

**BY-LAWS OF THE INTERNATIONAL NON-PROFIT ASSOCIATION
“SMALL AND MEDIUM ENTREPRENEURS EUROPE”**

PREAMBLE

We, the undersigned Founders,

1. Bendt Bendtsen
2. Nadezhda Neynsky
3. Dr. Paul Rubig

having a Constituent Meeting on May 16th 2012 in Brussels, Belgium, agree to create an international non-profit association according to Belgian law and approve the present By-Laws.

SME (Small and Medium Entrepreneurs) Europe is the independent political network of Christian-Democrat and Conservative political and pro-business organization. Its main objective is to help shaping EU policy in a more SME friendly way. The importance of the work of SME Europe can be seen in the fact that SMEs are the key for sustainable jobs, growth and prosperity.

As a political partner of the European People’s Party (“EPP”), SME Europe shares the basic values and principles of the EPP - freedom and responsibility - and in fostering the environment and social conditions in Europe by market mechanisms. It stands for the promotion of free enterprise, the implementation of the principle of subsidiarity, the limitation of bureaucratic obstacles to economic development and the protection of free competition based on efficiency. Nevertheless, SME Europe is and shall remain in any event independent from the EPP in all decisions.

The interests of SMEs are best served in a system of free markets and free enterprise and less state intervention, limiting the role of government providing the best framework conditions for SMEs.

As a mission, SME Europe supports and promotes the interests of small and medium sized businesses in their dealings with the policy institutions of the European Union and provides advice to the EPP. On the basis of clear analysis of the situation, the challenges and the problems of SMEs, SME Europe presents proposals for solutions that can improve the business environment for SMEs.

In doing so, SME Europe considers the following principles as essential preconditions for a free economic and social order:

- Promotion of free enterprise with a particular emphasis on family based entrepreneurship;
- Limiting bureaucratic obstacles to economic development;
- Implementation of the principle of subsidiarity;
- Limiting the role of government;
- Safeguarding competition based on efficiency;
- Promoting employment;
- Promoting sustainability in environmental, social, economical and fiscal matters;
- Improving the level of education;
- Limiting the tax burden for SMEs and for the citizens.

I. NAME – OFFICE – PURPOSE – DURATION

Article 1

The association is named “Small and Medium Entrepreneurs Europe”, abbreviated as “SME Europe”. This name must always be preceded or followed by the words “*internationale vereniging zonder-winstoogmerk / association internationale sans but lucratif*” or the abbreviation “IVZW / AISBL”.

The association is governed by Title III of the Belgian law of 27 June 1921 on the not-for-profit associations, the foundations and the international not-for-profit associations.

Article 2

The registered office of the association is established at 22 rue de Pascale, B 1040 Brussels, in the Brussels judicial district.

The Board is authorized to transfer the registered office of the association to another location within this judicial district and to establish other offices and/or subsidiaries within or outside this judicial district.

Article 3

The purpose of the association is to support and promote the interests of small and medium-sized business, craft trades and the liberal professions in their dealings with the policy institutions of the European Union, whereby the association shall foster the democratic state based on the rule of law and a free economic and social order, promote federal integration in Europe in view of safeguarding peace and strengthening democracy, and promote the principles and the Free Market Economy.

The association is authorized to undertake all actions and to enter into all transactions (including real estate transactions) which are directly or indirectly useful or necessary for the promotion and achievement of the above-mentioned purpose.

The activity of the association shall be financed by membership fees of its Full Members and Observers, contributions and subventions of supporting parties and organizations, income from own activity, and any other means permitted by law.

Article 4

In order to realize its purpose and in order to establish, develop, implement and promote its policies and objectives outlined above, SME Europe as a political partner shall advise and support the EPP, organize discussion and decision forums, events and fact finding missions and issue publications of all sorts, always in accordance with strict democratic principles.

The EPP group in the European Parliament and the Association shall be invited to cooperate in the form of the SME Circle of the EPP group. The SME Circle advises the EPP group on relevant matters of economic policy.

