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Chapter One
Article (1) - Definitions

(1) Terms used in this Law shall have the following meaning:
1) “Shareholder” shall be an owner of one or more shares who is not liable for the company’s liabilities;
2) “Share” shall be a security that may be issued by the joint stock company and limited partnership by shares, in which adequate part of the charter capital is represented and which embodies the rights of a shareholder, who as an owner of a share is neither a creditor of the company nor the owner of a part of the company’s assets;
3) "Acts and documents available to the public" shall be acts and documents that the company shall make available, in an appropriate manner, to the members, or shareholders, interested parties and the general public;
4) "Contribution in the company" shall represent the cash, kinds and rights that the member, or shareholder put to the company’s disposal in the founding procedure or the procedure for increasing the charter/core capital;
5) “Making a non-monetary contribution” shall mean and cover the contribution of kinds and rights;
6) "Prudent person, acting with due care and consideration" shall be a designation for the legal standard relevant for determining responsibilities of persons in charge of the management and supervision of companies, and it shall determine what type of care the should these persons exercise while executing entrusted tasks in the company, and are required to act as a diligent and skilled (professional) person, whereby they liable not only for the intention and gross negligence, but also for the ordinary negligence while executing entrusted operations, unless the exceptions to this standard are stated separately;
7) "Voting Group" shall mean a group of shareholders, owners of one class of shares, who have a right to adopt special resolutions on a separate meeting of shareholders or on the general meeting of shareholders in order to protect special interests.
8) "By-laws of the company" shall be the general by-laws adopted by the joint stock company and the limited liability company, by which relations in the company not regulated by the company agreement or charter, which have to be in compliance with the latter (book of rules, resolution, rules of procedures and others), are regulated in general manner;
9) "Company Agreement" shall be a document by which the general partnership, limited partnership, limited liability company and limited partnership by shares are founded, as well as a basic general by-law that regulates the relations, organization and functioning of these companies upon their founding, and is reached with the consent of all founders, and amended with the consent of the majority of members stipulated by this law, or the company agreement;

10) "Record date" shall be the date deemed as the day as of which members or shareholders acquire and exercise the rights stipulated by Law, company agreement or charter;

11) "Contract for regulating the relations between the member of the management body and the company" shall be the contract which sets forth mutual rights and liabilities between the company and the member of the management body;
12) "Contract for regulating the relations with the manager" shall be the contract which sets forth mutual rights and liabilities between the management body and the manager;
13) "Dividend" shall be a part of the profit of the company that is distributed proportionally to shareholders in accordance with the rights set forth for each type and class of shares;
14) "Emission value of the share" shall be the value at which shares are issued, comprised of the nominal value of the share increased by the premium of the issuance, where the amount of the premium is not consisted in the nominal amount of the charter capital;
15) "Representative of a shareholder" shall be a person appointed by the shareholder with a proxy certified by a notary who is entrusted to exercise the voting right or any other right for the period set forth in the proxy;
16) "Legally authorized representative" shall be executive members of the board of directors, members of the management board, or manager or managers who represent the company in accordance with this Law;
17) "Appraisal report" shall be the written report prepared by an authorized appraiser who appraised the value of kinds and rights (non-monetary contribution), which are being contributed or are already contributed in the company, using generally accepted and appropriate methods according to international appraisal standards;
18) "Amendment to a document" shall mean amendment of the company agreement, charter or other general document, executed on the basis of a resolution for amendment of the document;
19) "Statement on founding" shall be a document which replaces the company agreement in cases when a limited liability company is founded by a single person, or there is one member and it is treated as equal to the company agreement;
20) "Executive member of the board of directors" shall be a natural person who is a member of the board of directors to whom the board of the directors entrusted daily management of the company;
21) "Company's asset" shall designate the entirety of rights, ownership and other property rights, that the company acquires over the assets (cash, kinds and rights) that members or shareholders contributed in the company or which the company acquired during its operations upon founding;
22) "Convertible bonds" shall be bonds that upon the owner's will may be converted into shares of the company that issues the bonds, at a period of a particular option, within the frame of the procedure for conditional increase of the core/charter capital;
23) "Person" shall be any natural and legal person, unless specified that it is a natural or a legal person;
24) "Non-executive member of the board of directors" shall be a natural person, member of the board of directors who has no executive function in the company and whose

powers primarily refer to general governance and supervision over the management of the company;
25) "Independent member of the board of directors or supervisory board" shall be a natural person that with regard to his position in respect to the company, shareholders and management bodies as well as other managing persons is considered as impartial and objective while working in the board of directors, or supervisory board, and who: (1) shall not have conflict of interests with the company or be related in any other way to the company; (2) shall not have any business or contractual relation with the company (except for service contracts concluded in the capacity of a board member) (3) shall not depend on members of the board of directors or supervisory board or group of shareholders; and (4) shall not be a shareholder who owns more than 10% of shares contained in the core/charter capital of the company;
26) "Non-monetary contribution" shall designate the sum of kinds (movable and immovable) and rights that members, or shareholders contribute in the company;
27) "Bonds that provide pre-emptive right to buy" shall be a type of bonds that provide pre-emptive right to buy shares issued by the company;
28) "Charter/Core Capital" shall be the total amount of all contributions of members, or shareholders, made on founding of the company as well as while conducting the increase of the charter/core capital, whereby the amount of the charter/core capital shall be equal to the nominal value of all contributions or shares issued by the company;
29) "Founder of a company" shall be any person who participated in the founding of a company, taking part in preparation and conclusion of the company agreement, or charter, as well as in collecting the charter/core capital, or the assets required for founding and operation of the company, or persons who acted in the name of the company in foundation before it assumed the status of a legal person;
30) "Management body" shall be a designation for the body of the joint stock company entrusted to manage the company's operations as a board of directors in the one-tier system of management, management board or manager in the two-tier system of management or manager, or managers or the body in which they are organized as a general partnership, limited partnership, limited partnership by shares and limited liability company;
31) "Supervisory body" shall be a designation for the bodies of the joint stock company and the limited liability company (supervisory body or controller) whose powers are related to the supervision over the company's operations, particularly over operations of the management bodies;
32) "Common share" shall be a share that confers the same rights to all shareholders, or right to vote, right to receive dividend payments or right to a part of the remainder of the liquidation, or bankruptcy estate of the company;
33) "Authorized auditor" shall be the person that under the Law on Audit, has the right and obligation to conduct audit as an authorized auditor;
34) "Decision-making without holding the members' meeting" shall be a manner in which members express their opinion, or reach decisions determined by the company agreement without convening the members' meeting;
35) "Authorized appraiser" shall be the person who has the right and obligation to conduct appraisal as an authorized appraiser and is registered in the register of authorized appraisers established in accordance with the Law;

36) “Authorized capital” shall be the amount up to which the core/charter capital may be increased, upon a resolution of the management body, through issuance of new shares on the basis of contributions in the company;
37) “Responsible person” in a general partnership shall be any partner authorized to manage and represent the company, if the management is not entrusted to a third party (manager); general partners in a limited partnership; if the management is not entrusted to a third party (manager); the manager or managers in a limited liability company; and the members of management bodies in a joint stock company;
38) “Monetary contribution” shall represent the amount of cash, expressed in domestic or foreign currency that the member, or shareholder contributes in the company;
39) "Enterprise" shall designate the sum of rights, kinds and factual relations which have property value and belong to the commercial activity of the commercial entity, whereby these elements make the assets of the commercial entity, but they also comprise its liabilities. The enterprise shall be a comprehensive and independent legal object that may participate in the commercial affairs;
40) "Branch office" shall be the unit of the company that does not have the status of a legal person and is established outside its registered office, whereby its business name includes the business name of the commercial entity with the addition "branch office", and for which the commercial entity keeps trade books as an independent commercial entity, but he does not compose balance sheets, while the accounts receivable that arise from the branch office’s operation may be requested from the commercial entity according to the registered office;
41) "Agent" shall be a natural person authorized by the commercial entity to govern his enterprise for bonus, and by doing so, to execute all the actions and transactions related to the execution of the company’s activities, and shall not have a right to alienate and encumber the real estate of the commercial entity, unless he obtains an authorization thereof;
42) "Scope of operations" shall be the activity or activities determined by the company agreement or charter;
43) "Preferred share" shall be a security, that may be issued in addition to common shares, which entitles its owners to pre-emptive rights with regard to the owners of the common shares, whereby these shares may be issued as shares with or without voting right;
44) "Shares with voting right represented at the general meeting of shareholders" shall be voting shares whose owners are attend in person or are represented through a proxy at the called general meeting of shareholders;
45) "Rescheduled general meeting of shareholders" shall be a general meeting of shareholders which has been re-called since no quorum for operation and decision-making was established on the day when the general meeting was convened, in compliance with this Law;
46) "Related companies" shall be a group of companies legally independent from each other, which are very closely financially connected and subjected to a single centre of economic decision making and are obliged to prepare a consolidated annual account statement;
47) “Take over of a contribution” shall be the consent of the person who is not a member to become one whereby he assumes rights and liabilities determined by the company

agreement and the obligation to pay the acquired contribution as well as the other obligations that arise from the company agreement, or the resolution for increase of the core capital;

