Bad Faith Related to Asset's Handing Over

(1) The possessor in bad faith shall hand over to the entitled person both the asset and its fruits. He shall be bound to compensate for the value of fruits that were not obtained due to his fault. These provisions do not prevent submittal of other claims to the possessor in bad faith.

(2) The possessor in bad faith may demand compensation for asset-related outlays only where these outlays lead to enrichment of the entitled person, upon asset's handing over.

Article 313. Conveyance of Possession by Virtue of Succession

Possession is conveyed by virtue of succession in the condition it was in while held by the succeeded natural person or legal entity.

Article 314. Termination of Possession

(1) Possession terminates where the possessor irrevocably and expressively relinquishes mastering of the asset or loses factual mastering of the asset in any other way.

(2) Temporary impossibility to exercise asset's factual mastering does not trigger termination of possession.

**TITLE III
OWNERSHIP****CHAPTER I
GENERAL PROVISIONS****Article 315. Substance of Right of Ownership**

(1) The owner has the right of possession, use and disposition over the asset.

(2) The right of ownership is perpetual.

(3) The right of ownership may be limited by law or by rights of a third party.

(4) The right of use also includes person's freedom not to use the asset. The law may establish the obligation of use, where asset's non-use contravenes to public interests. In such a case, the owner may be bound to use the asset himself or to give it into use to third parties in exchange for an according compensation.

(5) The specifics of the right of use of agricultural plots shall be set by law.

(6) The owner is bound to take care and maintain the asset that belongs to him, unless otherwise provided by law or contract.

Article 316. Guaranty of Right of Ownership

(1) Ownership is inviolable, in compliance with the law.

(2) The right of ownership is guaranteed. Nobody may be bound to relinquish ownership, save for cases of expropriation for public utility, in exchange for an according and preliminary compensation. Expropriation shall be made in compliance with legal provisions.

(3) With regard to works of general interest, the public authority may use the land of any real estate, under the obligation to compensate the owner for damage caused to soil, plantations or constructions, as well as for other imputable damage.

(4) Compensation provided for in par.(2) and (3) shall be determined jointly with the owner, or, in case of a dispute, by court judgment. In such a case, the decision to withdraw assets from person's ownership may not be executed before the court judgment remains final.

(5) Lawfully acquired assets may not be seized, save for assets destined for committing delicts or offences. The lawfulness of assets' acquisition is presumed.

Article 317. Extent of Right of Ownership

Everything that the asset produces and everything that joins the asset or is incorporated into it due to owner's act, the act of another person or due an accident, pertains to the owner, unless the law provides otherwise.

Article 318. Risk of Accidental Loss or Deterioration

The risk of accidental loss or deterioration of the asset is borne by the owner, unless otherwise provided by law or contract.

Article 319. Rights Acquired Prior to Conveyance of Ownership

Change of owner does not prejudice the rights of third parties to the asset acquired in good faith prior to conveyance of the right of ownership.

CHAPTER II ACQUISITION AND TERMINATION OF RIGHT OF OWNERSHIP

SECTION 1 ACQUISITION OF OWNERSHIP

Article 320. Acquisition of Right of Ownership

(1) Ownership over a new asset, made by a person for his own use, pertains to that person, unless otherwise provided by law or contract.

(2) Ownership may be acquired, as provided for in the law, by way of occupation, transaction, succession, accession, usucapion, as well as by court judgment, where it pertains to transfer of ownership.

(3) In cases provided by law, ownership may be acquired by virtue of an administrative act.

(4) The law may also provide for other ways of ownership acquisition.

Article 321. Time of Acquisition of Ownership

(1) Ownership shall be transferred to the beneficiary upon handing over of the movable asset, unless otherwise provided by law or contract.

(2) With regard to immovable assets, ownership shall be deemed acquired as of the date of entry in the real estate register, unless otherwise provided by law.

Article 322. Asset's Handing Over

(1) Handing over of the asset shall mean conveyance of asset to the acquirer, as well as to the carrier or post office for shipment, where the asset is alienated without the obligation of transportation.

(2) Submission of bill of lading or other act granting the right of disposal of the asset shall be equivalent to handing over of that asset.

Article 323. Occupation

(1) The possessor of a movable asset without owner shall become its owner by way of occupation as of the date of taking possession, in compliance with the law.

(2) Movable asset without owner are deemed those assets with regard to which the owner relinquished his right of ownership, abandoned assets and assets that by their nature do not have an owner.

Article 324. Found Asset

(1) The movable asset lost continues to belong to its owner.

(2) The person that has found the asset shall return it to its owner or previous possessor, or, where the owner cannot be identified, shall hand it to the local public authority or police of the precinct in which it was found.

(3) The asset found in public premises or public means of transportation shall be handed over to the possessor of the premises or of the means of transportation, who shall take over the rights and obligations of the person that found it, save for the right to reward.

(4) The person that found the asset shall bear responsibility for its loss or deterioration only in case of willful act and within the limits of asset's price.

(5) The competent body that received the asset found shall post a note regarding the found asset at its premises and shall be bound to keep it for 6 months. In such case, rules on necessary deposit shall apply.

(6) Where, due to the existing circumstances or asset's nature, its keeping could result in diminished or disproportionate outlays, the asset shall be sold in accordance with the law. In such case, rights and obligations with regard to the asset shall apply to the sale proceeds.

Article 325. Acquisition of Right of Ownership over Found Asset

(1) Where the owner or other entitled person shall not claim, within 6 months, conveyance of found asset, the latter shall be conveyed, based on a deed of conveyance, to the

person that found it. The deed of conveyance shall stand for title of ownership of that person, while being also opposable to the previous owner.

(2) Where the person that has found the asset relinquished his rights, the asset shall pass into state's ownership.

(3) Where in accordance with this article, a right of ownership over an animal has been acquired, the previous owner may require that the animal be returned, where animal's affection to him is proved or new owner has a cruel conduct in relation to that animal.

Article 326. Obligation of Owner of Found Asset to Compensation of Outlays and Reward Payment

(1) The owner or previous possessor of the found asset shall be bound to compensate for storage outlays. Where the found asset has been sold, the outlays for storage and sale shall be deducted from the proceeds.

(2) The owner or previous possessor of the found asset shall pay to the person that found it a reward of not more than 10% of asset's price or actual value.

(3) Where the asset does not have commercial value or the reward payment could not be established amiably, the person who found the asset shall be entitled to an amount established by court.

(4) Where the owner made a public offer of reward, the person who found the asset may choose between the offer made by the owner and the reward established by law or court.

Article 327. Treasure

(1) Any movable asset hidden or buried, even involuntarily, whose owner cannot be identified or has lost right of ownership, as provided by law, shall be deemed treasure.

(2) Where a treasure is found within an immovable asset, half of it shall belong to the owner of the immovable asset and the other half to the person that discovered the treasure, unless otherwise agreed between them. The latter shall not be entitled to anything if he violated the immovable property or searched through it without owner's or possessor's consent. Owner's consent shall be presumed, unless proved otherwise.

(3) Where a treasure is discovered consisting of an asset (assets) recognized as historical or cultural monument, the asset shall be transferred into public ownership. The owner of the immovable asset where the treasure was discovered and the person that discovered it shall be entitled to a reward of 50% of treasure's price. The reward shall be divided equally between the owner of immovable asset where the treasure was discovered and the person that discovered it, unless otherwise agreed. The reward shall be paid integrally to the owner if the discoverer violated the immovable property or searched it without owner's or possessor's consent.

(4) Provisions of this article shall not apply with regard to persons who acted in the interest of a third party, including when exercising one's labor duties, archeological excavations or searches, which resulted in discovery of the treasure.

Article 328. Natural Immovable Accession

(1) Land increments to riversides shall belong to the owner of the riverside plot only if these increments have formed gradually (alluvium). Lands gradually occupied by riverbeds shall belong to the owner of these rivers.

(2) The owner of plot surrounded by rivers, ponds, lakes, canals or other waters shall not become possessor of land that appeared as a result of temporary lowering of waters. The

owner of these waters shall not be entitled to any right over land covered as a result of sporadic floods.

(3) The owner of the plot, from which a significant portion has been suddenly separated by a natural flow of water and attached to another's plot shall not lose right of ownership over the detached portion, where he submitted the claim within one year as of the date when the owner of the plot to which the portion has attached entered into its possession.

(4) Where a natural flow of water by way of a new armlet surrounds the plot of a riverside owner, the latter shall remain owner of the newly formed island.

Article 329. Artificial Immovable Accession

(1) Constructions and underground or aboveground works are assumed to be performed by the owner of the plot at his own expense and to belong to him unless proved otherwise. Works shall refer to planting and any improvements to the land that are not durably incorporated into it.

(2) The plot owner who performed construction works by using materials belonging to another person shall reimburse the latter for the value of the materials. If the works were performed in bad faith, the owner shall also be bound to provide reparation for the damage caused.

(3) Where a third party performs the works, the plot owner shall be entitled to retain them for his own use or bind the third party to demolish them at his own expense and repair the damage caused. If the owner keeps the constructions or works performed by the third party, he shall be bound to pay either the value of materials or a sum of money equivalent to the increase in plot value.

(4) Where a third party performed works or constructions in good faith, the plot owner shall not be entitled to demand their demolition and shall pay either the value of materials used and the cost of works performed or a sum of money equivalent to the increase in plot value.

(5) Where constructions are erected or works are performed partially on constructor's plot and partially on a neighboring plot, the neighbor may acquire ownership of the entire construction, by paying to the constructor an indemnity, only if at least one half of the land occupied by the construction is situated on his land. In such case, the neighbor shall also acquire a superficies over the adjacent land for the period of construction's existence. The indemnity shall cover the value of materials and the cost of work as well as the value of plot use.

(6) The constructor in bad faith shall not be entitled to an indemnity larger than one third of the amount computed according to paragraph (5), unless he proves that the person entitled bears partial fault.

Article 330. Movable Accession

(1) Where two movable assets with different owners combine, each of the owners shall be entitled to claim separation of assets, unless the other owner would be harmed by this.

(2) If two assets belonging to different owners combined in such a way that their separation is impossible without deterioration or without excessive efforts or expenditures, the new asset shall belong to the owner who contributed to a greater extent to its creation, judging from work performed or the value of the initial asset, being bound to pay to the other owner the price of the asset combined with the principal asset.

(3) Where the accessory asset is worth more than the principal asset and has been combined with it without owner's knowledge, the latter may claim indemnity and restitution of the combined accessory asset, even if separation could damage the principal asset.

(4) Unless otherwise provided in the contract, the right of ownership over an asset resulting from the processing of material shall belong to the owner of that material, who shall be bound to pay the value of work performed. Processing shall include writings, drawing, painting, stamping, engraving or any other transformation of surface.

(5) The person in good faith that transformed by his work material that did not belong to him shall acquire right of ownership over the resulting asset by reimbursing the price of the material to its owner, where the value of the work performed is higher than the value of the material.

(6) The person that must return the asset resulting from processing of the material shall have been entitled to retain it until receipt of the amount due to him from the new owner.

(7) Where a new asset has been created through combination (amalgamation) of several materials belonging to different owners and none of them can be considered as primary, the owner that did not know about amalgamation may demand separation of the materials, if such separation is possible. Where the amalgamated materials cannot be separated without prejudice, the newly created asset shall belong to the owners of the materials proportionally to the quantity, quality and value of each one's material.

(8) Where the material of one of the owners in good faith exceeds the other material by value and quantity, he may claim the asset created through amalgamation, by paying the other owner the price of the material, or claim replacement of material with other material of the same kind, quantity, size or quality or claim payment of equivalent value of the material.

Article 331. Right of Acquirer in Good Faith to Movable Assets

(1) The acquirer in good faith shall acquire ownership over movable assets even if the person that disposed of the asset is not its owner. There is no good faith when the acquirer knew or must have known that the person from whom he acquired the asset was not its owner. Good faith must subsist until coming into possession inclusively.

(2) The acquirer in good faith shall not obtain right of ownership over movable asset where the asset has been stolen, lost or otherwise withdrawn from owner's possession contrary to his will, or where the acquirer obtained it gratuitously. This rule shall not apply for acquisition of money, securities or assets alienated at auctions.

Article 332. Usucapion of Immovable Asset

(1) Where a person, without having acquired right of ownership, possessed in good faith as owner an immovable asset for a period of 15 years, he shall become owner of that asset.