The SME Circle is open to all members of the European Parliament (MEPs) from the EPP group who share the aims of SME Europe as outlined in the preamble and in Article 3 of these by-laws.

Article 5

The association is incorporated for an indefinite duration.

II. MEMBERSHIP

Article 6

The association shall have two categories of members:

- (i) Full Members; and
- (ii) Observers.

FULL MEMBERS

Article 7

The number of Full members is unlimited, but may not be less than three.

Full Members have the rights conferred to them by the by-laws and the internal regulations, including the right to participate in meetings of the General Assembly with voting right.

The founders of SME Europe shall have the status of Full Members ex officio.

With the exception of the Founders, the status of Full member can only be granted to Christian-Democrat, Conservative and Liberal political or pro-business oriented organizations, which:

- (i) accept the by-laws and internal regulations of the association; and
- (ii) subscribe to and act in accordance with the basic values and principles and the program of the association; and
- (iii) is an organization or is closely related to an organization or an individual who is an Ordinary Member Party, or an Associated Member Party or an Individual Member of the EPP.

Requests for full membership shall be submitted to the Board in writing. They shall comprise a statement confirming that the applicant party undertakes to comply with the basic values and principles, the by-laws and internal regulations of the association, in addition to a copy of the by-laws and information on the background of the applicant. Based on a thorough analysis of the application, the Board will transmit the application together with a recommendation as to whether or not the applicant should be admitted as a Member to the General Assembly.

The admission as a Full Member is subject to approval by the General Assembly. The General Assembly is allowed to grant or refuse full membership at its own discretion but shall in any event refuse the full membership of any organization not complying with the basic values and principles, the program, the by-laws and/or the internal regulations of SME Europe.

OBSERVERS

Article 8

Observers have no voting rights in the General Assembly, but are allowed participate to meetings of the General Assembly without voting right.

The status of Observer can be granted to Christian-Democrat, Conservative and Liberal political or pro-business oriented organizations, which:

- (i) accept the by-laws and internal regulations of the association;
- (ii) subscribe to and act in accordance with the basic values and principles and the program of the association; and
- (iii) is part of an organization or is closely related to an organization or an individual who is an Ordinary Member Party, or an Associated Member Party or an Individual Member of the EPP.

Applications for Observer membership shall be submitted to the Board in writing. They shall comprise a statement confirming that the applicant party undertakes to comply with the basic values and principles, the by-laws and internal regulations of the association, in addition to a copy of the by-laws and information on the background of the applicant.

The admission as Observer is decided upon by the Board based on a thorough analysis of the applicant organization and its activities within SME. The Board is allowed to grant or refuse Observer membership at its own discretion but shall in any event refuse the admission as Observer if the applicant does not comply with the basic values and principles, the program, the by-laws and/or the internal regulations of SME Europe.

HONORARY MEMBERS & MEMBERS OF THE SME CIRCLE

Article 9

Upon recommendation of the President or upon its own discretion, the Board is also authorized to grant Honorary Member status to any physical person who is or has been active in the European SME policy.

Honorary Members are allowed to be present at the meetings of the General Assembly, without voting right. Upon invitation by the Board, they can also be invited to attend meetings of the Board (without voting right).

All MEP's who are members of the SME Circle are allowed to be present on the meetings of the General Assembly, without voting right. Upon invitation by the Board, they can also be invited to attend meetings of the Board (without voting right).

Article 10

The membership fee for Full Members and Observers is determined by the General Assembly, upon proposal by the Board.

The membership fee shall be a minimum of EUR 2,000 (two thousand euro) per financial year. All membership fees shall be determined on a non-discriminatory basis. The membership fees for Observers shall be lower than the membership fees for Full Members.

Fees are payable within three months after having been determined and communicated by the Board to the Full Members and Observers and in any event prior to the annual meeting of the General Assembly.