48) "Transfer of shares" shall mean subscription of shares in the name of the shareholder in the book of shareholders maintained by the Central Securities Depository regardless of the grounds on which they are acquired;
49) "Market value of shares" shall be a value at which shares are purchased and sold on the securities market, including the stock-exchange, whereby the market value of the share may be higher than the nominal and emission value, as well as lower than that;
50) “Conflict of interest” shall arise when a member of the management body, supervisory board, manager, or controller, has interest directly or indirectly, in a transaction in which the company acts as a party;
51) "Treasury shares" shall be shares that the joint stock company acquires on different grounds whereby the rights consisted in those shares may not be used by the company
52) "Registered office" of the company shall be the location and address stated in the company agreement or company charter which is entered in the commercial register;
53) "Membership" shall mean a sum of mutual relations between members, or shareholders in a company, including primarily their mutual rights, liabilities and responsibilities;
54) "Charter" shall be a document by which a joint stock company is founded and at the same time, a basic general document as well by which the relations, organization and operation of the company are regulated, adopted with the consent of all founders, and amended with the consent of the majority shareholders stipulated by this Law, or the company charter;
55) “Reorganization” shall mean accession, merger and division of companies in the manner and under the conditions set forth by this Law;
56) "Sole proprietor" shall be a natural person who, as a profession, performs one of the commercial activities;
57) "Company" shall be an association of two or more natural or legal persons that contribute cash, kinds and rights in assets that are used in the joint operation of the company and that share the profit or loss from the operation. Where there is a single person (a single member or shareholder) it shall also be considered as company.
58) "Commercial register" shall be a public book maintained by the competent court and where all commercial entities and economic interest groups having a registered office in the Republic of Macedonia, have to be entered under the application forms, whereby the entries have a constitutive meaning as a rule.
59) "Silent partnership" shall be a company that does not appear as a company in public and is deprived from the status of a legal person, where one or more persons consent to participate in the distribution of the profit or loss from one or more transactions executed in their name by the partner or partners that the company belongs to, whereby the public partner governs the joint enterprise in his name, and the silent partner does not exist in public.
60) "Part in the company" shall be the sum of the member’s rights and liabilities which each member acquires and exercises on the basis of the contribution in the core capital in

the general partnership, limited partnership and limited liability company, whereby, each member has one part that may not be presented as a security.
61) "Fictive dividend" shall be a dividend that does not effectively respond to realized profit in the company and is prohibited.
(2) In this law, the singular shall include plural, and the plural may also refer to singular, except when the words ‘only’ and ‘solely’ exclude plural or singular.

Section Two - Commercial Entities

Article (2) -Commercial Entities by Type of Activity

(1) For the purposes of this Law, a commercial entity shall be any person that independently and permanently performs **commercial activities in order to gain profit by production, trade, providing services on the market, by means of:**

1) Purchase and sale of movables, regardless of whether they are sold in their original form, refined or processed;

2) Trading of securities and fund management;

3) Purchase of movables for the purpose of refining and processing, provided that it is not carried out as handicraft activity;

4) Banking, exchange and other financial activities;

5) Insurance activities;

6) Transportation of persons and goods;

7) Commission-based activities, freight-forwarding, storage services and leasing;

8) Representation and negotiation related to commercial activities; (*Commercial representation and negotiation*)

9) Hotel and restaurant services, information services, marketing or rendering other commercial services;

10) Production of movies and videocassettes, audio-visual records, software, as well as other similar activities;

11) Publishing and printing activities, as well as other commercial activities related to books and artistic works; and

12) Purchase, construction and decorating of real estate for the purpose of sale and **rent.**

(2) The activities that the commercial entity shall perform pertaining to paragraph 1 of this article shall be classified according to the activities stipulated in the national classification of activities determined by the government of the Republic of the Republic of Macedonia.

Article (3) - Commercial Entity by Form

Companies set forth by this law, shall be commercial entities by form.

Article (4) - Commercial Entities By Type and Scope of Activity

(1) For the purposes of this Law, a commercial entity shall be also deemed to be any person that, as a professional occupation, performs a business activity that by its nature and scope requires organization and operations undertaken in the manner prescribed for commercial activities, even though such activities are not laid out in Article 2 of this Law, provided that the business name has been entered in the Commercial Register.

(2) The provisions pertaining to paragraph 1 of this article shall also apply to agriculture and forestry but only with regard to the business activities related to refining or processing of one's own agricultural and forestry products.

Article (5) - Commercial Entity Status by Entry

Once a business name is entered in the Commercial Register, it shall not be claimed that the business activity performed under such business name is non-commercial.

Article (6) - Natural Persons Not Considered as Commercial Entities

(1) For the purposes of this Law, the following entities shall not be considered commercial entities:

1) natural persons engaged in agricultural or forestry activities (farmers), unless their activity can be defined as a business activity in accordance with Article 4 paragraph 1 of this Law;

2) craftsmen and natural persons who provide services unless their activity may be defined as a business activity in accordance with Article 4 paragraph 1 of this Law, and

3) natural persons who render hotel or restaurant services and rent rooms in their own places of residence.

(2) For the purposes of this law natural persons engaged in freelance activities (lawyers, notaries, doctors etc) shall not be considered as commercial entities.

Article (7) - Application of Provisions Pertaining to Commercial Entities or Persons Performing Commercial Activities

The provisions of this Law pertaining to the liabilities of commercial entities shall also apply to persons undertaking commercial activities who are prohibited by the regulations to undertake such activity, or do not meet the requirements for conducting such activities.

Article (8) – Data Available to Commercial Entities

Any commercial entity shall be obliged to, **in the course of the day-to-day communication in writing or in any other way,** use and make available the following information in an easy, direct and constantly accessible manner:

1) business name;

2) address of the commercial entity (location, street and number);

(3) registered office

(4) the registration number under which it is recorded into the Commercial Register;

(5) telephone number, fax, and e-mail, in order to have quick and efficient communication; and

(6) in cases when the commercial entity is doing business based on approval, license and the like, data on the body or institution that issued the approval or license and, if a register is maintained, the registration number, data on the job title of the persons that perform the respective activity and, if there is a requirement for professional qualification to perform that activity, data on the professional rules for performing the respective activity and the means of access.

Section Three - Sole Proprietor

Article (9) - Definition of a Sole Proprietor

(1) A sole proprietor shall be a natural person that as a **profession** performs some of the commercial activities defined by this Law.

(2) **A sole proprietor shall be personally liable for his liabilities with his entire assets.**

(3) Any natural person with business capacity who has a permanent residence in the Republic of Macedonia may be registered as a sole proprietor.

(4) The provisions of this Law pertaining to the company shall respectively apply to the sole proprietor, unless otherwise specified by this law**.**

Article (10) - Limitations

Sole proprietor shall not be a natural person:

1) against whom a bankruptcy procedure has been initiated;

2) who by a final court decision is deemed to have deliberately caused bankruptcy as a result of which the creditors were not able to collect their claims, until the prohibition determined by a court decision is in force; and

3) who has been denied the right by an authorized body in accordance with the law to carry out some of the activities specified by this Law, until the prohibition is in force.

Article (11) - Entry into the Commercial Register

(1) A sole proprietorship shall be entered in the Commercial Register with the Court having jurisdiction **over the location where the activity is performed**. The registration form shall state:

1) the full name, place of residence, address and ID number;

2) the business name under which activities are to be performed;

3) the registered office and address from which the activities are to be performed; and

4) scope of operations.