(2) Where the asset and rights to it are subject to state registration, the right of ownership shall be acquired by virtue of provisions of par.(1) as of the moment of registration.

Article 333. Usucapion of Movable Assets

The person that possesses in good faith somebody else's movable asset as its own for a period of five years shall acquire right of ownership to it.

Article 334. Joining Possessions

In order to invoke usucapion, the actual possessor may add the duration of his own possession to that of the person from which he acquired possession.

Article 335. Possession Necessary for Usucapion

(1) Unless otherwise provided by law, only useful possession produces legal effects. Unless proved otherwise, possession is presumed to be useful.

(2) Discontinuous, disturbed, covert or precarious possession shall not be deemed useful.

(3) Possession is deemed discontinuous as long as the possessor exercises it with intermittences in relation to the nature of the asset.

(4) Possession is deemed disturbed as long as it is acquired or preserved through physical or moral duress that is not produced by another person.

(5) Possession is deemed covert where it is exercised in such a manner that it remains unknown.

(6) Possession is deemed precarious where it is not exercised as from the part of an owner.

(7) Any interested person may rely on discontinuity in relation to the possessor.

(8) Only the person in relation to whom the possession is disturbed or covert may claim these defects.

(9) Any defective possession shall become useful as of the moment that the defect ends.

Article 336. Interruption of Term Necessary for Claiming Usucapion

(1) The term prescribed for claiming usucapion (acquisitive prescription) shall not commence, and if commenced shall be suspended for the period of suspension of the statute of limitations of the action for claiming possession.

(2) The running of the term necessary for claiming usucapion shall be interrupted where an action for claiming possession has been filed against the person that possesses an asset as owner or against the direct possessor. In such case, the running of prescription shall be interrupted only in relation to the person that filed the action.

(3) Where the running of statute of limitations has been interrupted, the time elapsed before interruption shall not be taken into account. After interruption, the running of a new term may commence.

SECTION 2**TERMINATION OF RIGHT OF OWNERSHIP****Article 337. Grounds for Extinction of Ownership**

(1) Right of ownership shall terminate, in accordance with the law, as a consequence of consumption, accidental loss or destruction of the asset, its alienation by virtue of a transaction, relinquishment of the right of ownership and in other cases provided by law.

(2) Nobody can be forced to give up his property, except in cases provided by law:

- a) Enforcement over of property in relation to owner's liabilities;
- b) Alienation of property that the person cannot own in accordance with the law;
- c) Redemption of domestic animals in cases of violation of rules of behavior in relation to that person;
- d) Privatization of state property;
- e) Expropriation for purposes of public utility;
- f) Requisition;
- g) Seizure;
- h) Other action provided by law.

Article 338. Relinquishment of Right of Ownership

(1) The owner may at any time relinquish ownership by virtue of a statement with a view to relinquishment or in another manner certifying that the owner relinquished the asset, with no intention of keeping ownership of it.

(2) Owner's liabilities in relation to the relinquished asset shall cease as of the moment a third party acquired right of ownership over that asset.

(3) Relinquishment of right of ownership over immovable assets shall be made through a statement certified by notary and registered in the real estate register.

Article 339. Evaluation of Property in Relation to Owner's Liabilities

(1) Alienation of owner's property through procedure of enforcement over property with regard to owner's liabilities shall be made solely by virtue of a court judgment, unless otherwise provided by law or contract.

(2) The owner shall forfeit the right of ownership over assets enforced upon as of the moment of acquisition of ownership by the entitled person to whom the asset is conveyed.

Article 340. Alienation of Property that Cannot Be in Person's Ownership under Legal Provisions

(1) If, on legally provided grounds, the person acquired right of ownership over an asset that may not be owned by that person, he shall alienate that asset within a year from the moment of acquisition of the right of ownership or within another term established by law.

(2) Where the owner does not alienate the asset in the manner set out in para.(1), upon the request of local public authorities the court may order alienation of asset and transfer proceeds to the former owner, after deduction of alienation outlays, or transfer of asset into state's ownership and payment of indemnity to the owner in the amount assessed by court.

(3) Provisions of par.(1) and (2) shall apply in cases where the person obtained ownership of an asset for which special authorization is needed, but the granting of which has been refused to the owner.

Article 341. Redemption of Domestic Animals in Cases of Violation of Rules of Behavior

Where the owner of domestic animals bluntly violates rules of behavior with regard to those animals, set out by law or by rules of human treatment of animals, any person shall be entitled to demand conveyance of those animals. The price shall be established by parties' agreement or by court judgment.

Article 342. Requisition

(1) In case of natural calamity, epidemics, epizootic or other exceptional circumstances, the owner may be dispossessed of the asset by virtue of decision of a public authority, in the manner and under terms set out in the law.

(2) The person whose property has been requisitioned may demand restitution after the exceptional circumstances are over, where the asset still exists.

(3) Asset's price or the price of its, where it still existed and has been returned to the owner, shall be established by agreement between parties or, in case of a dispute, by court decision.

Article 343. Seizure

(1) Seizure of assets is allowed by virtue of a court decision in cases and under the terms established by law.

(2) In cases provided by law, assets may be seized by virtue of an administrative act. The administrative act for seizure may be impugned in a court of law.

**CHAPTER III
JOINT OWNERSHIP****SECTION 1
GENERAL PROVISIONS****Article 344. Joint Ownership. Grounds for rise**

(1) Ownership is deemed joint where one asset is jointly owned by two or more owners.

(2) Joint property arises by virtue of law or transaction.

Article 345. Forms of Joint Ownership

(1) Joint ownership may be characterized delimitation of share of each owner (ownership by shares) or by non-delimitation of share of each owner (common ownership).

(2) Where the asset is in joint ownership, it shall be presumed that it is owned by shares, until the first disproof.

(3) Common co-owners may attribute to common assets status of ownership by shares.

**SECTION 2
JOINT OWNERSHIP BY SHARES****Article 346. Share in Joint Ownership by Shares**

(1) Any co-owner is the exclusive owner of an abstract share of the jointly owned asset. The shares are presumed equal, until the first disproof. Where the asset has been acquired by transaction, the disproof may be made only based on written documents.

(2) The co-owner that added inseparable improvements to the asset at his own expense and with the consent of the other co-owners shall be entitled to demand according modification of shares or compensation for outlays.

Article 347. Use of Asset in Joint Ownership by Shares

(1) Each co-owner is entitled to use the asset in joint ownership in shares, inasmuch as he is not changing the destination of the asset and does not prejudice the rights of the other co-owners.

(2) The order of asset's use shall be set by co-owners' agreement or, in case of divergences, by court judgment, based on a fair assessment of the interests of all co-owners.

(3) The co-owner is entitled to demand a part of the jointly-owned asset into possession and use, in accordance with his share and, in case of impossibility, to demand from co-owners that possess and use the asset payment of a fair compensation.

(4) The co-owner that uses the jointly-owned asset exclusively, without the consent of the other co-owners, may be bound to pay compensation.

Article 348. Fruits Produced by Asset in Joint Ownership by Shares

(1) Fruits produced by the asset in joint ownership by shares pertain to all co-owners in proportion to the share held, unless they established otherwise.

(2) The co-owner who has borne by himself outlays for production or collection of fruits shall be entitled to compensation for these outlays from the part of the co-owners in proportion to their shares.

Article 349. Benefits and Charges on Asset in Joint Ownership by Shares

The co-owners shall divide benefits and shall bear charges over the asset in joint ownership by shares in proportion to their shares.

Article 350. Acts for Preservation of Asset in Joint Ownership by Shares

Each co-owner is entitled to undertake acts for preservation of assets held in joint ownership by shares without the consent of the other co-owners and shall demand compensation for outlays incurred in proportion to their shares.

Article 351. Acts of Disposition regarding Assets in Joint Ownership by Shares

(1) With regard to assets in joint ownership by shares acts of disposition shall be concluded only with the consent of all co-owners.

(2) Acts of disposition concluded without the unanimous consent shall be voided; where it is proved that the third party is in bad faith. In such a case, the statute of limitations in regard of the action starts running from the date when the co-owner which did not consent became or should have become aware of the existence of grounds for nullity.

(3) The co-owner may alienate his share. He must comply with the right of preemption of the other co-owners.

Article 352. Right of Preemption

(1) In case of alienation of a share from the assets in joint ownership by shares, save for sale at auctions, the other co-owners shall have a preferential right to purchase the share at the price of sale and on the same terms.

(2) The seller of the share is bound to notify the other co-owners about the intention to sell the share, specifying the price and other terms of sale. Where the other co-owners relinquish their right of preemption or do not exercise it within a month from the day of notification for immovable assets, and within 10 days for movable ones, the seller is entitled to sell his share to any person. Where several co-owners express their intention to acquire the share, the seller shall be entitled to choose the buyer.

(3) Where the share is sold without observance of the right of preemption, any co-owner may, within 3 months, file a court action for attribution to him of rights and duties of the buyer.

(4) Assignment of right of preemption upon purchase of share in jointly-owned assets is not allowed.

Article 353. Attachment of Shares from Assets in Joint Ownership by Shares

(1) The creditors of a co-owner may exercise attachment over the ideal share of the co-owner from the asset in joint ownership by shares or may demand from a court of law partition of the asset. In such case, attachment shall be performed over the part from the asset or over the money amount pertaining to the debtor, as the case may be.

(2) In case of forced sale of a share, the officer of the court shall notify the other co-owners within at least 10 days before the day of the sale. The co-owners shall have a right of preemption to adjudication of share, if offering an equal price.

(3) The creditors that have a right of security over the asset in joint ownership by shares or the creditors, whose claims have risen in connection with preservation or administration of the asset, shall be entitled to attachment over the joint asset or amounts resulting from partition.

(4) Acts for suspension of partition are opposable to creditors, where they have been certified by notary or, as the case may be, the formalities of publicity set by law have been complied with.

(5) Co-owner's personal creditors may, as well, intervene at their own expense, in the partition requested by the co-owner or by another creditor. They may not, however, impugn a completed partition, unless this occurred in their absence, without having regard of the objections that such creditors made or the partition is fictitious or is made in such a way that creditors cannot submit objections.

(6) Provisions of par.(5) are also applicable to creditors that have a right of security over the assets in joint ownership by shares or to those whose claim has risen in connection with the preservation or administration of the asset.

Article 354. Exclusion of Co-Owner

(1) Co-owners may demand in a court of law exclusion of co-owner that seriously breaches the rights of other co-owners, either by his own deed, by the deeds of persons to whom he assigned use of the asset or of those for whose deeds he bears liability.

(2) In cases provided for in par.(1), the co-owner is bound to alienation of his share. In case of refusal, its forced sale shall be ordered by court judgment.

Article 355. Ownership over Joint Parts in Multi-Storied Buildings or Apartment Houses

(1) Where a building contains dwellings or premises with other destination having different owners, each of them shall hold a forced and perpetual right of joint ownership by shares over those parts of the building, which, while being designated for the use of the premises, cannot be used otherwise than jointly.

(2) Relations provided for in para.(1) shall be regulated by law.

Article 356. Joint Ownership by Shares over Common Enclosures

(1) Any wall, ditch or other enclosure between two plots within the limits of a locality shall be presumed in joint ownership by shares of the neighbors, unless it follows otherwise from title, from a sign of non-joint character, in accordance with urbanism regulations, or unless the joint ownership became exclusive through usucapion.

(2) The share from the rights over joint enclosures shall be deemed an accessory asset. Alienation or pledge of share shall be made only together with the right over the plot.

Article 357. Termination of Joint Ownership by Shares through Partition

(1) Termination of joint ownership by shares through partition may be demanded anytime, unless the law, contract or court judgment does not provide otherwise.

(2) Partition may be demanded even when one of the co-owners has used the asset exclusively, save for the case when that co-owner acquired the asset by usucapion, in compliance with the law.

(3) Partition may take place by parties' agreement or by court judgment.

Article 358. Inadmissibility of Partition

(1) Partition is inadmissible in cases provided for in art.355 and 356, as well as in other cases provided by law.

(2) Partition may be made in the case of joint parts in multi-storied buildings or apartment houses only where all co-owners agree or where the assets in question are not designated for joint ownership anymore.

Article 359. Suspension of Partition

(1) Contracts regarding partition may not be concluded for a period exceeding 5 years. In case of immovable assets, contracts must be concluded in notary-certified form and entered into the real estate register.

(2) The court may, upon the request of any co-owner and on serious grounds, order partition of asset even before the term set in contract.