If the membership fee is not paid within three months after they have become payable, at the first written demand of payment by the Secretary General, the principal amount will start bearing interest at the then prevailing statutory interest rate and the voting rights of the Full Members at the General Assembly' meetings will be suspended until any outstanding membership fees have been paid in full.

Full Members or Observers who resign or withdraw from the association and Full Members or Observers who or are excluded from the association remain liable for all financial obligations towards the association for the year during which the resignation is submitted and for all previous years.

No membership fees are owed by Honorary Members and the MEPs who are members of the SME Circle.

Article 11

The Board keeps a membership register at the registered office of the association. For each of the Full Members and Observers, this register lists the name, legal form, address of the registered office, identity of the representative(s) and, where applicable, the registration number in accordance with existing legislation and/or regulations. All Full Members and Observers may consult this register at the registered office of the association.

Article 12

Full Members and Observers may resign from the association at any time by notifying the resignation to the Board by registered letter.

The exclusion of a Full Member may only be decided by the General Assembly upon recommendation by the Board. The exclusion of an Observer can be decided by the Board. The relevant Full Member or Observer has a right to be heard by the General Assembly (in case of the exclusion of a Full Member) resp. the Board (in case of the exclusion of an Observer). The decision to exclude a Full Member or an Observer should not be reasoned.

A Full Member or an Observer that resigned or was excluded, as well as its legal successors have no claims on the assets of the association and may never be reimbursed for dues paid, contributions or any other payments made to the association, unless otherwise expressly provided for in these by-laws.

In any case of exclusion of Full Member or an Observer, the relevant member whose exclusion is proposed shall not be allowed to participate in the vote on his exclusion.

III. BODIES OF THE ASSOCIATION

Article 13

The bodies of the association are:

- (i) The Board;
- (ii) The General Assembly.

THE BOARD

Article 14

The association is managed by a Board, which is the management body of the association in the meaning of article 48, 6° of the Belgian law of 27 June 1921 on the non-profit associations, the foundations and the international non-profit associations. The Board is composed of the following members:

- (i) a President;
- (ii) a Secretary General;
- (iii) six Vice-Presidents.
- (iv) a Treasurer
- (v) the chairperson of the SME Circle of the EPP Group in the European Parliament, if he/she is also a representative of an EPP member party, who will be a member of the Board ex officio.

Only representatives of Full Members of which the voting rights have not been suspended are eligible for these functions.

The Board cannot have more than two members having the same nationality and each Full Member can have no more than two representatives on the Board. The association shall strive towards a balanced representation of the genders in the composition of the Board.

The members of the Board are elected by the General Assembly by secret ballot and by separate vote, for a renewable term of three years.

The candidates for the functions of President, Vice-Presidents and Treasurer must be nominated, in writing, to the Secretary General, one month prior to the date of the election. All Full Members have the right to propose candidates. All Full Members shall be informed of the names of the candidates not less than five days prior to the elections related to these functions.

The General Assembly elects first the President who, subsequently, proposes to the General Assembly a Secretary General to be elected. The General Assembly subsequently elects the six Vice-Presidents and the Treasurer.

A separate election is held for each function. For each function, the candidate who obtains a simple majority of the votes in the first ballot will be elected. If no candidate is elected after the first ballot, a second ballot is organized between the two candidates who received the most votes, and the candidate who receives the most votes in the second ballot will be elected.

Members of the Board may resign at any time, by giving notice to the Board of the decision to resign by registered letter. Their mandate is at any time revocable by the General Assembly at its own discretion.

If a mandate falls vacant, the Board may elect a temporary replacement until the next General Assembly. At the occasion of the first General Assembly, the replacement shall be submitted for ratification to the General Assembly.

Members of the Board may be re-elected. The President can be re-elected for no more than three consecutive mandates.

The members of the Board other than the Secretary General will not be remunerated for the exercise of their mandate, unless decided otherwise by the General Assembly. The remuneration of the Secretary General is determined by the General Assembly.