(2) The registration form for a sole proprietor shall be filed by the natural person who intends to assume the status of a sole proprietor, or his representative who holds the necessary power of attorney which contains the information that is to be entered in the Commercial Register.

(3) The following documents shall be enclosed with the prescribed registration form:

1) signature of the sole proprietor certified by a notary.

2) A statement that the natural person is not prohibited to perform any of the activities determined by this Law; and

3) proof that the sole proprietor duly paid the tax obligations and pension, disability and health insurance contributions.

(4) A natural person registered as a sole proprietor **shall not be registered at the same time as a sole proprietor under a different business name at any ground.**

Article (12) - Business Name of a Sole Proprietor

(1) The **business name of a sole proprietor** shall also include his name, father's name and surname, as well as the abbreviation "TP".

Article (13) - Transfer of a Business Name

(1) The business name of a sole proprietor may be transferred to a third party provided that the associated business activities are also part of the transfer. The name, father's name and surname of the new owner shall be added to the transferred business name.

(2) The sole proprietor may transfer his business name as provided in paragraph 1 of this article only with the consent of all of his creditors.

(3) If approved by the former owner or his legal heirs, the person taking over the business name of the sole proprietor, may keep in addition to his name, father's name and surname, the name, father's name and surname of the former owner as one of the company marks.

(4) The transfer of a business name shall be recorded in the Commercial Register.

(5) The registration form for entry of the transfer of the business name shall also include:

1) agreement for transfer of the business name certified by a notary; and

2) proof that all creditors have agreed on the transfer of the business name.

Article (14) - Termination of a Sole Proprietor's Operations

(1) A sole proprietor shall notify the institution having authority over the public revenue operations about the termination of his operations.

(2) A Sole proprietor shall announce the termination of operations and the effective date of such termination at least in one daily newspaper and at his business premises not later than three (3) months prior to notifying the institution pursuant to paragraph 1 of this article.

(3) **The provisions pertaining to paragraph 2** of this article shall also apply to a sole proprietor who intends to sell his business activity or to invest it in a company.

Article (15) – Application Form for Deletion of the Entry of a Sole Proprietor

(1) The termination of the status of a sole proprietor shall also be entered in the Commercial Register.

(2) The sole proprietor shall file an application form for deletion of his **entry** in the Commercial Register. The following documents shall be enclosed with the application form:

1) Decision for termination of the sole proprietor **certified by a notary**;
2) **Proof** that the bank account of the sole proprietor has been closed; and
3) **Proof** that all tax obligations and pension, disability and health insurance costs have been duly paid.
(3) The status of sole proprietor shall terminate with the deletion from the Commercial Register

Article (16) – Small-scope commercial activity

(1) Natural persons that in accordance with this Law perform small-scope activity shall be registered with the competent body of the local government.
(2) Persons referred to in paragraph 1 of this Article shall not maintain trade books.
(3) The small-scope activities, the manner of registration and tax payments shall be regulated by a regulation passed by the Government of Republic of Macedonia in accordance with the Law.

Section Four - Companies
Subsection one - General Provisions for Companies

Article (17) - Definition of Company

(1) A company (hereinafter "company") shall be a legal person wherein **one** or more persons invest cash, kinds or rights in assets used for joint operation and who share the profit or loss from such operation.

(2) A company shall independently and permanently perform activities for the purpose of generating profit.

Article (18) - Types of Companies

(1) Companies are classified according to their type, regardless of their activities, as a:

1) General Partnership;

2) Limited Partnership;

3) Limited Liability Company;

4) Joint-Stock Company; and

5) Limited Partnership by Shares.

(2) A company may be established only in the form and manner set forth by this Law.

(3) The founder shall be free to choose the type of company, unless otherwise provided by law.

Article (19) - Charter and Core Capital, Members or Shareholders

(1) **Assets** contributed to the company shall be expressed in cash and shall represent the core or the charter capital of the company. **The core/charter capital shall be expressed in denars or foreign currency.**
(2) Rights and liabilities acquired by a member on the basis of his contribution to the core capital shall be considered as his part in the company ("hereinafter "part"). **The contribution or part may be expressed in denars or foreign currency.**
(3) Rights and liabilities acquired by a shareholder on the basis of his contribution to the company's charter capital shall represent his share in the company (hereinafter "share").
(4) Persons contributing to the general partnership, limited partnership, **limited liability company and limited partnership by shares** shall be partners or members of the partnership/company (hereinafter "partners or members"), and persons contributing to the joint stock company shall be shareholders of the company (hereinafter "shareholders").

Article (20) - Company Agreement or Charter

(1) The company shall have a Company Agreement (hereinafter referred to as: Company Agreement) or Charter (hereinafter referred to as: Charter)
(2) A Company Agreement shall be concluded or the Charter adopted in writing. All amendments to the Company Agreement or Charter shall be in writing.
(3) The founders shall define the content of a Company Agreement or Charter in accordance with the Law.
(4) The amendments that contain data that are to be **entered into the commercial register** shall be published **obligatorily**. Upon each amendment a revised text of the Company Agreement or Charter shall be prepared including the executed amendments therein. The revised text shall be submitted to the Court **that maintains the commercial register.**
(5) The founders may enter into an agreement regarding the activities to be undertaken as preparatory activities prior to the founding of the company. If the liabilities imposed by the agreement are not fulfilled, the parties shall only be liable for the caused damage, unless otherwise agreed.

Article (21) - Pre-incorporated Company

(1) A pre-incorporated company shall be established by concluding a Company Agreement or by adopting a Charter and by **taking over** contributions the total value of which may not be less than the minimal amount of the charter or core capital of the respective company, as determined by this law.
(2) Relations between founders prior to the company's entry in the Commercial Register shall be governed by the concluded Company Agreement or the adopted Charter. **The provisions from the Law on Obligations regulating the partnership agreement shall apply to the legal relations between founders, which are not regulated by this law and the Company Agreement or Charter.**
(3) **If, upon its entry in the Commercial Register, the company fails to assume the liabilities** which were assumed in the name of the company prior to its entry in the Commercial Register (pre-incorporated company), the persons that assumed the liabilities

in the name of the pre-incorporated company shall be held personally liable, and if liabilities were assumed by more persons, they shall be liable jointly and severally, with their entire assets.
(4) **If upon entry of the company in the Commercial Register, the company assumes liability of a creditor, thereby becoming a debtor, such acquisition of debt shall not require consent of the creditor**, provided that the liabilities are assumed within three months upon entry of the company in the Commercial Register and if the company or debtor within the said term inform the creditor thereto.
(5) If liabilities assumed in the name of the company prior to its entry in the Commercial Register, exceed the core/charter capital specified in the Company Agreement or Charter, the founders shall pay the difference.
(6) Once the company is entered in the Commercial Register the pre-incorporated company shall cease to exist. Upon entry in the Commercial Register, rights and liabilities arising from the operation of the pre-incorporated company shall become rights and liabilities of the company.

Article (22) - Duration of a Company

(1) A company shall be founded for an indefinite period of time as well as for definite period of time.

(2) If the Company Agreement or Charter does not specify the duration of the company it shall be deemed that the company is incorporated for an indefinite period of time.

Article (23) - Company as a Legal Person

(1) A company as a legal person may acquire rights and assume liabilities, acquire property and other rights, execute contracts and other legal deeds, sue and be sued in front of the courts, arbitration or other elected court.
(2)A company shall acquire the status of a legal person as of the date of its entry in the Commercial Register.

Article (24) - Branch Office

(1) A company **may carry out activities within the scope of operation of the company** out of its registered office, through one or more branch offices.
(2) A branch office shall be established by way of a decision made by a competent body of the company in accordance with the Company Agreement or Charter.
(3) A branch office shall not be a legal person. Liabilities and rights arising from its operation shall be assumed by the company.
(4) The decision for founding of branch office shall contain the business name and registered office of the founder, the scope of operations of the company and the branch office and persons in the branch office authorized to represent the company. The branch office may carry out all activities within the scope of operation of the company.
(5) The branch office shall be registered with the court wherein the company that founded it is registered.