(3) The court may order suspension of partition where this is needed to protect the interests of other co-owners. The court may order partition where circumstances taken into account on the date when the judgment was issued have changed since.

Article 360. Partition in Case of Incapable Co-Owner or Co-Owner with Limited Capability

Where a co-owner is incapable or with limited capability, the partition may take place by parties' agreement only with the consent of the guardianship authority, as well as of the legal trustee, as the case may be.

Article 361. Order of Partition of Asset in Joint Ownership by Shares

(1) The partition of the asset in joint ownership by shares shall be made in kind, proportionate to the share held by each co-owner.

(2) Where the asset in joint ownership by shares is indivisible or may not be portioned in kind, partition shall be made by:

a) attribution of the entire asset, in exchange for a compensation, in favor of one or several co-owners, upon their request;

b) sale of the asset as established by co-owners or, where no agreement is reached, by auction, and distribution of the proceeds between co-owners, proportionate to their shares.

(3) Where one of the co-owners is attributed a real share that exceeds his share in ownership, the other co-owners shall be awarded compensation.

(4) Partition shall be made as established by law.

(5) Real shares set by court may be distributed by lot, as the case may be.

Article 362. Extinction of Debts in Case of Partition

(1) Any of the co-owners may request extinction of debts that arose in connection with joint ownership by shares, which are due or shall become due in the course of the year in which partition takes place.

(2) The amount necessary for extinguishing obligations under par.(1) shall be covered, in the absence of a contrary stipulation, from the proceeds from joint asset's sale, with a view to partition of the asset and shall be borne by co-owners proportionate to their shares.

Article 363. Effects of Partition of Asset in Joint Ownership

(1) Each co-owner shall become the exclusive owner of the asset or of the awarded money amount only from the date of partition, except for immovable assets, with regard to which ownership arises from the date of entry in the real estate register.

(2) Transactions concluded by a co-owner in regard of the asset in joint ownership by shares, in compliance with the law, shall remain valid and opposable to the person that has obtained the asset as a result of partition.

(3) Securities granted by a co-owner in regard of his share shall pass by effect of law on the asset or money amount granted to the co-owner as a result of partition.

(4) The partition that took place before the term stipulated in co-owners' agreement may not be relied upon in relation to the creditor that holds a mortgage over a share, unless the creditor consented to that partition or the debtor did not preserve right of ownership to at least a part of the asset.

Article 364. Co-owners' Duty of Guaranty

(1) The co-owners owe each other, within the limits of their shares, guaranty against eviction and hidden flaws, while provisions regarding seller's duty to provide guaranty against eviction shall apply accordingly.

(2) Each of the co-owners shall be bound to compensate the co-owner damaged in consequence of eviction or hidden flaw. Where one of the co-owners is declared insolvent, his debt shall be borne proportionately by the other co-owners.

(3) The co-owners shall not owe guaranty where the damage is due to the act of another co-owner or where they have been exempt by the deed of partition.

Article 365. Nullity of Partition

(1) The partition shall be nullified on the same grounds as transactions.

(2) Partition made without the participation of all co-owners is void.

(3) The partition shall be valid even if it does not cover all assets in joint ownership by shares. In regard of omitted assets, an additional partition may take place anytime.

(4) The co-owner, who, while aware of the grounds for nullity, has alienated the attributed assets in whole or in part, may not rely on partition's relative nullity.

SECTION 3 COMMON OWNERSHIP

Article 366. General Provisions on Joint Ownership

(1) Where the right of ownership belongs concurrently to several persons, but neither of them is holder of an ideal share from the common asset, the ownership is deemed common.

(2) The rules regarding joint ownership by shares shall apply accordingly to common ownership, unless otherwise provided in this section.

Article 367. Use of Asset in Joint Ownership

Each common co-owner is entitled to use the common asset in accordance with its destination, without limiting the rights of the other co-owners, unless the contract provides otherwise.

Article 368. Acts for Preservation and Administration of Asset in Joint Ownership

Any of the common co-owners is presumed to have the consent of the other co-owners for performance of any acts for preservation and administration of the common asset, unless otherwise provided by law or contract.

Article 369. Acts of Disposal of Asset in Joint Ownership

(1) Each of the common co-owners may dispose of the movable asset in common ownership, unless otherwise provided by the agreement between them.

(2) With regard to acts of disposal of immovable assets in common ownership, the written consent of all common co-owners is necessary.

(3) The transaction disposing of the common asset concluded with one of the common co-owners may be declared void where it is proved that the other party was or should have been aware that there is an agreement limiting the right of disposal, that all the other common co-owners do not approve of transaction conclusion, or that the consent upon alienation of immovable assets has not been solicited.

Article 370. Partition of Asset in Joint Ownership

Partition of the asset in joint ownership between common co-owners shall be made in proportion to the contribution each of them made upon asset's acquisition. Until the first disproof, the contributions of common co-owners are deemed equal.

Article 371. Spouses' Joint Ownership

(1) Assets acquired by spouses during marriage shall be in their common ownership, unless the law or the contract concluded between them establishes a different legal regime for those assets.

(2) Any asset acquired by the spouses during marriage shall be presumed an asset in common ownership, until the first disproof.

Article 372. Personal Property of Each Spouse

(1) Assets that belonged to each spouse before marriage, as well as assets acquired during marriage by virtue of a contract of donation, by inheritance or in any other way with gratuitous title, shall be exclusive property of the spouse to whom those assets have belonged or by whom they have been acquired.

(2) Assets in individual use (clothes, footwear, and other similar items), save for jewels and other luxuries, shall be deemed personal assets of the spouse that uses them, even if acquired during marriage from spouses' common funds.

(3) Assets of each spouse may be declared common property where it is ascertained that during marriage investments have been made from spouses' common funds, which have led to a substantial increase in the value of those assets.

Article 373. Determination of Shares in Spouses' Joint Property in Case of Assets' Partition

(1) In case of partition of assets in spouses' common ownership, the parties shall be deemed equal.

(2) Assets in spouses' joint ownership may be portioned either upon divorce, or during marriage. The partition of common assets during marriage does not affect the legal regime of assets acquired in the future.

**CHAPTER IV
PROTECTION OF RIGHT OF OWNERSHIP**

Article 374. Claiming of Assets by Owner

(1) The owner is entitled to claim his assets from illegitimate possession of other persons.

(2) The possessor may refuse to hand over the asset, where he or the mediated possessor for which the former exercises possession has a preferential right of possession in relation to the owner. The claiming of the asset may be applied in relation to the person that has a superior right, where the latter obtained the asset by duress or deceit.

(3) From the moment of cease of good faith or, in case of a possessor in bad faith, from the moment of acquisition of possession, the possessor shall be liable in relation to the owner for damage caused due to his fault by deterioration, loss or other impossibility to return the asset.

(4) In connection with claiming of owner's asset, the provisions of art.307, 310-312 shall apply accordingly.

(5) Where the possessor acquired possession by arbitrary act or by committing a criminal offence, he shall be liable in relation to the owner in conformity with the rules on tort liability.

Article 375. Claiming by Owner of Assets in Possession of Acquirer in Good Faith

(1) Where an asset has been acquired by virtue of an onerous transaction from a person that was not entitled to alienate it, the owner may claim the asset from the acquirer in good faith only where the asset had been lost by the owner or by the person to whom he has conveyed it, or the asset had been stolen from either of them, or had gotten out from their possession in any other way, without their consent.

(2) Where the assets have been acquired gratuitously from a person that was not entitled to alienate, the owner is entitled to claim the assets in all cases.

(3) Money, bearer securities and assets obtained at auctions may not be claimed from an acquirer in good faith.

Article 376. Request for Removal of Infringements Other than Deprivation of Possession

(1) Where the right of the owner is infringed otherwise than by usurpation or illicit deprivation of possession, the owner may demand cease of infringement from the author. He may also demand compensation for the damage caused. Compensation may be also claimed where cease or infringement or execution of the request is impossible.

(2) Where there are grounds to suppose that further infringements will occur, the owner may file an action on negation.

(3) Provisions of par.(1) and (2) shall not apply where the owner must allow influence over the asset, under legal provisions and rights of other persons.

CHAPTER V RIGHT OF NEIGHBORING

Article 377. Duty of Mutual Respect

Besides the duty to observe legally provided rights and interests, owners of neighboring plots and of other neighboring immovable assets have the duty of mutual respect. Any plot or immovable asset from which certain mutual influences may exert shall be deemed neighboring.

Article 378. Admissible Neighboring Influence

(1) The owner of the plot or of another immovable asset shall not prohibit the influence exerted over his asset by gas, steam, smell, soot, smoke, noise, heat, vibration or any other similar influence originating in the neighboring plot, unless this prevents the owner from using his asset or the breach of his right is significant.

(2) Provisions of par.(1) shall also apply in cases where the influence is significant, but is produced through ordinary use of another plot and cannot be removed by economically justified measures. Where the owner is bound to tolerate such influence and it exceeds the ordinary use set in the respective locality and that within the admissible economic limits, the owner may demand from the plot owner that causes the influence an according pecuniary compensation.

Article 379. Inadmissible Encroachment

(1) The owner may demand prohibition of erecting or exploiting certain buildings or installations, with regard to which it is certain that their presence and use triggers inadmissible encroachments on his plot.

(2) Where the building or the installations has been erected, with observance of the legally set distance from the border, its demolition or prohibition of exploitation may be demanded only where the inadmissible encroachment has obviously occurred.

Article 380. Request for Removal of Danger of Collapse

Where there is a danger of building's collapse from the neighboring plot on his own plot, the owner may demand from the neighbor to undertake measures necessary for preventing such damage.

Article 381. Water Use

(1) Water flows and underground waters from several plots may not be diverted or manipulated by the owner of any plot, so as to modify the quantity or quality of the water in detriment of the owner of another plot.

(2) The owner of the inferior plot may not prevent in any way the natural flow of the water originating in the superior plot.

(3) Where the water flow from the superior plot caused damage to the inferior plot, its owner may demand court permission to perform works for changing the direction of water flow, supporting all related outlays. In turn, the owner of the superior plot is bound not to perform any works that would prejudice the situation of the inferior plot.

Article 382. Special Rules of Water Use

(1) The owner of the inferior plot may not impede outflow caused by the owner of the superior plot or by other persons, as in the case of water springing from the latter plot, due to underground works undertaken by the owner of the superior plot, waters generated by plot drainage, waters used for home, agricultural or industrial use, but only if such outflow is preceding a flowing into a water flow or into a ditch.

(2) In the case provided by par.(1), the owner of the superior plot is bound to choose the methods and facilities for flowing that would cause minimal damage to the inferior plot, while being bound to pay a just and preliminary compensation to the owner of the latter plot.

(3) The provisions of par.(1) and (2) shall not apply where a building and homestead land or a cemetery is situated on the inferior plot.

Article 383. Collection of Water

The owner that intends to use for irrigation of his plot natural or artificial waters, which he may actually avail himself of, is entitled to make on the opposite coastal plot useful works for water collection, at his own exclusive expense.

Article 384. Water Surplus

(1) The owner that has excessive quantities of water for current needs is bound, in exchange for a just and preliminary compensation, to offer this surplus to the owner that cannot procure water necessary for his plot or where this is possible only with incurrence of excessive outlays.

(2) The owner may not be exempt from the obligation set in par.(1), claiming that he could attribute to the water surplus another destination than that of satisfaction of current needs. He may, however, demand from the owner in need an additional compensation, contingent on proving the real existence of the invoked destination.

Article 385. Preservation of Rights Acquired by Owner of Inferior Plot

(1) The owner may attribute any destination to the spring on his territory, contingent on non-infringement of the rights acquired by the owner of the inferior plot.

(2) The owner of the plot on which the spring is located may not divert it, if this would deprive the inhabitants of a locality of water for their current needs.

Article 386. Roof Drainage

The roof must be constructed in such a way that water, snow or ice fall exclusively on owner's territory.

Article 387. Fallen Fruits

Fruits fallen from trees or bushes on the neighboring plot shall be deemed fruits originating from that plot.

Article 388. Roots and Branches from Neighboring Plot

(1) The owner of the plot may cut and retain tree roots and branches reaching to him from the neighboring plot. The same rule shall apply with regard to tree and bush branches that droop from the neighboring plot.

(2) The right provided for in par.(1) shall not be granted to the owner where roots and branches do not impede use of his plot.