In case the President would be prevented from fulfilling his mandate, the Board can decide to temporarily transfer the powers conferred to the President to one or more of the Vice-Presidents.

Article 15

The Board has the powers attributed to it by the law, these by-laws and the internal regulations. Its powers consist inter alia of:

- ensuring the implementation of decisions taken by the General Assembly;
- preparing the annual accounts and budget;
- ensuring the representation of SME Europe towards other institutions and organizations;
- stimulating and organizing systematic relations between national SME associations or similar organizations and Full Members and Observers of the association;
- monitoring the work of the President, the Secretary General and the Treasurer, including the budget management;
- deciding on granting the status of Observer to organizations;
- deciding on the exclusion of Observers;
- transmitting the applications for Full Member together with its analysis and recommendation to the General Assembly;
- electing Board members in the case of vacancies;
- preparing the meetings of the General Assembly and guaranteeing the continuity of the association.
- = any residual powers not reserved to the General Assembly by the law, the by-laws or the internal regulations.

The Board may establish standing commissions and ad hoc working groups to study specific problems, determine the composition and functioning of these commissions and working groups and decide to dissolve them after having heard the president of the commission or working group.

Article 16

The Board shall meet at least four times annually, upon convocation by the President, by letter, fax or e-mail at the latest two weeks in advance, unless in case of urgency. The President shall be obliged to convene the Board if at least three members of the Board request so in writing.

The meetings of the Board take place on the day and at the time and place stated in the convening notice. The convening notice also contains the agenda.

The meetings of the Board can be organized by video- or teleconference.

The Board can validly deliberate and decide only if a majority of its members are present or represented.

In case of failure to achieve this quorum, a second meeting shall be convened with the same agenda, which can validly deliberate, regardless of the attendance quorum. The convocation for the eventual second meeting can be done together with convocation of the first meeting.

Decisions shall be taken by majority of the votes cast. All members of the Board shall have one vote. In case of a tie, the President has a casting vote.

The meetings are chaired by the President.

The Secretary General shall draw up the minutes of the meetings of the Board, which shall be kept at the registered office of the association.

On the proposal of the President, the Board may agree on a division of tasks among its members or delegate specific powers and tasks to one or more of its members, or to special committees of the Board.

Membership of the Board is strictly personal. A member of the Board can give a proxy to attend and vote at a meeting of the Board, provided that proxies can only be given to another Board member, and it being understood that a member of the Board shall not be granted more than two proxies for one and the same meeting.

Article 17

On the proposal of the President, the Board may approve a proposal by having all members of the Board sign for approval a circular letter setting out the proposal.

In this case, the Board is not required to call a meeting. The circular letter shall be prepared by the Secretary General and must include the following information:

- a statement that the text is a proposal for a decision of the Board;
- a statement that the decision shall only be approved if the circular letter is signed by all the members of the Board (as the case may be on different copies);
- a statement that the decision may not be amended and that no reservations may be expressed by members of the Board;
- a statement that all the members of the Board must return the circular letter signed and with the handwritten words "read and approved";
- a statement indicating when the signed circular letter must be returned to the Secretary General.

Any decisions taken by means of a circular letter shall be deemed to be taken on the date on which the circular letter should have been returned to the Secretary General. If as of that date, not all members of the Board have returned the circular letter signed for approval to the Secretary General, the decision shall be deemed to be rejected.

THE GENERAL ASSEMBLY

Article 18

The General Assembly is the general leading body of the association in the meaning of article 48, 5° of the Belgian law of 27 June 1921 on the non-profit associations, the foundations and the international non-profit associations.

The General Assembly meets at least once a year.

The General Assembly is composed of the Full Members.

The members of the Board are ex officio members of the General Assembly.

The Observers, the Honorary Members and the members of SME Circle are allowed to participate in the General Assembly without voting right.

Article 19

Each Full Member has one vote. The Full Members are represented at the General Assembly by delegates appointed by the Full Members in accordance with their internal organizational rules.