(6) The branch office shall operate under the business name of the company which founded the branch office and it shall indicate its registered office, and the term "branch office". **The branch office may add its own name to the business name of the company.**
(7) The branch office shall terminate if the competent body that established it reaches a decision on termination of the branch office decides and if the company ceases to exist.

Article (25) - Types of Liability for the Liabilities

(1) A company shall be liable for its liabilities to the full extent of its **assets**.
(2) Partners in a general partnership and general partners in a limited partnership shall be liable for the company's liabilities personally, jointly and severally with their entire assets.
(3) Members in a limited liability company, shareholders in a joint-stock company, and limited partners in a limited partnership shall not be liable for the liabilities of the company, unless otherwise determined by this Law.

Article (26) - Special Liability of Members or Shareholders

(1) Members or shareholders of the company shall be liable for the company's liabilities, if they:

1) abused the company as a legal person in order to achieve goals which are prohibited to them as individuals.
2) abused the company as a legal person in order to cause damage to their creditors;
3) used the company's property as if it was their own property, contrary to the Law; or
4) decreased the company's property to their own benefit or to the benefit of a third party when they were aware or should have been aware that the company was not capable of settling its liabilities to third parties.

(2) Paragraph 1 of this Article shall respectively apply to the liability of a silent partner.

Article (27) – Entities Permitted or Prohibited to Found a Company

(1) Domestic or foreign natural and legal persons may found a company.
(2) A company shall not be founded by:
- a natural person determined to have caused bankruptcy intentionally by a final court decision due to which creditors could not settle their claims, for the period the prohibition determined by court decision is still in force;
- persons against which a bankruptcy procedure has been initiated, for the period of the bankruptcy procedure;
- persons or members of the management body or the manager of these persons who failed to pay taxes and contributions for which they were obliged by law;
- persons or members of the management body or the manager of these persons whose account has been blocked in the agency for blocked accounts for the period of blockage;
- other cases when prohibition on founding of a company is prescribed by law.

(3) Any person **may be a founder of several companies** unless prohibited by this Law.
(4) General and limited partnership may be founded by at least two persons. Limited liability company and joint stock company may be established by one or more persons.
(5) A natural person may be a partner with unlimited liability only in one company. General or limited partnership may not be a partner with unlimited liability in another company of that type.

Article (28) - Conditions under which a Foreign Person May Be Member or a Shareholder

(1) Any foreign person may be a member or shareholder.
(2) A foreign person may acquire parts or shares in the manner and under the conditions prescribed for the citizens of the Republic of Macedonia and the legal entities entered in the Commercial Register in the Republic of Macedonia, unless otherwise provided by Law.
(3) Participation of a foreign person in a newly founded or an existing company shall be unlimited, unless otherwise provided by another Law.
(4) A company having foreign participation shall have rights and liabilities equal to those of a company without foreign participation, unless otherwise specified by the law.

Article (29) - Rights of Foreign Persons

(1) Rights acquired by contributing capital to the company by foreign persons may not be reduced by a law or another regulation.
(2) In the event of total dispossession of the part, or shares of the foreign person, the share of the company's profit may be transferred abroad, upon the order of a foreign person, freely, without any approval, in the same currency in which the contribution was originally made, provided that such company has sufficient funds at its disposal **under the conditions specified by a law**.
(3) In case of bankruptcy or liquidation of a company, once the bankruptcy or liquidation procedure has been completed, the foreign person shall be entitled to a return of the **made** non-monetary contribution under the terms **set forth** by Law.
(4) **Benefits** and special bonuses pertaining to contributions and operations by foreign entities shall be set forth by law.

Article (30) - Statement on Founding and Reorganization of a Company

(1) Founders and initial members of the management bodies or manager except the initial members of the management bodies in case of a simultaneous founding of a joint stock company shall submit a statement to the Court that describes the activities related to the proper establishment of the company and certifies that the company has been founded in accordance with the Law **and that data contained in the enclosures (documents and proofs) enclosed with the form for registration in the Commercial Register are valid and in accordance with the law**.
(2) In case of accession, merger or division of the company, the statement pertaining to paragraph 1 of this Article, **with a content appropriate to the accession, merger or**

division shall be submitted by the members of the management body, manager or supervisory body, that are holding this position in the companies that merge, or company in accession and the acquiring company, or company subject to division and the company which takes over the part of the company divided by separation with takeover or spin-off with takeover.
(3) If the statement under paragraph 1 and 2 of this Article is not submitted, the Court shall refuse to make an entry of the founding, the executed reorganization or transformation from one into another form of a company into the commercial register.

Article (31) - Annulment of a registration of a founded Company

(1) An annulment of an entry of a founded company may be determined only in the following cases:

1) there is no Company Agreement or Charter, or the Agreement or Charter was not concluded or adopted in a form set forth by this law;
2) The Company Agreement or Charter shall not contain the amount of the individually subscribed contributions of the members/partners/shareholders in the core/charter capital of the company, the total amount of the subscribed core/charter capital, the operation or the **business name** of the company.
3) The scope of operation of the company is contrary to the law or to the public order;
4) The minimum amount of the charter/core capital as prescribed has not been paid;
5) The company has not been registered in the commercial register according to its registered office;
6) **If the number of the founders of the company is less than 2 persons contrary to the provisions of this law; and**
7) **If the entry is made on the basis of false documents, if the document on the basis of which the entry is made contains incorrect data or the document does not contain necessary data and if the document is certified or issued in an illegally conducted procedure.**

(2) Any member and shareholder or member of the management body, manager or member of the supervisory board, controller, auditor or creditor may submit a request for annulment of the registration of the company to the Court. The Court shall annul the registration of the company only if, until the court makes the decision, the violation of the law has not been or will not have been removed within the term, specified by the court.
(3) Once the decision of the Court to proclaim the entry as annulled takes legal effect and upon the announcement pertaining to **Article 36** of this Law, a liquidation procedure shall be conducted.
(4) The decision pertaining to paragraph 3 of this Article shall have legal effect against third parties **in accordance with Article 36 of this Law** as of the day of its announcement.
(5) When actions are undertaken in the name of the company the entry of which has been declared null, the annulment shall not have any effect on the validity of any liability assumed from the company, nor on the consequences of the bankruptcy procedure and on the assumed liabilities that may not be settled by the liquidation. Founders shall be jointly and severally liable for all claims against the company.

(6) Members or shareholders shall be obligated to pay in the contribution for which they assumed responsibility to do so, and still have not paid it in, up to the amount required to settle the creditors' claims.

Article (32) – Contributions in the core/charter capital

(1) Contributions made by the founders upon founding of a company and increase of the core/charter capital shall be placed at the company's own disposal.

(2) Contributions may be in cash (hereinafter: contributions in cash) and in kinds (real estate and movables) and rights with property value, or rights that can be appraised and expressed in cash, or they may consist of only kinds or only rights (hereinafter: non-monetary contributions). **As an exception labor and services may be invested in a general partnership.**

Article (33) - Non-Monetary Contribution

(1) When non-monetary contribution is made, the Company Agreement, Charter or the decision on increasing the core/charter capital shall state the **business name**, the **name** of the person that **made** the non-monetary contribution, detailed description of the non-monetary contribution and its appraised value expressed in cash.

(2) Non-monetary contribution to the limited liability company, joint stock company, limited partnership and limited partnership by shares shall be appraised by an authorized appraiser (one or more) **appointed** by the founders, members or shareholders or the company's bodies, from the list of **authorized** appraisers.

(3) The appraiser may require that the **person who makes a contribution** and the management body of the company, or manager provide an explanation and facts necessary to conduct the appraisal. The appraiser shall be entitled to a monetary remuneration for the expenses and the service.

(4) The appraiser shall be personally and severally liable with **his entire assets** for the accuracy of the data in the **appraisal report**, for the **appraised value** of the non-monetary contribution and shall be criminally liable in case of failure to apply the **Code of Ethics of authorized appraisers** and the **International Appraisal Standards** due to which he unrealistically appraised the non-monetary contribution acquired by the company.

(5) Only non-monetary contributions that can be appraised in money value may be made.

(6) The authorized appraiser shall **prepare** a report on the appraised value of the non-monetary contribution, in accordance with the International Appraisal Standards. The appraisal report shall describe the non-monetary contribution, method used to appraise the contribution, or a conversion of the debt into a contribution. **A copy of the report for appraisal of the non-monetary contribution shall be submitted to the court together with the company agreement, charter, the resolution for increase of the core/charter capital or any other appropriate document on the basis of which the entry of the non-monetary contribution is made in accordance with this law.**

(7) The Court shall not inspect the accuracy of the data, or appraised value.