Article 389. Distance for Constructions, Works and Plantations

(1) The owner may place constructions, works or plantations on the plot only contingent on observance of a minimal distance in relation to the borderline, in compliance with the law, urbanism regulations or, in the absence of such rules, in conformity with local customs, but which should not be less than 2 meters from the borderline.

(2) Trees, save for those not exceeding 2 meters, as well as for plantations and green hedges, must be planted at the distance set by law, urbanism regulations or local customs, but not be less than 2 meters from the borderline.

(3) In case of nonobservance of distance provided for in par.(1) and (2), the owner of the neighboring plot is entitled to demand stubbing or cutting down to the established height of trees, plantations and green hedges, at the expense of the owner of the plot on which the respective objects are situated.

Article 390. Transgression of Border of Neighboring Plot by Construction

(1) Where upon erecting a construction, the owner transgressed the limits of his plot, which has not been done willfully or by serious fault, the neighbor shall be bound to tolerate breach of border, unless he objected until or immediately after transgression.

(2) The neighbor damaged by actions provided for in par.(1) must be compensated through a pecuniary rent, paid annually, in advance.

(3) The person entitled to receive rent may demand anytime from the debtor conveyance of ownership over the constructed portion of the plot, in exchange for payment of its price.

Article 391. Access to Another's Plot

(1) Any owner is bound upon receiving a written or verbal notice to allow the neighbor access to his plot for erecting or providing maintenance to a construction, plantation, or performance of other works on the neighboring plot, as the case may be.

(2) The owner bound to allow access to his plot is entitled to compensation for damage caused solely through this action, and to restoration of the initial state of the plot.

(3) Where, due to a natural calamity or a force majeure, an asset has got on someone other's plot or has been transported to that plot, the owner of the plot must allow searching for and return of the asset, inasmuch as he did not proceed by himself to the search or did not return it. The asset shall continue to belong to the owner, save for the case when he

relinquishes right of ownership. The owner of the plot may demand removal of asset and bringing the plot to its initial condition.

(4) The owner of the plot that erects and maintains constructions, plantations or performs other works on his territory is not entitled to put the neighboring plot under risk or to undermine the durability of constructions, works or plantations on that plot.

Article 392. Passage through Another's Property

(1) Where the plot lacks ways of communication with common use facilities, water pipes, electric energy networks, gas, telecommunications and other similar utilities, the owner may demand from neighbors permission to use their plots for installing the necessary communications.

(2) The passage shall be done in such a way as to cause minimal prejudice to the exercise of the right of ownership over the plot. The neighbor whose plot is used for access shall be entitled to a just and preliminary compensation, which, subject to parties' agreement, may be paid as a lump amount.

(3) The compensation owed under par.(2) shall be doubled where the lack of access is due to an act of the owner that claims passage.

Article 393. Installation of Demarcation Balk

(1) The owner of the plot may demand from the owner of the neighboring plot to participate in the installation of a stable demarcation balk or in the restoration of a deteriorated balk.

(2) Demarcation outlays shall be divided between neighbors, unless it follows otherwise from relations between them.

Article 394. Disputes concerning Boundaries

(1) Where due to a dispute it is impossible to determine the real boundary, than factual possession of the neighbors shall be essential to the demarcation process. Each plot shall be annexed half of the disputed portion, where factual possession is not determined.

(2) Where boundary setting in conformity with provisions of para.(1) leads to a result that contravenes to the established facts, and in particular prejudices the set dimensions of the plot, the boundary shall be established by court, upon the request of either party.

TITLE IV OTHER REAL RIGHTS

CHAPTER II USUFRUCT

Article 395. Definition of Usufruct

(1) The usufruct is the right of a person (usufructuary) to use an asset of another person (nominal owner) for a certain or determinable period of time, and to receive its fruits as if he were the owner, being bound to preserve the substance of the asset. The usufructuary is entitled to possession, but not alienation of the asset.

(2) The usufruct may be restricted by exclusion of certain types of use.

(3) The usufruct may be constituted, concomitantly or successively, in favor of one or several persons existent at the time of commencement of usufruct.

Article 396. Institution of Usufruct

(1) The usufruct may be instituted by law or transaction. In regard of immovable assets rules regarding real estate register shall apply. In cases provided by law, the usufruct may be instituted by court judgment.

(2) Upon institution of usufruct, rules regarding alienation of assets constituting the object of usufruct shall apply.

(3) Any non-consumable asset, found in civil circulation, movable or immovable, corporeal or incorporeal, including entire property or a part of it, may become object of usufruct.

(4) The usufruct extends over all accessories of the asset offered into usufruct, as well as over all that is attached or incorporated into it.

Article 397. Term of Usufruct

(1) Unless a shorter term is set by law or transaction, the usufruct shall be deemed established to the most until the death of natural person or liquidation of legal entity.

(2) The usufruct established in favor of a legal entity may not exceed 30 years.

(3) The usufruct ends upon death of the natural person or liquidation of the legal entity, in whose favor the usufruct has been established.

(4) Any transaction by which a perpetual and assignable usufruct is established for case of death or liquidation is null and void.

Article 398. Inalienability of Usufruct

(1) The usufruct may not pass from the usufructuary to another person by transaction or succession.

(2) The usufructuary may lease the movable asset offered into usufruct to another person, in whole or in part, unless provided otherwise upon establishment of usufruct,.

(3) Where upon establishment of usufruct, the immovable asset was not in lease or agricultural lease; the usufructuary may not lease the asset without the consent of the owner or without court authorization, if this right has not been granted to him expressly upon establishment of usufruct.

(4) Upon extinction of usufruct, the nominal owner is bound to maintain contracts of lease or agricultural lease concluded according to the established procedure. He may, however, reject maintenance, where:

a) term of the contract of lease or agricultural lease exceeds, without his consent, the usual term according to local usages;

b) the commercial premises have been leased for a term exceeding 5 years;

c) the agricultural enterprise has been leased for a term exceeding 12 months;

d) the agricultural land plot has been leased for a term exceeding 6 months;

e) the contract of lease or agricultural lease contains unusual clauses, which are excessive for the nominal owner.

(5) The nominal owner loses his right to reject maintenance of contract where the lessee or the agricultural lessee has set a reasonable term, within which the nominal owner should have declared maintenance or rejection to maintain the contract, and the owner omitted to do this within the term set.

Article 399. Determination of Asset's Condition

(1) The usufructuary shall take over the assets in the condition they are in at that moment.

(2) Upon establishment of usufruct over an aggregate of assets, the usufructuary and the nominal owner are bound to offer mutual assistance regarding the inventory drawing up.

(3) The inventory shall specify the date of its drawing up and shall be signed by both parties. Upon request of either party, the signatures shall be certified by notary.

(4) Each party is entitled to request that the inventory be performed by a competent body.

(5) The party that demands inventory performance under par.(4) or notary certification of signature, shall bear expenditures thus incurred.

Article 400. Usufruct Price, Charges and Outlays

(1) In the absence of an express stipulation of the onerous character of the usufruct, it shall be deemed gratuitous.

(2) Expenditures and charges on the property shall incur on the nominal owner, save for cases provided by law or contract.

(3) The usufructuary shall be held liable for payment obligations (taxes, duties) due to the state for the object of usufruct.

Article 401. Usufructuary Right to Fruits

(1) The usufructuary shall be entitled to all fruits that the object of usufruct produces, unless it is stipulated otherwise.

(2) Fruits that have not been collected upon rise of the right of usufruct shall belong to the usufructuary, while those that have not been collected upon expiry of usufruct duration shall belong to the nominal owner, unless the transaction that established the usufruct does not provide otherwise. Income shall be deemed collected on a day-by-day basis and shall pertain to the usufructuary in proportion to the duration of the usufruct. These provisions shall apply to the rent from agricultural lease, rent on lease of immovable assets, dividends and interest payments obtained.

Article 402. Right to Dispose of Consumable Assets

Where the usufruct also comprises consumable assets, the usufructuary is entitled to dispose of such assets, with the obligation to return assets of the same quality, quantity and value or, if this is impossible, to return their counter-value on the date of usufruct termination.

Article 403. Payment of Matured Claims

(1) Where the usufruct covers a claim that matures within the term of the usufruct, the payment shall be made to the usufructuary against issuance of a notice of receipt.

(2) Upon termination of usufruct, all that has been received as payment shall be conveyed to the nominal owner.

Article 404. Right to Vote

(1) The right to vote granted by a share or another security, by a share in joint ownership or by any other asset shall belong to the usufructuary.

(2) The right to vote shall belong to the nominal owner where it results in the modification of the substance of the principal asset, as is the registered capital or the asset held in joint ownership, or in change of destination of the respective asset or liquidation of the legal entity.

Article 405. Creditors' Rights

(1) Usufructuary creditors may enforce collection over rights of the usufructuary, without prejudice to the rights of the nominal owner.

(2) The creditors of the nominal owner may enforce collection over his rights, without prejudice to the rights of the usufructuary.

Article 406. Usufructuary Right to Use Trees

(1) The usufructuary may not cut trees growing on the land plot charged with usufruct, save for the need of repair, maintenance or exploitation of land plot. He may dispose of the trees that fell or dried up naturally.

(2) The usufructuary is bound to replace, in conformity with local usages or habits of the nominal owner, trees that have been destroyed.

Article 407. Usufructuary Right to Forest Trees Designated for Hewing Down

(1) Where the usufruct covers forests designated by their owner for periodical hewing down, the usufructuary is bound to keep the order and amount of hewing, according to the rules set by law, by nominal owner or by local usages, without the right to claim any compensation for parts left uncut during the usufruct.

(2) The trees that are withdrawn from the nursery forest shall not become part of the usufruct. The usufructuary undertakes to comply with legal provisions and local usages in what regards their replacement.

(3) The usufructuary may, while conforming to legal provisions and local usages, exploit parts of high forests that have been designated for regular hewing, either in the case when such hewing is made periodically on a set area or when the hewing is done in regard of a certain number of selected trees from the entire area of the plot. In other cases, the usufructuary may not cut high trees. He may, however, use while performing repairs to which he is bound, trees that have fallen accidentally or even cut out useful trees, being, however, bound to prove, in the presence of the owner, the need to do this.

Article 408. Right over Quarries

(1) In compliance with the legal provisions, the usufructuary shall be entitled to use, similarly to the nominal owner, quarries under exploitation upon establishment of the right of usufruct.

(2) The usufructuary does not have any right over unopened quarries.

Article 409. Wear and Tear of Object of Usufruct

Where the usufruct covers assets that, without being consumables, are subject to wear and tear as a consequence of their use, the usufructuary shall use them as a good owner, according to their destination. He shall be bound to return them in the condition in which they were upon the date of usufruct termination.

Article 410. Duty of Notification

(1) Where the asset is deteriorated, destroyed or where repair, improvement or measures to prevent certain dangers are needed, the usufructuary is bound to inform the nominal owner immediately.

(2) The usufructuary is bound to notify the owner immediately of any illegal acts concerning the plot and of any usurpation of the right of ownership, subject to payment of compensation in case of failure.

Article 411. Duty to Keep Asset's Destination

While exercising his rights, the usufructuary is bound to maintain the destination conferred to the asset by the nominal owner.

Article 412. Obligation to Perform Repairs

(1) The usufructuary is bound to perform repairs for maintenance of the asset.

(2) Where the usufructuary incurs in connection with the asset outlays that he was not bound to, the obligation of the nominal owner to reimburse such expenditures shall be determined based on the rules concerning management of affairs.

(3) The nominal owner is charged with overhaul repairs, without being bound to it.

(4) Major repair shall be charged on the usufructuary when such necessity is due to non-performance of maintenance repairs.

(5) The usufructuary is bound to notify the nominal owner about the need to carry out major repairs.

(6) Where the nominal owner does not timely perform overhaul, the usufructuary may undertake overhaul at his own expense, the nominal owner being bound to compensate for the costs incurred upon termination of usufruct.

Article 413. Liberation from Duty to Reconstruct

The usufructuary and the nominal owner are not bound to reconstruct what has deteriorated due to decay or accident.

Article 414. Payment of Insurance Premiums

Where the asset is insured, the insurance premiums for the period of usufruct shall be paid by the usufructuary.

Article 415. Modification or Termination of Encumbered Right

The right encumbered with usufruct may be modified or extinguished by transaction only with the consent of the usufructuary.

Article 416. Right of Disposal and Exercise of Actions for Protection

The nominal owner is entitled to alienate the asset, to charge it with encumbrances and exercise all actions for protection of the right of ownership.