As from the date the association has more than 5 (five) Full Members, other than the Founders, the Board members who are ex officio member of the General Assembly shall not have voting rights in respect of decisions relating to membership, the amendment of the by-laws, elections of Board members, and the discharge of the liability of the Board members.

Article 20

The General Assembly has the following powers:

- deciding on the program of the association;
- ensuring unity of action by SME Europe and influencing the achievement of European policy in the spirit of its program;
- deciding on amendments of the by-laws;
- adopting the annual accounts and the budget;
- determining the annual memberships' fee for the Full Members and the Observers;
- deciding on granting Full Member status to organizations;
- deciding on the exclusion of Full Members;
- electing the President, the Secretary General, the Treasurer, the six Vice-Presidents and an Internal Auditor;
- deciding on the dissolution of the association; and
- = any other powers conferred to the General Assembly under the law, these by-laws and the internal regulations.

Article 21

The General Assembly will convene on decision of the President or any three members of the Board. The President shall in any event convene the General Assembly if at least half of the members of the General Assembly request so by means of a written request to the President.

The General Assembly shall be convened by letter, fax or email at the latest six weeks in advance. This period can be reduced to one week in case of urgency justified in the convening notice. The convening notice sets out the agenda. Meetings are held at the registered office of the association or at any other place stated in the convening notice. For an item not listed on the agenda to be validly put to the vote, at least two thirds of the Full Members present must consent.

All decisions of the General Assembly shall be taken with an absolute majority of the votes cast unless otherwise provided for in these by-laws. In case of a tie, the President has a casting vote.

The General Assembly can validly deliberate, regardless of a quorum, unless otherwise provided for in these by-laws.

The General Assembly can only validly resolve on amendments of the by-laws, the dissolution of the association or the admission or the exclusion of Full Members if at least 50% plus one of the Full Members are present or represented. If the quorum cannot be met at the first meeting, a second meeting can be convened with the same agenda and can validly deliberate, regardless of the number of Full Members that are present or represented. The convening notice for the second meeting can be sent simultaneously with the convening notice for the first meeting.

Amendments of the by-laws, the dissolution of the association or the admission or exclusion of Full Members need to be approved by a majority of three quarters of the votes cast.

The meetings are chaired by the President.

The Secretary General shall draw up the minutes of the meetings, which shall be kept at the registered office of the association. All members will receive copies of these minutes within two weeks of each meeting.

A Full Member can delegate the power to vote at a meeting of the General Assembly to another Full Member or a delegate of a Full Member by means of a proxy in writing, the form of which can be determined by the Board. A Full Member cannot represent more than one other Full Member.

SECRETARY GENERAL AND TREASURER

Article 22

Upon proposal by the President, the General Assembly appoints a Secretary General. The Secretary General shall be in charge of the day to day management of the association, including the representation of the association within the limits of the day to day management.

The President shall supervise the Secretary General.

The day to day management includes inter alia (i) the management of the daily business and the implementation of the decisions of the bodies of the association, (ii) the supervision of the cooperation between the Full Members, the Observers, the Honorary Members and the Members of the SME Circle, (iii) the drawing up, in agreement with the President, of agenda's for meetings of the bodies of the association, the supervision of the convening of meetings, their preparation, and the preparation of minutes. The Secretary General shall prepare and provide the Board at the beginning of each financial year with a report on the organizational perspectives of the association.

The Secretary General is also authorized to appoint an attorney at law, approved by the President, to represent the association in judicial proceedings either as applicant or defendant.

The Secretary General is entrusted with the proper management and use of the financial resources of the association. The Secretary General prepares and provides the Board at the beginning of a new financial year with a report on the budgetary perspectives of the association.

The Treasurer is in charge of the financial management of the association. The Treasurer is responsible in particular for organizing the funding of the association and its activities, by means of donations or subventions.