(8) The appraised value of the non-monetary contribution set forth in the Company Agreement or Charter, or in the resolution for increase of the core/charter capital shall not

exceed the amount determined by the appraisers in the appraisal report as well as the total nominal value of all parts or shares to be received for the non-monetary contributions.
(9) If the non-monetary contribution **is appraised at a value lower than the one presented by the person that makes the non-monetary contribution** than the value determined in the appraisal report**, the person who makes a non-monetary contribution** shall cover the difference by a payment in cash, if **other persons that make non-monetary contributions** approve that.
10) Persons that acquired a part or shares in exchange for non-monetary contributions shall be jointly and severally liable to the company, **members, shareholders** and third parties, **for the value of the non-monetary contributions specified in the appraisal report** for a period of five years as of the date of publication of the entry of the **Company agreement, charter** or the resolution for increase of the core/charter capital, in the Commercial Register.

Article (34) - Prohibition on Exemption from the Obligation to Pay or Make the Contribution

Members of a limited liability company or shareholders in a stock company may not be released from the obligation to pay the **contribution in cash** or make the subscribed non-monetary contribution, except in cases when the core or charter capital is decreased, in a manner and under the conditions set forth by this Law.

Article (35) - Participation in the Profit

Members or shareholders shall participate in the distribution of the profit of the company to which they are entitled, **in a manner and under the conditions stipulated by the company agreement or charter.**

Article (36) - Publication of the entries

(1) Data entered into the commercial register and the court decisions shall be made in the"Official gazette of the Republic of Macedonia", unless otherwise provided by this law. The entity subject of entry shall bear the costs for publication.

(2) The Court shall immediately, ex officio, deliver the **data entered** in the Commercial Register for publication in the "Official Gazette of the Republic of Macedonia".

(3) Data entered in the Commercial Register shall be published in full in the "Official Gazette of the Republic of Macedonia", except where this law provides for a partial publication or publication of excerpts of entered data or a notification of an entry, at the expense of the entity subject to registration.

(4) The registered entity may publish the data entered into the commercial register in daily newspapers at its own expense and choice.

(5) In case the data published in a daily newspaper differ from the data published in the ”Official Gazette of the Republic of Macedonia”, third parties may not refer to the data published in the daily newspaper.

(6) The “Official Gazette of the Republic of Macedonia” shall, when needed, but not less than twice a month, issue special editions containing data from the Commercial Register.

(7) The court shall ex officio submit to the Central Register in electronic record the data registered in the Commercial Register and published in the “Official Gazette of the Republic of Macedonia”.

(8) When this Law sets forth the obligation for the publication to be done in a daily newspaper, the publication shall be done in a daily newspaper distributed on the whole territory of the Republic of Macedonia.

Article (37) – Data on third parties

(1) Data on third parties entered in the commercial register may be used only upon publishing in accordance with this law, unless the company proves that the third party knew or with regard to the circumstances must have known thereof even prior to the publishing. Prior to the expiry of the term of 16 days as of the date of publishing of data they shall not be used in relation to third parties that can prove that it was impossible for them to be aware thereof.
(2) In case of discrepancy of data published in the “Official Gazette of the Republic of Macedonia” the discrepancy shall not be used against third parties. Third parties may refer to data published in the “Official Gazette of the Republic of Macedonia” unless the company proves that they were familiar with data entered into the commercial register.

Article (38) - Right of a Member or Shareholder to Be Informed

(1) Any member or shareholder of the company shall have the right to be personally informed about the company’s operations, to have access to the company books and other documents and to prepare financial reviews for his own purpose, even if he does not participate in the governance of the company.

(2) Any member, or shareholder is entitled to request copies of the **acts** and documents which are the subject of consideration and decision-making at the members meeting or **by correspondence**, or general meeting of shareholders. The company shall be obliged to provide the copies, free of charge. In all other cases the fee may not exceed the actual costs.

(3) If a member or shareholder is denied to exercise the rights referred to in paragraph 1 and 2 of this Article he is entitled to a protection of his rights before court in the manner and under the conditions determined by law.

(4) Any provision **set forth** in the Company Agreement or Charter that conflicts with paragraph 1 **and 2** of this Article shall be deemed void.

Article (39) - Legal Regime of the Company's Property

(1) Contributions in cash and non-monetary contributions entered into the company shall belong to the company.
(2) A creditor of a company's member or shareholder shall not settle his claim from the company's assets.
(3) A creditor of a company shall not settle his claim from the property of the company's member or shareholder, except in cases provided by this Law.

Article (40) - Resolving Disputes by Settlement or Arbitration

(1) Members or shareholders of the company may agree that, prior to taking other actions, they will resolve disputes related to the Company Agreement or Charter by settlement **including mediation and negotiation**.
(2) If the disputes pertaining to paragraph 1 of this Article may not be resolved by settlement, members or shareholders may resolve the disputes by means of arbitration, if they agree so as parties in the dispute.

Article (41) - Protection of Members' Rights before the Court

Any member or shareholder whose rights arising from his interest in the company are violated by the company bodies may request protection of such rights before court (hereinafter: "Court"), **according to the jurisdiction determined by the Law on Courts.**

Article (42) - Control over Company's Documents

(1) Upon registration of the company in the Commercial register control over the validity of the Company Agreement or Charter and other company documents may be carried out by the court, upon a proposal of a **management body, supervisory board**, a shareholder or member. A proposal may be also filed by any interested party if he proves his legal interest.
(2) The supervision pertaining to paragraph 1 of this Article shall not cover the rights for which a decision in another procedure is reached, nor in the procedure for registration of the company in the Commercial Register.

Article (43) – Application of Certain General Provisions

Common provisions regarding companies in this section shall apply to the general partnership, limited partnership and limited partnership by shares, unless otherwise specified by this Law.

Section Two - Rules On Companies
Subsection One - Business Name

Article (44) – Definition of a Business Name

(1) The business name shall be the name used by the company in its operations and legal transactions.
(2) The business name shall be determined and changed in the manner set forth by the statement of incorporation of a company with a single person, Company agreement or Charter**.**
(3) The business name of a company and all changes thereto shall be registered in the Commercial register.

Article (45) - Principle of Truth

Data contained in the business name shall be accurate.

Article (46) - Content of the Business Name

(1) The business name shall contain the name, the scope of operation, registered office and type of the company.
(2) The business name may contain additions (drawings, pictures, symbols, etc.) to designate the company in more detail, except data that mislead or might be misleading regarding the company's type or scope of operation, or data that may cause confusion of identity or relation to another company, or if such data violates the industrial property rights or other rights of other companies or persons, registered in the country and abroad.
(3) The business name may be used as a *trade mark*, in a manner and under the terms and conditions specified by a Law**.**

Article (47) - Restricted Content of the Business Name

(1) The business name shall not contain names, flags, coats of arms, emblems or other signs of another country or international organization, and no imitations thereof in heraldic terms without an approval from the country or the organization.
(2) The business name shall not contain any official signs of quality control and quality assurance.
(3) The business name shall not contain words or symbols that are misleading or can be confused with the business name of another company, name of an institution or other entity, thus violating the rights of the other company, institution, or entity.

Article (48) - Use of the word "Macedonia" or Designations of the State and Local Government Units

(1) The word "Macedonia", and other words having the same root, or any abbreviations thereof, the flag and the coat of arms, may be contained in the business name only upon obtaining approval from the Ministry of Justice.
(2) The approval by the competent body of the local government unit shall be required when the business name consists of words containing the name of the local government unit.

Article (49) - Use of a Personal Name

(1) A full name of a natural person may be included in the business name only with his consent, and if that natural person is deceased, with the consent of his linear descendants to the third degree.
(2) A full name of a historical or other famous person may be included in the business name, only with the consent of that person, or if the person is deceased, with consent of his linear descendants to the third degree and, if such do not exist, the consent shall be given by the Ministry of Justice.
(3) If the honor or reputation, of a natural person whose full name is included in the business name of a company is in any way violated, upon his request, and if he is deceased, upon request of his heirs, the court shall prohibit such usage by way of a complaint, and order deletion of the business name from the Commercial register.