Article 417. Duty of Nominal Owner to Guarantee Rights of Usufructuary

The nominal owner is bound to refrain from any transaction or deed, which would hinder or breach usufructuary free and complete exercise of his right, to guarantee the usufructuary against eviction, and to compensate the usufructuary for damage, where the owner diminished the value of the usufruct due to his own fault.

Article 418. Payment of Duties Related to Property Charged with Usufruct

(1) Where the usufruct has universal character or is universal in title and the usufructuary defrays debts relating to the property or portion of property charged, the nominal owner shall be bound to return, upon termination of usufruct, advance payments, without accrual of interest.

(2) Where the usufructuary does not pay for the debts provided for in par.(1), the nominal owner may choose either to pay such debts or sell a sufficient part of the assets charged with usufruct. Where the nominal owner pays for those debts, the usufructuary shall owe interest for the entire duration of the usufruct.

(3) Where payment of debts is not made as provided by par.(1) and (2), the creditors may impose enforcement on assets given into usufruct.

Article 419. Discovery of Treasure

The right of the usufructuary does not extend over the rights of the nominal owner concerning the treasure discovered within the asset.

Article 420. Termination of Usufruct

(1) The usufruct is extinguished by expiry of the term for which it has been established, by coincidence of the quality of owner and usufructuary in one person, by relinquishment by usufructuary of his right, by usufructuary death or liquidation, as the case may be.

(2) The usufruct also terminates where the court decided upon rescission or nullity of transaction by which the person that established the usufruct acquired title to respective property.

Article 421. Termination of Usufruct upon Request of Nominal Owner

The usufruct may terminate upon request of the nominal owner, where the usufructuary abuses of the asset, deteriorates it or leaves it to decay.

Article 422. Termination of Usufruct in Case of Asset Destruction

(1) The usufruct shall terminate where the asset has been destroyed entirely due to an accident. If the asset is only partially destroyed, the usufruct continues in regard of the remaining part.

(2) The usufruct shall continue to exist in respect of the insurance amount where it is not used for asset's repair.

Article 423. Effect of Usufruct Termination

(1) Upon termination of usufruct, the usufructuary is bound to return assets held by virtue of usufruct, in the according condition, to the nominal owner.

(2) In case of destruction or deterioration of asset due to the fault of the usufructuary, he shall be bound to compensate the owner for the damage.

(3) In case of immovable assets, termination of usufruct must be entered in the register.

CHAPTER II

RIGHT OF USE AND RIGHT OF HABITATION

Article 424. General Provisions on Right of Use and Right of Habitation

(1) The use is a real right over an asset of another person, by virtue of which the user may use the asset and collect the fruits necessary for his own needs and those of his family.

(2) The holder of the right of habitation is entitled to reside in the dwelling premises of another person, together with his spouse and children, even if he was not married or did not have children upon the date of instituting the habitation.

(3) The use and habitation are established based on a transaction or on legal provisions. Rules regarding real estate register are applicable in case immovable assets.

(4) The act by which the use is established may limit or extend the right of use. The user may not claim more fruits than are needed for satisfying his needs and those of his family, unless the act provides otherwise.

Article 425. Exercise of Right of Use and of Right of Habitation

(1) The right of use and habitation may not be assigned, while the asset that is the object of those rights may not be offered either in ordinary or agricultural lease.

(2) The user or the holder of the right of habitation shall bear outlays incurred for cultivation or maintenance, in proportion to the part of the asset he uses.

Article 426. Right to Use Common Facilities

The user or the holder of the right of habitation with regard to a part of the asset only is entitled to use facilities designated for common use.

Article 427. Application of Provisions on Usufruct

The provisions on usufruct shall apply accordingly to use and habitation.

CHAPTER III

SERVITUDE

Article 428. General Provisions on Servitude

(1) The servitude is an encumbrance on an immovable asset (subservient plot) for the use or utility of the immovable asset of another owner (dominant plot). The utility may consist in the enhancement of the convenience of the dominant plot or may derive from its economic destination.

(2) The obligation to perform a certain action may be attached to servitude and imposed on the owner of the subservient plot. This obligation shall be accessory to the servitude and may not be set otherwise than in favor or with a view to the exploitation of the immovable asset.

Article 429. Terms of Servitude

(1) Upon exercise of servitude, the person entitled is bound to have regard of the interests of the subservient plot owner.

(2) The owner of the dominant plot may be bound to pay a periodic reward (compensation) to the owner of the subservient plot.

(3) The change of the owner of the dominant or subservient plot, as well as partition of the plots, shall not prejudice the right of servitude.

(4) The servitude may be instituted with a view to a future need of the dominant plot.

(5) The servitude instituted over a building that is to be constructed yet or over a plot that is yet to be acquired shall arise only upon construction or acquisition.

(6) A plot charged with usufruct or superficies shall be charged with servitude only with the consent of the usufructuary or of the holder of superficies.

Article 430. Classification of Servitudes

(1) Apparent servitudes are those recognizable through external signs, while non-apparent servitudes are those that are not marked by such signs.

(2) Permanent servitudes are those the exercise of which is continuous, without the need of person's act, while discontinuous servitudes are those, which are only exercisable by person's act.

(3) Positive servitudes are those that entitle the owner of the dominant land to undertake directly certain acts of use on the subservient plot, while negative servitudes are those, which impose on the owner of the subservient plot certain restrictions in the exercise of his right of ownership.

Article 431. Institution of Servitude

(1) The servitude may be established through the destination set by the owner, through transactions and through acquisitive prescription.

(2) The transaction establishing the servitude shall be certified by notary.

(3) The servitude established by transaction shall become opposable after entry into the real estate register.

Article 432. Institution of Servitude by Destination Set by Owner

The servitude established through owner-set destination shall be confirmed by a document of the plot owner, which, in view of a potential partition of the plot, shall immediately establish the nature, aim and imposition of servitude on a part of the plot in favor of other parties.

Article 433. Acquisition of Servitudes through Acquisitive Prescription

(1) Permanent and apparent servitudes, as well as positive and non-apparent ones, may arise through acquisitive prescription, in compliance with the law.

(2) Material acts corresponding to discontinuous servitudes shall be presumed exercised with the simple consent of the owner of the subservient plot. The owner of the dominant plot may obtain application of acquisitive prescription, by proving the contrary.

(3) Non-apparent and negative servitudes may not be acquired through usucapion.

Article 434. Exercise of Servitude

(1) The charge, which the servitude imposes on the subservient plot, consists in owner's obligation to allow performance of certain actions on, over or beneath his plot. The servitude may also consist in owner's obligation to refrain from certain actions in favor of the dominant plot owner.

(2) The servitude covers all that is necessary for its exercise.

(3) Where the servitude has been exercised voluntarily and without any objections for a period of 3 years, then, in case of certain disputes between owners, this order of exercise may serve as decisive grounds for solving the dispute.

(4) The owner of the subservient land is bound to refrain from any act that would restrict or hinder the exercise of the established right. Therefore, the condition of the place or transfer of placement of servitude exercise cannot be changed.

(5) The owner of the subservient plot may set the part of the plot for exercise of servitude, other than that provided for in par.(3), but only if such transfer does not prejudice the owner of the dominant plot. Outlays pertaining to the transfer shall be borne by the owner of the subservient plot.

(6) The right of servitude belonging to the owner of the dominant plot shall be exercised in such a way as to create as few difficulties as possible to the owner of the subservient owner.

Article 435. Abandonment of Subservient Plot

In all cases where, under contract, outlays for exercise and preservation of servitudes incur on the owner of the subservient plot, he shall be liberated from his duties by abandoning in favor of the dominant plot owner the part of the subservient plot necessary for the exercise of servitude.

Article 436. Rights of Dominant Plot Owner

(1) The owner of the dominant plot is entitled to make use of the servitude, to perform on the subservient plot any work necessary for servitude exercise, to preserve the right of servitude, unless the contract provides otherwise.

(2) Save for a contrary provision, the owner of the dominant plot may take all measures and may undertake, at his own expense, all works for the exercise and preservation of the servitude. Outlays incurred due to these works shall pertain to both owners, in proportion to the advantages obtained by them, inasmuch as the works performed for the exercise of the servitude are necessary and are useful for the subservient plot as well.

(3) The owner of the dominant plot may remove all constructions and plantations that he has placed on the subservient plot, in case of the need to restore its normal condition for exploitation, and shall be bound to do this upon the request of the owner of subservient plot.

Article 437. Duties of Dominant Plot Owner

(1) The dominant plot owner is bound to maintain constructions and plantations placed on the subservient plot, inasmuch as he ensures by this observance of interests of the subservient plot.

(2) The dominant plot owner is bound to compensate for damage caused to the owner of the subservient plot.

(3) Where the right of servitude is set in favor of two or more owners of dominant plots, the duty of maintenance of constructions and plantations placed on the subservient plot and of

compensation for damage caused to the owner of that plot, shall be borne by each dominant plot owner, in proportion to his benefits, unless the law or the act for establishment of the servitude provide otherwise.

Article 438. Rights over Constructions and Plantations

The owner of the subservient plot does not have any rights over constructions and plantations placed on his plot by the owner of the dominant plot.

Article 439. Concurrence of Several Rights

Where the servitude over a plot exists concomitantly with another servitude or another real right of use over the immovable asset, and these rights cannot be exercised at the same time, in whole or in part, while having the same degree of priority, any person is entitled to demand establishment of a certain order of exercise that would be fair and benefit all interested persons.

Article 440. Grounds for Termination of Servitude

The servitude terminates through exclusion from the real estate register, in case of:

- a) Consolidation, when both plots come into the ownership of one person;
- b) Relinquishment by owner of the dominant plot;
- c) Expiry of term;
- d) Redemption;
- e) Impossibility of exercise;
- f) Non-use for a period of 10 years;
- g) Disappearance of any utility of servitude;
- h) Expropriation of subservient plot, where the servitude contradicts the public utility, for which the expropriated plot is designated.

Article 441. Computation of Duration of Nonuse

(1) The term provided for in art.440 let.(f) starts running from the date of the last act of exercise of discontinuous servitudes or from the date of an act contrary to the exercise of permanent servitudes.

(2) The exercise of the servitude by a co-owner or by a usufructuary shall cause interruption of term in relation to the other co-owners or in relation to the nominal owner.

Article 442. Redemption of Servitude of Passage

(1) The servitude of passage may be redeemed by the owner of the subservient plot, if there is an obvious disproportion between the advantages it brings to the owner of the dominant plot and the inconveniences or depreciation caused to the owner of the subservient plot.

(2) In case of divergences between parties, the court may issue a decision substituting the consent of the dominant plot owner. Upon setting the redemption price, the court shall take into account the duration of servitude and the change in value of the two plots.

CHAPTER IV SUPERFICIES

Article 443. Definition of Superficies

(1) The superficies is an immovable real right to use someone's plot with a view to construct and exploit a construction, over and beneath that plot, or to exploit an already existing building. This right is alienable; it may be assigned by succession and may be the object of a contract of lease.

(2) Unless otherwise provided, the superficies covers only the use of the part of the plot occupied by the building or on which the building is to be constructed, as well as the part of the plot that is not built up, but is necessary for normal exploitation of the building, according to its nature or destination.

(3) The extent of the superficies to use the charged plot shall be set by law or contract. Unless the contract provides otherwise, the plot shall be charged with the servitude necessary to exercise the superficies. The servitude terminates upon termination of superficies.

(4) Rules concerning ownership over immovable assets shall apply accordingly to the superficies, unless the law provides otherwise.

(5) The building is an essential part of the superficies.

(6) The superficies may not be established under a subsequent condition.

(7) The superficies may not be limited to a part of the building.

Article 444. Establishment of Superficies

(1) The superficies arises by virtue of a transaction or legal provision, being opposable to third parties from the moment of entry into the real estate register.

(2) Unless another term has been set, the superficies shall be deemed established for a period of 99 years.

(3) The superficies may not be established under a suspensive condition.

Article 445. Superficies in Case of Demolition or Destruction of Building

The superficies shall not terminate by demolition or destruction of building.

Article 446. Ranking of Superficies

The superficies shall be entered in the real estate register only in the first rank of precedence. The rank cannot be modified.

Article 447. Exercise of Superficies

The superficiary may dispose freely of his right. In the case of an existent building, the superficies may be alienated or mortgaged only together with the building. In case of alienation of building by the holder of superficies, the owner of the plot shall have a right of preemption.