The executive staff is hired by the Board upon a common proposal of the President and the Secretary General. The Secretary General and the President jointly supervise the executive staff and determine their powers.

IV. REPRESENTATION

Article 23

For all legal acts, the association is validly represented towards third parties by:

- the President;
- the Secretary General for matters of day-to-day management, for any other matters conferred to the Secretary General by the by-laws and for any matter conferred to the Secretary General by means of a special delegation of powers signed by a majority of the members of the Board.

The association can also be represented by special proxy holders, which must submit a written delegation of powers signed by the President and the Secretary General.

The President shall be in charge of the public representation of the association, within the boundaries of the decisions of the General Assembly and the Board.

V. AMENDMENTS OF THE BY-LAWS

Article 24

Proposals for modifications of the by-laws may be iproposed by the Board and by each Full Member.

Proposals for amendments of the by-laws must be presented in writing to the Secretary General who will transmit them to the members of the General Assembly for deliberation at least three weeks prior to the meeting at which the General Assembly will deliberate on those proposals.

Amendments of the by-laws needs to be approved by the General Assembly observing the quorum and majority requirements set forth in Article 21.

VI. FINANCIAL YEAR – ANNUAL ACCOUNTS AND BUDGET – INTERNAL AUDITOR

Article 25

The financial year runs from 1 January to 31 December.

Following the end of each financial year, upon proposal by the President, the Secretary General and the Treasurer, the Board draws up the annual accounts of the association and establishes the budget for the following financial year in accordance with the applicable legal provisions. The Board shall also draw up on an annual report on its activities and on the financial situation of the association. The annual accounts and the annual report of the Board are submitted by the Board to the General Assembly for approval within six months after the end of the relevant financial year.

At the occasion of the approval of the annual accounts, the General Assembly decides on the discharge of the Board for their activity during the previous financial year.

Article 26

Without prejudice to any legal obligation to appoint a statutory auditor, the General Assembly elects one Internal Auditor simultaneously with the election of the Board.

The Internal Auditor is in charge of internally auditing the accounts submitted by the Board. The Internal Auditor will submit a report on the annual accounts and the annual report of the Board to the General Assembly approving the annual accounts and the budget for the next financial year.

The candidates for the function of Internal Auditor must be nominated, in writing, to the Secretary General in the form and within the period of time determined by the Secretary General. The Internal Auditor cannot be a member of the Board. All Full Members shall be informed of the names of the candidates not less than three days prior to the elections.

The candidate, who receives the most votes at the close of the first ballot, is elected as Internal Auditor.

The Internal Auditor is elected for a period of three year which is not renewable. .

VII. DISSOLUTION

Article 27

The association is not dissolved as a result of dissolution or resignation of a member, provided the number of full members is not less than three.

The association may be dissolved voluntarily by a decision of the General Assembly observing the quorum and majority requirements for an amendment of the by-laws.

In the event of voluntary dissolution, the General Assembly elects the liquidator(s). In the absence of liquidator(s), the members of the Board will act as liquidators.

In the event of dissolution, the General Assembly decides on the disposal of the assets. Such disposal must serve a not-for-profit purpose.

VIII. INTERNAL REGULATIONS

Article 28

At the proposal of the Board, the General Assembly can adopt internal regulations to further regulate matters of internal order and to further implement the by-laws.

Proposals for amendments to internal regulations may be submitted by the Board and by each Full Member. Proposals must be submitted in writing to the Secretary General at the address of the registered seat of the Association. The proposal shall put on the agenda of the first General Assembly. Any amendments to the internal regulations must be notified to the Full Members, Observers, Honorary Members and the Members of the SME Circle.

Article 29

Notwithstanding any provision in these by-laws, the Board will be composed of the Founders until 31 July 2012, and until date all powers conferred to the President, and the Secretary General and the Treasurer shall be exercised by the Board. Before this date, the Founders will take the necessary actions to convene a General Assembly and appoint members of the Board in accordance with the provisions of Article 14 of these by-laws.