Article (50) - Use of Macedonian Language and Other Languages

(1) The business name shall be expressed in the Macedonian language using the Cyrillic alphabet.
(2) The business name of a company having a registered office on the territory of a local government unit, where at least 20% of the inhabitants speak an official language other than Macedonian, may also be expressed in that language and used only together with the text in the business name in Macedonian language using the Cyrillic alphabet.

Article (51) - Business Name of a Company under Liquidation or Bankruptcy

The business name of a company against which a bankruptcy or liquidation procedure has been initiated shall contain designations "in liquidation" or "in bankruptcy", and shall be entered as such into the Commercial Register.

Article (52) - Use of the Business Name

(1) A company shall use the business name as recorded in the Commercial Register in the course of conducting its operations.
(2) A company may also use its abbreviated business name that shall include a designation to distinguish the company from other companies, and the abbreviated designation indicating the type of company as prescribed by this Law.
(3) The abbreviated business name shall be recorded in the Commercial Register.
4) The business name or the abbreviated business name shall be displayed in the company’s business premises.

Article (53) - Requirements for Transfer of a Business Name

(1) A business name may be transferred to another entity only with the business activity, or significant portion of the business activity.
(2) The consent of the **natural** person whose name is included in the business name of a company shall be required when the business name is transferred, and if the person is deceased, the consent of his heirs to the third degree is required.

Article (54) - Requirements for Usage of an Old Business Name

1) The old business name may continue to be used even if a new member joins the company or some of the existing members withdraw. The old business name may be used only with explicit consent of a withdrawn member or his successors if his name was included in such business name.
2) If the business name is changed with the admission or withdrawal of a member, the obligatory addition shall be added or removed, respectively.

Article (55) - Principle of Uniqueness of a Business Name

Each part of the company shall use the same business name in the legal transactions, by adding a designation to the business name indicating that it is a part of that company.

Article (56) - Requirement that a Business Names Be Unique

(1) New business names shall be clearly distinguished from the business names of companies already entered in the commercial register.
(2) A business name identical to a business name that has already been entered or such that does not clearly differ from an already entered business name shall not be entered in the Commercial Register. **The court shall ex-officio inspect that.**
(3) Partner(s) of a general partnership or a general partner of a limited partnership and a **limited partnership by shares** who have same name and surname with another person already entered or filed in the Commercial Register shall add word(s) to their name to clearly distinguish their business name from the business names of the companies already entered or filed in the Commercial Register.
(4) A clear distinction shall be the one that may be noticed with the usual care for business affairs.
(5) Connected companies and companies connected on any grounds within the scope of operation with a local or foreign person may, upon their consent, use mutual components in the company's business name or mark the joint operation in a customary manner.

Article (57) - Principle of Priority

(1) If identical business name(s) or business names that do not differ between each other, are filed with the court for the purpose of registration in the commercial register, the court shall register the business name that was filed first.
(2) Notwithstanding paragraph 1 of this Article, the court shall register the business name that was filed later, if the person that filed the business name may prove that he used the business name or some significant elements thereof on the market as a designation for his business activity or as a trade mark for designation of his products and services at the time the first business name was filed, or prior to the submission of the already submitted registration form.

Article (58) - Protection of the Owner of an Already Registered Business Name

(1) A commercial entity which, by using a similar content of a business name entered in the commercial register, violates the rights of another commercial entity or endangers his position in the market or there is danger for his rights and position in the market to be violated or endangered or the commercial entity uses his business authority or assumes it without authorization, the other commercial entity may prohibit the use of the business name with a complaint and request its deletion from the commercial register as well as compensation for the damage caused by the use of the business name.
(2) The complaint may be filed within three years as of the date of announcement of the entry of the business name.
(3) The court decision shall be announced by the court in the newspaper selected by the part who won the case at the expense of the party who lost it.

Article (59) - Protection of copyright and other related rights and industrial property rights

Notwithstanding the provisions pertaining to paragraphs 1 and 2 of Article 58 of this Law, the commercial entity may protect his rights in terms of use and entry of the business name according to the Law on protection of copyright and other related rights and the Law on industrial property.

Subsection Two - Registered Office

Article (60) - Definition of a registered office

(1) The location entered in the Commercial Register shall be the registered office of the company.

Article (61) - Change of the Registered Office

(1) The company may change its registered office.

(2) Change of the registered office shall be carried out in a manner and in accordance with the procedure set forth by the Statement for Incorporation of the Company with one person, Company agreement, or Charter.

(3) Change of the registered office shall be registered in the Commercial Register.

Subsection Three – Scope of Operations

Article (62) - Free Operation

(1) The scope of operations of a company may include any activity which is not prohibited by the law.
(2) The scope of operation shall be registered in the Commercial Register by numerical designation and the name of the group of activity as determined by the national classification of activities.
(3) If the law specifies that certain activities may be performed only upon consent, license, or other document of a state body or institution, registration of such activity in

the Commercial Register shall be executed only upon consent or license of such body or institution.
(4) A company may, without registration in the Commercial Register, carry out other activities necessary for its existence and activities covered by its scope of operations, although such activities do not directly fall within the scope of operations.

Article (63) - Meeting of Special Requirements

(1) A company may start conducting an activity which is included in the scope of operations upon entering the activity in the Commercial Register and upon obtaining approval from the competent state body regarding the fulfillment of prescribed requirements for conducting such activity, if determined by law.
(2) The approval referred to in paragraph (1) of this Article shall have no effect on the registration of the scope of operations of a company in the Commercial Register.

Article (64) - Effects of Legal Actions and Activities

(1) The company may undertake legal actions and activities only within the scope of operations registered in the Commercial Register.
(2) The legal affairs and actions, undertaken by the company with third parties, that exceed the scope of operation registered in the commercial register shall be deemed valid unless third parties knew or considering the circumstances, must have known thereof. The entry of the company's scope of operations in the commercial register shall not mean that the third party knew or must have known thereof.

Section Three - Representation
Subsection one - General Provisions

Article (65) – Legally Authorized Representative

(1) A legally authorized representative shall be a natural person determined by the provisions of this Law to represent the specific type of company (hereinafter: legally authorized representative).
(2) The appointment, termination of mandate and particularities regarding the legally authorized representative, as well as the limitations to his powers **against** third parties shall be registered in the Commercial Register.
(3) Failures in the procedure or any sort of irregularity in issuing an authorization for representation or in publishing information pertaining to the legally authorized representative who is authorized to represent the company, shall not be used against third parties, unless the company proves that third parties knew or, given the circumstances, must have known thereof.
(4) A legally authorized representative shall not act without having a special authorization by the company to act as a contractual party and conclude contracts

with the company in his own name and on his behalf, in his name and on behalf of other persons, or in the name and on behalf of other persons.

Article (66) - Representatives by Proxy

(1) The representative pertaining to Article 65 of this Article may issue a proxy to another person.
(2) The proxy may be issued within the limitations of the authorization of the representative recorded in the Commercial Register.
(3) Unless otherwise provided by this Law, the proxy pertaining to paragraph 1 of this Article shall be issued in accordance with the provisions of the Law on Obligations.
(4) Limitations pertaining to paragraph 4 of Article 65 of this Law shall apply to the representative by proxy referred to in this Article.

Article (67) - Representative by Employment

(1) An employee of the company who performs activities which in their regular course of business include conclusion of contracts, or undertaking certain legal actions, shall be authorized as a representative of the company to conclude such contracts and undertake legal actions within the scope of his activities.
(2) Limitation prescribed by paragraph 4 of Article 65 of this Law, shall also apply to **proxy** by employment.

Sub-section two
Agency

Article (68) - Definition of Agency

(1) Agency shall be a commercial power of attorney the content and scope of which shall be determined by this Law.
(2) Agency may be established only by a person that, according to this Law, is considered as a commercial entity.
(3) An agency shall be established in a manner determined by the **statement on founding of a company with one person**, Company agreement or Charter.
(4) An agency shall be specified in writing.

Article (69) - Agent

(1) Any natural adult person capable of conducting business activities, regardless of duties and activities he is performing, unless otherwise provided by the statement of founding of a company with one person, Company agreement or Charter.
(2) A legal person shall not be an agent.
(3) Relations between the company and the agent, especially with respect to remuneration, shall be regulated by contract.