Article 448. Duty of Superficiary Right to Pay Rent

(1) Unless the transaction provides otherwise, the superficiary shall owe an amount equal to the market rent, paid in monthly installments, having regard of the nature of the plot, zone of its placement, the destination of the building, as well as any other criteria for

determining the value of the use. The rent shall be set on the date of establishment of superficiesies.

(2) The rent may be adjusted upon the request of either party, where economic conditions render non-adjustment unfair. The adjustment shall take place having regard of the economic conditions and the principle of fairness.

(3) Where the superficiarius does not pay the rent for a period of 3 years, the owner of the plot is entitled to demand sale of superficiesies by auction. The owner of the plot may participate in the auction.

(4) Where the superficiesies belongs to several persons, they shall be jointly and severally liable for rent payment in relation to the owner.

Article 449. Termination of Superficiesies

The superficiesies shall terminate:

- a) Upon expiry of term;
- b) By confusion, where the plot and the building become property of the same person;
- c) In other cases established by law.

Article 450. Termination of Superficiesies upon Request of Plot Owner

Where the holder of the superficiesies did not erect the building within the term specified in the transaction concerning establishment of superficiesies or if he breaches the obligation for preservation of construction, the owner of the plot is entitled to demand termination of the superficiesies.

Article 451. Effects of Termination of Superficiesies

(1) Upon termination of superficiesies, the construction situated on the plot shall pass into the ownership of the plot owner.

(2) The plot owner shall be bound to pay to the holder of the superficiesies an according compensation for the building. The compensation shall not be deemed according, where it does not cover at least two thirds of the market value of the building.

(3) The owner of the plot may liberate himself from the payment of compensation, by extending the superficiesies, before its expiry, up to the estimated life of the building.

(4) The holder of the superficiesies is not entitled to move the structure or its component parts after the extinction of the superficiesies.

Article 452. Security for Compensation

(1) The superficiarius has a right of retention over the building until payment of compensation.

(2) The claim for compensation is secured by the plot instead of the superficiesies and by the rank of the superficiesies.

(3) Where, upon its termination, the superficiesies is charged with a mortgage, the mortgage creditors have a right of pledge on the compensation.

Article 453. Subrogation in Contracts in Force

Upon termination of superficiesies, the plot owner shall replace the holder of superficiesies in contracts in force of lease and agricultural lease.

CHAPTER V PLEDGE

SECTION 1 GENERAL PROVISIONS

Article 454. Definition of Pledge

(1) The pledge is a real right, by virtue of which, in case of non-performance by debtor (pledge debtor) of the obligation secured by pledge, the creditor (pledge creditor) may claim satisfaction of his claims from the value of the pledged assets prior to other creditors, including the state.

(2) The pledge is connected with the secured obligation, as an accessory legal relation, and its duration is conditioned by that of the principal obligation, unless otherwise provided by law or contract.

Article 455. Types of Pledge

(1) There are two types of pledge: registered pledge (without deprivation of possession) and pawn (with deprivation of possession).

(2) In the case of registered pledge, the object of pledge remains in the possession of the pledge debtor or of the third party acting in his name. In the case of pawn, the subject of pledge is transferred into possession of the pledge creditor or of the third party acting in his name. The pledge debtor and the pledge creditor may agree that the object of pledge shall be kept by the pledge debtor, under seal of the pledge creditor.

(3) According to the nature of the legal relationship, the registered pledge includes:

a) mortgage – pledging of land, buildings, and other immovable property directly attached to land, together with the piece of land necessary for the functionality of pledged object, or with the right to use this piece of land. Pledge of actual and future rents, which an immovable asset produces, shall also be qualified as mortgage. The mortgage must be registered in the real estate register;

b) commercial mortgage – pledge of an enterprise, covering all its property, including fixed and current assets, other property and property rights listed in the balance sheet of the enterprise, unless otherwise provided by law or contract;

c) Pledging of goods in circulation or under processing;

d) Pledging of property, which the pledge debtor will acquire in the future.

Article 456. Pledge Creditor and Pledge Debtor

(1) The pledge creditor is the person whose claims are secured by pledge.

(2) The pledge debtor is owner or other legal holder or usufructuary of the assets deposited in pledge, entitled to alienate those assets.

(3) The pledge may be granted either by the debtor of the secured obligation or by a third party.

Article 457. Object of Pledge

(1) The object of pledge (pledged property) may consist of any property, including an aggregate of assets, securities and rights confirmed by share certificates.

(2) Property withdrawn from civil circulation or property, which may not subject to attachment or alienation, cannot become object of pledge.

(3) The contract may provide for extension of pledge over assets that are yet to be acquired.

(4) The assets, which, in accordance with the law, may not be transmitted separately, cannot be pledged separately as well. A part of an indivisible asset may not become object of pledge.

(5) Assets in joint ownership may be deposited in pledge only with the consent of all co-owners.

(6) One of the co-owners may deposit into pledge his share in jointly owned property, without the consent of the other co-owners, unless otherwise provided by law or contract. In the case of immovable assets, the need to obtain such consent shall be entered in the real estate register.

(7) The right of pledge covers accessories of the principal asset pledged, unless the contract provides otherwise.

(8) The right of pledge covers fruits of pledged assets only in cases provided by contract.

(9) The person that has a conditional or void title to certain assets may only establish a pledge under the same conditions.

Article 458. Pawning of Assets at Pawnshop

(1) The pawning of assets at the pawnshop shall take place in compliance with the law.

(2) A pawn receipt shall be issued for the received asset, confirming conclusion of pawn contract.

(3) Upon taking over the asset into possession, the pawnshop is bound to insure the asset at its own expense, in favor of the debtor and according to the estimated value, determined following market prices for the category and quality of pawned assets. The clause excluding the obligation of insurance is void.

(4) The pawnshop is not entitled to use and dispose of the assets pawned and is liable for their loss or deterioration, inasmuch as it cannot be proved that the loss or deterioration are owing to a force majeure situation.

(5) Where the credit secured through pawning of assets at the pawnshop is not reimbursed in time, the pawnshop shall be entitled, based on a writ of execution issued by notary, to sell the pawned asset in accordance with the rules concerning pawned property, upon the expiry of a one-month grace term.

(6) The terms of the pawn contract concluded with the pawnshop limiting debtor's rights as compared to those provided for in this Code and other laws are void. According legal provisions shall apply instead of such terms.

Article 459. Specifics of Pledge of Goods in Circulation and under Processing

(1) In case of pledge of goods in circulation and under processing, the pledge debtor is entitled to modify the composition and natural form of the object of pledge (supplies of goods, raw materials, other materials, semi-processed products, final products etc.), contingent on that their total value does not reduce in relation to the value specified in the contract of pledge.

(2) Reduction in the value of pledged goods in circulation or under processing is allowed in proportion to the performed part of the obligation secured by pledge, unless the contract provides otherwise.

(3) The goods in circulation or under processing alienated by the pledge debtor cease to be object of pledge from the moment of transfer of ownership to the person that has procured

those goods, while the goods procured by the pledge debtor, specified in the pledge contract, become object of pledge as of the moment when the pledge debtor acquires right ownership or disposal over those goods.

(4) The debtor that pledged goods in circulation or under processing is bound to enter in the pledge register the terms of goods' pledge and data on all operations that lead to changes in the composition and natural form of goods pledged.

Article 460. Specifics of Pledge of Securities

(1) Securities may be pledged under a pledge contract. Pledge of securities by endorsement shall be made in accordance with legal provisions.

(2) Pledge of securities confirming title to certain assets (asset titles) shall equal pledge of the assets themselves.

(3) Pledged shares do not empower the pledge creditor to participate as shareholder in the general assembly. This right shall be exercised by the shareholder.

(4) Certificates regarding interest, dividends and other income obtained by virtue of the right based on the security shall become object of pledge, unless otherwise provided by contract.

Article 461. Claim Secured by Pledge

(1) A pledge may secure one or several legal claims, actual or future, simple or affected by certain terms or conditions. The claim secured by pledge must be determined or determinable.

(2) The pledge may be also constituted in such a way that only the maximum amount which is to be secured by asset's pledge shall be entered in the register.

(3) The pledge is deemed validly established only where the secured claim is expressed in money.

(4) Where the contract does not provide otherwise, the pledge secures the claim in the volume as of the moment of its satisfaction, including capital sum, interest, enforcement outlays and those for maintenance of the pledged asset. Parties may agree to extend security coverage to penalties and damage caused by nonperformance.

(5) One claim may be secured by several assets (common pledge) and by several persons.

(6) Subject to the consent of the pledge creditor and of the pledge debtor, another claim may replace the one for which the pledge has been established. The replacement of the secured claim must not prejudice the rights of pledge creditors with inferior rank of priority. The form and registration requirements shall be complied with, accordingly.

Article 462. Pledge Established to Secure Payment of a Money Amount

(1) The pledge established to secure payment of a money amount shall be valid, even where upon its establishment the pledge debtor did not yet receive or only partially received counter-performance he had bound himself for. This rule shall apply especially in regard of credit granting or issuance of bonds or other loan securities.

(2) Where the pledge creditor refuses to hand over amounts of money which he has bound himself to convey and in security of which the pledge has been granted, the pledge debtor may, at creditor's expense, obtain pledge reduction (save for the case of mortgage) or cancellation. In the latter case, the pledge debtor shall be bound to defray only those amounts that have been actually conveyed to him.

Article 463. Indivisibility of Pledge

(1) The pledge is indivisible and subsists in its entirety over all pledged assets, over each of those assets and over all their parts even if the asset or the obligation were indivisible.

(2) Mortgage over capital constructions, apartments and isolated lodgments, situated on the plot of a third party, shall extend over the right of use (superficies, lease etc.) over the plot or its relevant ideal share.

(3) The mortgage extends over all improvements of the pledged asset, unless otherwise provided by contract.

Article 464. Transformation of Assets

The pledge subsists over the movable asset that resulted from transformation of the pledged asset. The pledge extends over the results of confusion (blending) or combination of several movable assets, of which at least one was the pledged asset.

Article 465. Insurance Money

The pledged creditor is entitled to priority satisfaction from the insurance money for loss, destruction or deterioration of the pledged asset, regardless of the fact in whose favor the pledged asset has been insured, unless the loss, destruction or deterioration is owing to the fault of the pledge creditor or the contract of pledge provides otherwise.

SECTION 2**GROUND FOR RISE OF PLEDGE. REGISTRATION OF PLEDGE****Article 466. Establishment of pledge**

(1) The pledge is established by virtue of law or contract.

(2) The registered pledge arises as of its registration, in accordance with the provisions of this Code.

(3) In the case of pawn, the pledge arises upon conveyance of the object of pledge, unless otherwise provided by contract.

Article 467. Claims Giving Rise to Legal Pledge

Where the law does not provide otherwise, the following claims may give rise to legal pledge:

- a) claims of the state, for amounts owed under fiscal legislation;
- b) claims of persons that have participated in construction of immovable assets;
- c) claims arising from a court decision.

Article 468. Contract of Pledge

(1) The contract of pledge must be in writing, save for the case of pawn. In the case of assets requiring notary certification of transfer, the contract of pledge shall be certified by notary.

(2) The contract of mortgage shall be certified by notary. Failure to comply with form requirements shall render the contract void.

(3) Any amendment or addenda to the contract of pledge shall be made in the form required for concluding the contract.

(4) The contract of pledge must specify: parties' names or denominations, their residence or domicile, express consent of the pledge debtor to establish pledge in favor of pledge creditor, type of pledge, description of pledged asset, its estimated value and location, essence and maturity of claim secured with pledge, its maximum value without interest and other outlays, permission or prohibition of a subsequent pledge, and other terms as agreed by the parties.

(5) The clause regarding the pledge may be included in the contract providing for the obligation secured by pledge.

Article 469. Creditor's Notification of Rights of Third Parties

Upon concluding the contract of pledge, the pledge debtor is bound to notify the pledge creditor in writing regarding rights of third parties over the object of pledge, known to him at the moment of pledge establishment. Failure to comply with this duty empowers the pledge creditor to demand early performance of obligation secured by pledge or modification of terms of the contract of pledge, if the rights of third parties diminish creditor's security.

Article 470. Registration of Pledge

(1) The pledge without deprivation of possession shall be entered in a public register, as provided by law.