Article (70) - Individual and Joint Agency

(1) One natural person (individual agency) or to two or more natural persons together (joint agency) may be appointed as agents.
(2) If two or more natural persons are appointed as agents, each of these persons shall be considered as an agent who independently represents the company within the powers set forth by this Law.
(3) Two or more persons appointed as agents shall be considered as joint agents only if it is strictly stated in the agency agreement.
(4) In case of joint agency, the legal actions and activities shall be considered valid if jointly performed by all agents or if all agents have consented thereto. The legal actions and activities performed by one of the agents shall be deemed valid if an explicit consent has been obtained from all agents or if consent is obtained additionally from the other agents.
(5) A statement of will or a legal activity and action done by one of the agents shall be considered to have been done by all agents.
(6) In case of joint agency, awareness of relevant facts or of the guilt of one of the agents shall have legal effects upon the provider of the agency, notwithstanding that the other agents were aware thereof or were guilty.

Article (71)– Powers of the Agent

(1) An agent may conclude contracts and conduct legal actions and activities in the name and on behalf of the company within the scope of operations of the company, manage the enterprise of the issuer of the agency and represent the company in procedures before administrative and other state bodies, organizations with public authorizations and before courts.
(2) An agent may not alienate and encumber the immovable property and may not make statements nor undertake legal activities that lead to the initiation of a bankruptcy or some other procedure that may result in termination of the company. The agent may not issue a power of attorney to another person for the purposes of concluding contracts.

Article (72) - Limitation of Agency

(1) A limitation of agency that has not been anticipated by this Law shall have no legal effect against third parties regardless whether the third party was aware or should have been aware thereof.
(2) A limitation of agency that applies to the operation of one or more branch offices shall have legal effect only if it has been entered in the Commercial Register.

Article (73)– Self-Contracting

A contract that an agent concludes in the name of the company as one party and in his personal capacity as the other party, whether in his name and on his behalf, in his name and on another party's behalf, or in the name and on behalf of another party, shall be considered void, if the agent has not been explicitly authorized thereto.

Article (74)– The Agent's Signature

(1) The agent shall be a signatory on behalf of the company by signing his/her name and surname below the business name including words that indicate his position as an agent or by adding the following abbreviation: "*p.p*".[1]

(2) In the case of a joint agency, each agent shall sign in the manner determined by paragraph (1) of this Article.

Article (75) - Transfer of Agency

(1) An agency shall not be transferred to another natural person.

(2) The provision on agency or statement of the company which authorizes the agent to transfer the agency, or a statement of the company which approves the transfer whether approved previously or additionally shall have no legal effect.

Article (76) - Revocation of Agency

(1) The agency may be revoked at any time, regardless of the legal grounds for issuance of the same.

(2) A provision of the contract by which the company refrains from the right to revoke the agency as well as a provision which imposes time limits or other terms on the right to revoke the agency shall be considered as void.

(3) Provisions pertaining to paragraphs (1) and (2) of this Article shall neither exclude nor reduce the agent's rights anticipated in the contract on the basis of which he was appointed as an agent.

Article (77) - Agency of a Sole Proprietor

(1) A sole proprietor shall issue the agency in person and the authorization for issuing agency agreements shall not be transferred to another natural person.

(2) The agency agreement issued by a sole proprietor shall not terminate in the event of a sole proprietor's death, removal or limitation of the sole proprietor's business capacity.

(3) The provisions of this Law that apply to agency agreements issued by companies shall respectively apply to sole proprietors.

Article (78) - Registration of Agency

(1) Establishment and revocation of individual and joint agency agreements and all limitations to agency agreements shall be entered in the Commercial Register by the company or sole proprietor. Enclosed with the registration form shall be the agency agreement or the resolution on revocation or limitation of the agency.

(2) The name and surname of the agent and his ID number (hereinafter: ID number (EMBG) shall be entered in the Commercial Register.

(3) The agent shall submit his signature deposited with a notary to the court for the purpose of safekeeping.

Subsection Three – Commercial Representative and Sales Agent

[1] Translator's Note: Agent's signature

Article (79) - Definition of a Commercial Representative

(1) A commercial representative shall be an employee of the company or other natural person authorized by the legally authorized representatives of the company to manage the company or a part thereof, as defined by the power of attorney.
(2) The authorization encompasses all affairs and legal activities related and usual for the scope of operations of the company. The authorization shall be issued in writing with the signatures verified by a notary.

Article (80) - Authorization of the Commercial Representative

(1) A commercial representative shall be authorized to conclude all contracts and undertake all legal affairs common for the operations of a company or a part thereof within the scope of his power of attorney.
(2) A commercial representative may not alienate or encumber the company's immovable property, obligate it with a bill of exchange or check, obtain a loan on its behalf, consent to a court's jurisdiction, make settlements or initiate a dispute without a special authorization from the provider of the power of attorney.
(3) The limitations imposed on the power of attorney, save the limitations set forth in paragraph (2) of this Article, shall have no legal effect against third parties who neither were nor should have been aware thereof.
(4) Limitations pertaining to paragraph 4 of Article 65 of this Law shall apply to the commercial representative.
(5) The commercial representative shall add an indication to his signature that he is a commercial representative, but shall not add any other word that may indicate that he is an agent.

Article (81) – Sales Agent

(1) A company or a sole proprietor may issue a power of attorney of a sales agent to its own employee or another natural person.
(2) The power of attorney of a sales agent shall be issued in writing.
(3) The sales agent shall be authorized in the name and on behalf of the provider of the power of attorney to conclude contracts for sales of its goods, deliver the goods, if authorized, to sell on credit, receive statements from purchasers referring to the goods that are the subject of contracts, make statements and undertake other activities for the purpose of protection of the provider's rights, that arise from the contract concluded in his name and on his behalf.
(4) Limitations on the authorization of a sales agent shall have no legal effect against third parties who were not aware nor should have been aware thereof.
(5) A sales agent may not sell goods where payment is by installment or postponed without a special authorization
(6) The limitation specified in paragraph 4 of Article 65 shall also apply to the sales agent.

Section Six -COMMERCIAL REGISTER AND REGISTRATION PROCEDURE

Article (82) – Definition of Commercial Register

(1) The Commercial Register shall be a public book containing data and attachments (documents and proofs) for the entities subject to registration, for which the registration in the Register is stipulated by a Law.

(2) The Commercial Register shall consist of a registration file and a book of documents for each registered entity. The court shall enter all the attachments into the book of documents for the registered entity.

(3) Data entered and attachments delivered (documents and proofs) into the Commercial Register shall be kept permanently.

Article (83)-Unification of the Commercial Register

(1) The Commercial Register shall be maintained in a unified national manner on the territory of the Republic of Macedonia.

(2) The Minister of Justice shall within 60 days as of the day of passing of this Law adopt an act which sets forth the manual and electronic registration, the manner of registration, the form, content and number of the forms required for registration in the Commercial Register and of electronic records, the relations between the court and the Central Register, establishing a one-stop-shop system, other issues pertinent to the proper management of the Commercial Register and the manner in which data are made available.

Article (84) - Mechanic and Electronic Maintenance of the Commercial Register

(1) The Commercial Register shall be maintained both mechanically (in written form) and electronically.
(2) The Commercial Register in electronic form shall be a part of the central informational database of the Central Register.
(3) Electronic documents, electronic signatures and seals, filing and circulation of electronic and original documents in the course of the registration procedure shall be regulated according to the Law on Central Register and laws governing the legal validity of electronic records.

(3) Data entered in the Commercial Register shall be kept separately for each company.

Article (85) - Principle of publicity

(1) Data entered in the Commercial Register shall be public. Each person, without proving its/his legal interests, may submit a request to review the documents kept in the Book of documents, transcribe and request verified transcription or excerpt from the Register at his own expense which shall not exceed the actual cost.

(2) At the expense of the person who submitted the request, the Court shall issue a photocopy of data entered in the registration file.

(3) The court may stop the inspection in the book of documents by way of decision if it verifies that abuses are made during the inspection.

(4) Regarding the data contained in the registration file of the registered entity, the Court may, upon request of an interested party, issue a certificate proving that the registration has been made and the same was deleted.

(5) Upon request by any person, the Court shall issue a certificate that no entry has been made in the Commercial Register.