(2) The pledge is registered as follows:

a) the mortgage shall be registered as provided by legal provisions on the cadastre of immovable assets at the cadastre body in whose territorial jurisdiction the mortgaged asset is situated. The contract of pledge shall be submitted for registration of mortgage within 3 months from its conclusion. Failure to comply shall render the contract void. Where the contract of sale and purchase and the contract of pledge are concluded concomitantly, the right of ownership and the mortgage shall be registered consecutively;

b) the commercial mortgage shall be registered in conformity with this Code, at the notary bureau, in whose territorial jurisdiction the enterprise is placed;

c) the pledge of nominal securities shall be registered in the register of holders of nominal securities;

d) the pledge of state securities shall be registered in the register of holders of state securities;

f) the pledge of rights of intellectual property shall be registered in the register of intellectual property.

(3) The specifics of registration of pledge in the registers mentioned in para.(2) shall be regulated by the legislation concerning those registers.

Article 471. Effects of Registration

(1) The fact that information concerning pledge is entered in the register constitutes a legal presumption of its authenticity.

(2) Pledge registration does not confer validity to a void pledge.

(3) As of the moment of pledge registration, nobody may invoke non-awareness of the information entered in the pledge register.

(4) The pledge creditor and pledge debtor cannot rely on the incorrectness of information entered in the pledge register in relations with third parties in good faith.

Article 472. Registration of Performance of Obligation Secured with Pledge

Documents confirming total or partial execution of obligations secured with pledge serve as grounds for registration of respective modifications in the pledge register.

Article 473. Exclusion of Pledge Information from Pledge Register

(1) Following pledge termination, information on pledge shall be excluded from the pledge register.

(2) Exclusion of information regarding the pledge may be solicited by:

- a) pledge creditor;
- b) pledge debtor, based on a petition signed by both parties, a written declaration of the pledge creditor on relinquishment of pledge, or court judgment;
- c) the third party that has acquired the object of pledge, based on written declaration of the pledge creditor on exclusion of pledge from the pledge register, on certificate issued by the officer of the court confirming asset's acquisition through enforcement procedure, on court certificate confirming asset's acquisition through insolvency procedure or on court judgment regarding expiry of pledge, even if the person did not participate in the trial as party.

(3) Provisions regarding registration of pledge shall apply accordingly in the case of pledge exclusion. The pledge creditor shall be bound to ensure registration of pledge termination after the execution of obligation secured by pledge.

Article 474. Public Character of Pledge Register Information

(1) Any person may become acquainted with the pledge register and may obtain information on registration of pledge and statements from the pledge register within 3 days from the moment of solicitation.

(2) The pledge debtor may prohibit access of third parties to the information in the pledge register regarding pledge of his assets. In such case, it is presumed that the entire property of the pledge debtor is charged with pledge.

Article 475. Appeal on Actions or Omissions of Pledge Registrar

Any person is entitled to appeal to court against rejection of application for pledge registration, against illegal registration, misinformation, untimely provision or ungrounded refusal to provide necessary information concerning pledge registration.

SECTION 3**RIGHTS AND DUTIES OF PARTIES TO CONTRACT OF PLEDGE****Article 476. General Provisions on Rights and Duties of Parties to Contract of Pledge**

(1) The pledge debtor and the pledge creditor are free in determining their rights and duties by agreement, unless otherwise provided by law.

(2) The pledge creditor may appoint a pledge manager. The manager shall act in creditor's name and perform any acts with respect to the object of pledge, within the limits of powers granted to him, save for the right to transfer the obligation secured with pledge.

(3) In case of a pawn, with termination of the right of pledge, the pledge creditor shall be bound immediately to return the pledged property to the pledge debtor.

Article 477. Right of Use and Disposal over Pledge Object. Safety of Pledge Object

(1) The pledge debtor is entitled to use the object of pledge in compliance with its destination and to collect its fruits, unless it appears otherwise from contract and the substance of pledge.

(2) The pledged asset may be charged with real rights or given into lease or agricultural lease after pledge establishment, with prior notification of the pledge creditor. Rights established subsequently to the pledge without pledge creditor's consent, and exceeding the term of maturity of secured obligation, shall be lost by the third party after the elapsing of one month as of the day when the pledge creditor notified him of his intention to exercise the right of pledge. This rule shall not apply on subsequently established rights of pledge.

(3) The pledge debtor may not alienate the pledged assets, save for cases where he holds an authorization issued with a view to this by the pledge creditor (by all pledge creditors in subsequent pledges).

(4) The agreement limiting the right of the pledge debtor to bequeath the pledged asset is void.

(5) The pledge creditor shall be entitled to use the object of pledge only in cases provided for in contract, and must submit to the pledge debtor a report on asset's use. The contract may bind the pledge creditor with duty to collect fruits of pledge object with a view to extinguishing the principal obligation secured with pledge.

(6) Depending on who holds the pledged asset, the pledge creditor or the pledge debtor is bound to preserve and maintain it, while complying with the rules of asset's use. Where a danger of asset's destruction or deterioration appears, the party holding the asset shall immediately notify the other party, and that party shall be entitled to inspect it.

Article 478. Authorization for Alienation of Pledged Asset

(1) Save for the case of pawn, the pledge creditor may issue to the pledge debtor an authorization for alienation of the object of pledge freed from the pledge charge. Such an authorization must be made under onerous title and in the order set for the replacement of the object of pledge.

(2) The issuance of the authorization may be provided for in the contract of pledge. In such a case, the person that concluded the contract with the pledge debtor procures the charged assets free from pledge.

(3) In the case of pledge of goods in circulation or under processing, the pledge debtor may alienate goods from his stock of pledged goods in the course of ordinary commercial activity.

(4) The authorization for alienating the asset that is the object of pledge shall be suspended upon registration of the notice regarding enforcement over the pledged asset and until cancellation of such notice.

(5) The authorization for alienation of the asset pledged shall become void upon transformation of the registered pledge into a pawn.

Article 479. Replacement of Object of Pledge

(1) Parties may agree on the terms of replacement or substitution of the object of pledge. Replacement or substitution of the object of pledge is deemed a new pledge.

(2) Where, under legally provided grounds and procedure, the right of the pledge debtor to the asset is extinguished, while the pledge debtor is offered another asset or is reimbursed an according amount, the right of pledge shall be transferred on the asset offered or, respectively, the pledge creditor shall be entitled to prior satisfaction of his claims from the amount to which the debtor is entitled. In such case, the pledge creditor may solicit early fulfillment of obligations secured by pledge.

Article 480. Subsequent Pledge

(1) Subsequent pledging of already pledged property is permitted unless prior contracts of pledge prohibit this.

(2) The pledge creditor is bound to provide information about all cases of previous charges on the property to each subsequent pledge creditor, being liable for the damage caused to the pledge creditor by failure to comply with this duty.

Article 481. Order of Precedence in Case of Pledge without Deprivation of Possession

(1) The order of satisfaction of claims arising from several titles of pledge to one asset shall be determined by the sequence in which the respective rights of pledge rose.

(2) The claims of the next pledge creditor shall be satisfied only after complete settlement of claims of the prior pledge creditor. The pledge creditor with superior rank shall be bound to compensate outlays incurred by the creditor with inferior rank if, while being notified of the exercise of the right of pledge by the inferior creditor; the former did not invoke the priority of his rights within a reasonable term.

(3) The pledge creditor with inferior rank of precedence may satisfy his claim from the pledged asset prior to the creditors with superior rank only with the written consent thereto of each creditor with superior rank.

Article 482. Assignment of Rank of Precedence

(1) The pledge creditor may assign to another pledge creditor his rank of precedence, in the amount of the claim secured with pledge, the latter replacing the former limited to the amount of claim belonging to the creditor that assigned the rank of precedence.

(2) Within 3 days from the assignment date, the pledge creditor that has assigned the priority rank is bound to notify about this the debtor and the pledge debtor, where the latter is a third party.

(3) Assignment of pledge priority rank is possible only within the limits of the same public register and in respect of the same asset.

(4) Assignment of pledge priority rank is possible inasmuch as the right of other pledge creditors in respect of the same asset is not prejudiced.

(5) Assignment of pledge priority rank shall be registered based on application of the pledge creditor, according to the procedure of pledge registration, and shall produce effects as of the day of registration.

Article 483. Early Fulfillment of Obligation Secured with Pledge

(1) The pledge creditor is entitled to demand early fulfillment of obligation secured with the pledge, where pledge debtor's right to the object of pledge has terminated on grounds provided by law, or where the object of pledge is confiscated as penalty for committing a contravention or felony.

(2) The pledge creditor is entitled to demand early fulfillment of obligation secured with pledge and, if the claim is not satisfied, to attach the object of pledge, where the pledge debtor:

- a) has violated the rules of subsequent pledge;
- b) has alienated the object of pledge in violation of provisions of art.447 par.(3);
- c) has not fulfilled the obligation provided for in art.477 par.(6);
- d) does not hold possession of the object of pledge contrary to the terms of the contract of pledge;
- e) has violated the rules concerning the replacement of the object of pledge;
- f) is in default.

SECTION 4

PARTICIPATION OF THIRD PERSONS IN PLEDGE RELATIONS

Article 484. Assignment of Claim Secured with Pledge

(1) The pledge and the claim on which it is based may be assigned only together and simultaneously.

(2) In the event of assignment of a claim secured with pledge, the right of pledge shall pass to the new creditor.

(3) In the event of assignment of a part of the claim secured with the pledge, the new creditor acquires the right over pledge in proportion to the assigned claim, unless the contract of pledge provides otherwise.

(4) Replacement of pledge creditor is subject to registration under art.470. The validity of the previous entry shall not be affected until registration of the new pledge.

(5) The pledge and the secured claim shall pass on the new creditor in the condition they were while belonging to the previous creditor.

Article 485. Assumption of Debt Secured with Pledge

(1) The debt secured with pledge may be assumed by another person only with the consent of the pledge creditor and, where the debtor of the secured obligation and the pledge debtor are different persons, also with the consent of the latter to assume liability for the new creditor.

(2) The debt secured with pledge may be assumed by another person even without the consent of the pledge debtor (if the latter is a different person from the debtor of the secured obligation). In such case, the pledge shall terminate.

(3) Where the debtor of the secured obligation and the pledge debtor are one and the same person, the pledge shall persist, save for the case when the pledge creditor agrees on another security or on termination of pledge.

Article 486. Acquisition by Third Party of Property Encumbered with Pledge

(1) Where any third party acquires right of ownership or management of property encumbered with pledge, the pledge shall always be taken into account, except for cases specified in art.478 and this article.

(2) Property encumbered with pledge shall be deemed free of pledge, where the acquirer presumes in good faith that the pledge does not exist and if there are no circumstances from which he can infer the existence of the pledge.

(3) An acquirer in good faith is the person who:

- a) acquires property encumbered with pledge as goods in circulation or under processing;
 - b) acquires property encumbered with pledge, of which sale by auction has been announced in mass media, except for immovable property and titles to immovable property;
 - c) acquires payment documents, bills of lading, shares, titles of claim, securities encumbered with pledge, used in stock exchange transactions.
- (4) The law may provide for other cases of recognition of acquirer's good faith.

SECTION 5

EXERCISE OF RIGHT OF PLEDGE AND TERMINATION OF PLEDGE

Article 487. General Provisions on Exercise of Right of Pledge

- (1) The pledge creditor is entitled to exercise his right of pledge, where the pledge debtor has not performed his contractual obligations or provided inadequate performance of the secured obligation or of its part, as well as in other cases provided by law or contract.
- (2) Under this section, the pledge creditor may exercise the following rights: to sell the pledged assets by himself, to sell them under the control of the court and to take into possession for administration.
- (3) The pledge creditor is entitled to exercise the right of pledge regardless of who holds the pledged asset.
- (4) The procedure for exercising the right of pledge, as well as the specifics of exercising the right of pledge with regard to certain types of assets, inasmuch as it is not provided for in this section, shall be regulated by law.
- (5) Satisfaction of creditors' claims from the value of pledged assets belonging to the debtor against whom the insolvency procedure has been commenced shall be made in conformity with legislation governing insolvency.

Article 488. Measures Preceding Exercise of Right of Pledge

- (1) The pledge creditor that intends to exercise his right of pledge must notify about this the debtor of secured obligation and, as the case may be, the pledge debtor and the third party holding the asset.
- (2) After notification, the pledge creditor shall submit to the register where the pledge has been registered a warning, to which proof of notification of pledge debtor shall be attached.
- (3) The warning must specify the amount of secured claim, the term for commencing enforcement, the right that the creditor intends to exercise, the description of pledged asset and the demand that the debtor transmits the pledged asset, within the term accorded by the pledge creditor.
- (4) The term granted by pledge creditor for asset conveyance may not be shorter than 10 days for a movable asset, 20 days for an immovable asset and 10 days for taking the asset into possession for administration, starting with the day of warning registration.

Article 489. Rights of the Pledge Debtor

- (1) The pledge debtor may oppose to the enforcement by pledge creditor upon the pledged asset, by defraying the secured claim, or, as the case may be, by removing the breaches specified in the warning and the subsequent ones, and by paying in both cases outlays pertaining to warning registration.

(2) The right mentioned in para.(1) may be exercised by the pledge debtor until the moment of sale of the asset taken into possession by the pledge creditor.

Article 490. Conveyance of Pledged Asset to Pledge Creditor

(1) The pledged asset shall be conveyed into possession to the pledge creditor in order to be sold, as provided by law.

(2) Asset's conveyance into possession to the pledge creditor may be voluntary or forced.

(3) Conveyance into possession is voluntary where, before expiry of the term specified in the warning, the pledge debtor actually transmits the pledged asset into the possession of the pledge creditor or consents in writing to make it available to the latter at the agreed moment.

(4) Forced conveyance shall take place based on a court judgment, after expiry of the term specified in the warning, as provided by law.

Article 491. Sale of Pledged Asset by Pledge Creditor

(1) After receiving the pledged asset into possession and after submitting to the register a warning as provided by art.488 para.(2), the pledge creditor is entitled to proceed with the sale of the pledged asset, through direct negotiations, by tender or by public auction, without an unjustified delay, against a reasonable commercial price and in the interest of the pledge debtor.

(2) The pledge creditor that sells the asset acts in the name of the owner and is bound to notify the buyer about his status upon selling the asset.

(3) The buyer acquires the asset encumbered with real rights existent upon the moment of registration of the warning in the respective register, save for the right of pledge of the pledge creditor who sold the asset and without claims that have priority over his right.

(4) Where the buyer of the asset submits to the court, in whose jurisdiction the pledged assets or the greatest part of them are situated, proof that the sale has been effected in compliance with the law and that the price has been defrayed entirely, the court shall issue a decision for termination and cancellation of pledges, attachments and real rights shown in par.(5).

Article 492. Sale of Pledged Asset under Court Control

(1) The sale of the pledged asset shall take place under the control of the court where the latter appoints a person that shall perform sale of pledged assets, shall determine the terms and encumbrances of the sale, shall specify the sale procedure – direct negotiations, tender or public auction - and shall set asset's price after an expert examination, if necessary.

(2) The person appointed is bound to notify the interested parties, upon their request, of the actions taken to sell the pledged assets.

(3) The appointed person acts in the name of the owner and must notify the buyer about this.

(4) Sale under this article exonerates real rights from pledge.

(5) The object of pledge may be sold only under the control of the court, if:

a) the authorization or the consent of another person necessary for valid conclusion of the contract of pledge is missing;

b) the object of pledge consists of assets with historical, artistic or cultural value;

c) the pledge debtor is missing and his location may not be identified.

Article 493. Distribution of Proceeds Obtained from Sale of Pledged Asset

(1) The pledge creditor is entitled only to that part of sale proceeds that is necessary for covering his claims.

(2) The creditor shall make defrayals from the sale proceeds in the following order: sale outlays, claims that have priority over his rights and creditor's own claims.

(3) Where other claims exist that must be paid out from the sale proceeds, the pledge creditor that sold the asset shall submit to the court that has jurisdiction with regard to asset's sale a report concerning sale proceeds and shall hand over the amount remaining after payment. Otherwise, the pledge creditor shall be bound to submit a report to the owner of the sold asset and convey the surplus, if there is one, within 10 days from the day of asset sale.

(4) Where the sale of the pledged asset takes place under the control of the court and the proceeds are not enough to satisfy all secured claims, the person empowered with the sale shall deduct sale outlays, place the remaining amount on a special account, draft a distribution plan based on the principle of pledge rank of precedence, and shall submit it to the court, which shall offer all persons entitled the possibility to state their opinion on the plan. After the plan is granted final approval by court, the person empowered with the sale shall effect payments based on the plan.

(5) Where the proceeds obtained from the sale of the asset are not enough to satisfy the claims and cover the outlays of the pledge creditor, the latter shall keep an unprivileged claim for the remaining amount owed by his debtor.

Article 494. Means of Legal Protection in Case of Obligation Enforcement

Any person may appeal in court the validity of the pledge or enforcement over pledged asset, if his rights are being infringed upon.

Article 495. Grounds for termination of the right of pledge

The right of pledge shall terminate in case of:

- a) Termination of obligation secured by pledge;
- b) Expiry of term for which the pledge has been established;
- c) Loss of pledged assets;
- d) Forced sale of pledged assets;
- e) Other situations provided for in the legislation.

TITLE V REAL ESTATE REGISTER

Article 496. Destination of Real Estate Register

(1) The real estate register contains description of immovable assets and specifies real rights pertaining to those assets.

(2) Rights of claim, facts and legal relations pertaining to immovable assets entered in the register may be registered in cases provided by law.

(3) The real estate register is open for examination by any interested person.

(4) The procedure of establishment and keeping of the register of immovable property shall be set by law.

Article 497. Presumption of Authenticity and Completeness of Information from Real Estate Register

(1) It is presumed that information entered in the real estate register is authentic and complete, until the first disproof.

(2) The content of the register is deemed authentic in favor of the person that acquired a right from another person by means of a transaction, if the right has been registered in the name of that person. This provision shall not apply where there is a note impugning authenticity or where the acquirer had knowledge of entry's inaccuracy.

Article 498. Types of Entries

(1) Entries are of three types: definitive registration, provisional registration and note.

(2) Definitive and provisional registration pertains to real rights, while the note is made in regard of rights of claims, facts and legal relations pertaining to the immovable assets entered in the register.

(3) The provisional registration and the note are made only in cases and under terms provided by law.

Article 499. Acquisition of Real Rights Subject to Registration

(1) Real rights to immovable assets subject to registration under the law shall be acquired both between parties and in relation to third parties only after registration in the real estate register of the establishment or transfer of those rights by virtue of parties' agreement.

(2) Real rights shall be lost or extinguished only if their exclusion has been entered in the real estate register with the consent of the holder. The consent is not necessary where the right is extinguished by lapse of term specified in the entry or by death or cease of holder's existence.

(3) Where the right to be excluded is encumbered in favor of a third party, the exclusion shall be made, while maintaining the right of the latter.

(4) An irrevocable court decision or, in cases provided by law, an administrative act shall replace the agreement or the consent, respectively.

Article 500. Consecution of Rights Entered in Real Estate Register

(1) Consecution of rights entered in the real register of immovable assets shall be determined in conformity with the consecution of their registration. The date of application submittal shall be deemed as the date of registration.

(2) The consecution can be modified later. With a view to such modification, the consent of the persons that change their consecution and registration of modification in the register are needed.

(3) In case of registration of a right, the owner may stipulate the condition of consecution of his registration. This condition must be also registered.

Article 501. Provisional Registration in Real Estate Register

Provisional registration in the real estate register is required if:

a) the acquired real right is under a suspensive or subsequent condition;

b) a party is bound to transfer, establish or extinguish a real right or the person administering the assets of another person is bound to grant a mortgage security, by virtue of a court judgment that is not yet irrevocable;

c) the debtor has conveyed into deposit the amount for which the mortgage has been established.

Article 502. Effects of Provisional Registration

(1) Provisional registration triggers acquisition, modification or extinction of a real right as of the date of registration of the application, contingent on and to the extent of its substantiation.

(2) The substantiation of a provisional registration shall be made with the consent of the person to whom the registration pertains or by virtue of an irrevocable court judgment.

(3) The substantiation of the exclusion of the right of mortgage shall be based on an irrevocable court judgment for validation.

(4) The substantiation of a provisional registration extends over all entries contingent on its substantiation. Failure to substantiate a provisional registration shall trigger, upon the request of the interested person, exclusion of that registration and of all entries contingent on its substantiation.

Article 503. Public Access to Information

(1) Any person, without being required to substantiate a certain interest, may study information contained in the real estate register, as well as additional documents, as provided by law.

(2) Certified excerpts and authenticated copies from the real estate register shall be issued in accordance with the law.

Article 504. Rectification of Entries in Real Estate Register

(1) Where an entry in the real estate register does not correspond to the existent legal situation, rectification of entry may be demanded.

(2) Rectification shall mean exclusion, correction or specification of any operation susceptible of being entered in the register.

Article 505. Right to Demand Rectification

(1) Any interested person may demand rectification of a definitive or provisional registration, if:

- a) the entry or the act based on which the entry was ordered was not valid;
- b) the registered right has been wrongly qualified;
- c) the conditions for existence of a registered right no longer exist cumulatively or the effects of the transaction based on which the entry was made have ceased;
- d) there are other grounds provided by law.

(2) In the absence of holder's consent, the rectification shall be made only based on an irrevocable court judgment.

Article 506. Application of Statute of Limitations on Action for Rectification

(1) Contingent on non-expiry of the period of limitation concerning action on the merits of the case, the action for rectification shall not be subject to statute of limitations in relation to the direct acquirer in bad faith and to the subsequent acquirer in bad faith that registered the rights in their name.

(2) With regard to third parties that acquired in good faith a real right through donation or bequest, the action for rectification may not be filed upon the lapse of ten years as of the day of registration of their application for entry into the register, save for the case when the right to commence action on merits has extinguished earlier.

(3) The action for rectification may be also commenced against subsequent acquirers in good faith and under onerous title, that have registered a real right in their name, but only if the action is based on provisions of art.505 par.(1) let.a) and b). The term shall constitute 3 years from the date of registration of the application for entry formulated by the direct acquirer of the right subject to rectification, save for the case when the right to commence action on merits has extinguished earlier.

(4) The person acquiring the real right by relying on the content of the register, shall be deemed in good faith, where upon the date of right's acquisition the register did not contain notes about actions contesting the substance of the right or where no direct divergences between the real estate register and the real legal situation infer from acquirer's title.

Article 507. Impossibility to Rely on Judgment for Rectification

(1) The court judgment admitting rectification of an entry shall not prejudice the rights registered in favor of the persons, in regard of whom the action has been dismissed.

(2) Where the action for rectification has been entered in the register, the court judgment shall be executed ex officio, even against those that acquired any right after the entry.

Article 508. Opposability of Rights

(1) Rights of claim, facts or legal relations in connection with immovable assets entered in the register become opposable against third parties only by entry.

(2) The following acts are subject to entry in the register:

- a) Establishment of a court interdiction and revocation of this measure;
- b) Lease and assignment of fruits for more than 3 years;
- c) Prohibition to alienate or charge a registered right;
- d) Preliminary contract;
- e) Right of preemption arising from a transaction;
- f) Intention to alienate or mortgage;
- g) Change of mortgage rank of precedence, attachment of mortgage claim and pledge of mortgage claim;
- h) Attachment, enforcement over immovable asset and its fruits;
- i) Action for final registration and action for rectification;
- j) Action for protection of real rights entered in the real estate register, actions for cancellation of transaction for nullity, rescission or other cause of invalidity, as well as any other actions pertaining to rights of claim, facts and legal relations in connection with registered immovable assets;
- k) Other cases provided by law.

Article 509. Agreement on Rectification of Entries

(1) Where a person is registered as holder of a right in the real estate register without actually being a holder or not being holder of that right anymore, the person whose right or whose situation is prejudiced by the respective entry is entitled to demand consent on rectification from the person whose right shall be prejudiced by rectification.

(2) With a view to provisional protection, an entry shall be made with regard to usurpation of authenticity of entry in the register.

(3) The entry provided for in par.(2) shall be made based on a court order or the consent between the person, whose right is prejudiced by rectification of the entry in the register. In order for a court to issue an order, it is not mandatory to prove existence of a danger with regard to the right of the person that filed the appeal.

Article 510. Correction of Errors

Material errors admitted upon registration of entries, other than those constituting cases for rectification, may be corrected upon request or ex officio.

Article 511. Non-Application of Provisions concerning Suspension and Restoration of Omitted Period of Limitation

Provisions concerning suspension and restoration of omitted period of limitation shall not be applicable to the statute of limitations regarding action for definitive registration and action for rectification.