Article (86) - Jurisdiction and Territorial Competence

(1) The Commercial Register shall be maintained by the courts determined by the Law on Courts.

(2) Data entries shall be made in the Commercial Register of the competent court for the territory where the registered office of the entity subject to registration is located.

Article (87) – Deciding upon the Request for Entry

(1) A single judge shall decide upon a request for registration at first instance.

(2) A council of three judges shall decide upon an appeal at second instance.

Alternative: To delete Article 87

Article (88) – Rules of the Registration Procedure

(1) The procedure for registration in the Commercial Register shall be a non-litigation procedure conducted according to the rules for non-litigation procedures.

(2) The procedure for registration in the Commercial Register shall be urgent.

(3) The court shall process the cases in the order of their receipt in the entry book of the Court.

Article (89) - Validity of an Entry

(1) The Court that has realized an entry into the Commercial Register shall guarantee for the accuracy of the data entered, in the same form as they were submitted.

(2) Each party that, in the course of legal affairs, acts with due diligence and has confidence in the data entered into the Commercial Register, shall not suffer any harmful legal consequences that may arise.

(3) No party may claim that he is not familiar with the data entered in the Commercial Register, unless otherwise prescribed by law.

Article (90) -Costs for the Registration Procedure

(1) Each participant shall cover his own costs incurred during the registration procedure.

(2) If several participants are involved in the procedure and costs are incurred, the Court shall decide upon the costs arising from the procedure as a part of the registration decision, in compliance with the Law on Trial Procedure.

Article (91) - Entities Registered in the Commercial Register

(1) The following entities are subject to registration in the Commercial Register (subjects of registration):

1) General partnership;
2) Limited Partnership;
3) Limited Liability Company;
4) Joint Stock Company;
5) Limited Partnership by Shares;
6) Economic Interest Grouping;
7) Branch of a foreign company; and
8) Sole proprietor

(2) All subjects to registration in the Commercial Register shall enter the data stipulated by this law.
(3) All changes of data which are to be entered as stipulated by this Law shall be entered into the Commercial Register.

Article (92) -Term for Filing the Registration Form in the Commercial Register

(1) Entities for which entry in the Commercial Register is obligatory shall be required to file the registration form to the competent court within 15 days as of the date the

requirements for registration in the Commercial Register have been met, unless otherwise provided by this law.

(2) The court shall not register the data and shall reject the registration form upon the expiry of three months as of the date the requirements for filing the registration form were met, unless otherwise provided by this law.

(3) If damages are suffered due to the failure to file the registration form within the term specified in paragraph (1) of this Article, the natural person who had the obligation to file the registration form shall be liable for the damages personally and without limitation with all his assets.

Article (93) -Initiation of Procedure

(1) The procedure for entry in the Commercial Register commences by filing a written application in prescribed form, filed by an authorized applicant, containing the request for entry of data.

(2) The form for registration of a sole proprietor in the Commercial Register shall be filed by the natural person that requests entry as a sole proprietor. The registration form shall be submitted by the management body, or an authorized member of the management body, unless otherwise stipulated by this law.

(3) Unless otherwise provided by this law, registration form pertaining to paragraph 2 may be filed by a representative of the authorized applicant having a power of attorney verified by a notary.

(4) The person pertaining to paragraph 1 of this Article, or the persons stipulated by this law shall be liable for the validity and legality of the data.

Article (94) - Submission of Enclosures (Proofs and Documents)

(1) The necessary enclosures (proofs and documents) containing all data to be entered in the Commercial Register shall be attached to the registration form.

(2) If the law sets forth submission of a license, approval or a by-law, such proof shall also be enclosed with the registration form.

(3) The court may not request other data to be entered in the registration form, except those prescribed by law as subject to registration in the Commercial Register, nor may it request submission of enclosures other than those defined by law as attachments to the registration form.

(4) The enclosures (documents and proofs) which are submitted with the registration form shall be kept in original or copies verified by a notary as a constituent part of the Commercial Register.

Article (95) – Examination and Revision of the Registration Form

(1) Prior to adoption of a decision for entry in the Commercial Register, the court shall determine whether all registration requirements foreseen by this law have been met. The court shall not inspect the legality of the procedure according to which the enclosures containing the data to be entered in the Commercial Register are submitted, nor shall it inspect whether the data contained in them, but not to be entered in the Commercial Register are valid and in accordance with the law. The person, or persons stipulated by this law shall be liable for their validity and legality.

(2) If the court determines certain technical faults in the registration form, it shall by conclusion instruct the applicant to remove all technical faults for entry in the Commercial Register.

(3) The court may call the applicant to orally inform him of the faults for which a note shall be prepared and signed by the applicant.

(4) In cases pursuant to paragraphs (2) and (3) of this Article, the court shall set a term for elimination of faults which may not exceed eight days. Upon the expiration of this term, if the registration form with the enclosures (documents and proofs) is returned without being revised, the court shall reject the registration form as invalid.

(5) If, upon expiration of the time limit under paragraph (4) of this Article, the applicant does not act according to the court's directions, the registration form shall be considered as withdrawn and the court shall adopt a decision for termination of the procedure.

Article (96) - Several Applications on One Registration Form

(1) If several registrations provided by law are requested on one registration form, the court shall decide upon them simultaneously.

(2) If registration of more data is requested with one registration form, the court may render decisions for registration of all or some of the data.

(3) In case the court rejects registration of some data, the appeal shall not postpone the enforcement of the court decision concerning the data for registration.

Article (97) -Withdrawal of a Registration Form

(1) An applicant may withdraw a registration form prior to the adoption of the first instance court decision.

(2) If the registration form has been withdrawn, the court shall render a decision on termination of the procedure.

Article (98) - Decisions in the Registration Procedure

(1) If the court determines that the requirements for entry in the Commercial Register are met and that all enclosures (documents and proofs) stipulated by this law have been submitted, it shall adopt a decision according to the application and request without holding a hearing within eight days as of the date of the submitted application, or the submitted request. The court shall reach the decision without an explanation with a form appropriate to the type of registration.

(2) If the court determines that the requirements for registration in the Commercial Register pertaining to paragraph 1 of this Article have not been met, it shall make a decision with which it rejects the application whereby it gives the explanation for rejecting the application.

(3) If the court determines that the data entered in the Commercial Register are contrary to law, it shall make a decision which shall reject the request for entry.

(4) The court shall decide with a conclusion for the issues concerning the registration procedure.

Article (100) - Discrepancy between the Decision and the Data Entered into the Commercial Register

(1) If there is a discrepancy between the data entered into the Commercial Register and the decision, the Court shall correct the decision and shall deliver a transcript of the corrected decision to the applicant, the other participants and the Central Register with a note stating that it shall supersede the transcript of the previous decision.

(2) The Court shall correct the obvious mistakes in the decision for entry or in the made entry by passing a decision ex officio or upon a request of the entity subject to entry. The content of the correction and the indication of the number of the decision on correction

shall be also entered in the register. A transcript of the made entry shall be a constituent part of the decision on correction. The content of the decision on correction shall be published if it pertains to significant data.

Article (101) - Enforcement of the Decision

The decision for entry in the Commercial Register shall become effective on the date of its adoption.

Article (102) – Enforcement and Legal Remedies in the Procedure for Entry

(1) An appeal may be filed against a decision for entry in the Commercial Register.
(2) The appeal shall not postpone the enforcement of the decision.
(3) Restitutio in integrum and standstill orders shall not be permitted in the procedure for entry in the Commercial Register.
(4) Audit and repetition of the procedure shall not be permitted upon a final court decision.
(5) A Public Prosecutor may file a request for protection of legality against a final court decision.
(6) A special appeal may not be filed against the conclusion.

Article (103) - Right to Appeal and Term for Appeal

(1) If the request for entry has been denied or a registration form has been rejected, an appeal may be filed by: the applicant, participants in the procedure and parties whose rights or interests under the law have been violated by reaching the decision for entry.

(2) An appeal may be filed within eight days from the date the court decision was delivered.

(3) Persons entitled to appeal pursuant to this Law to whom the registration decision, a transcript or a certified photocopy thereof was not delivered, shall have a right to appeal within eight days from the date of publishing the entry.

Article (104) - Replacement of the Court Decision upon Filing an Appeal

If the Court upholds an appeal of an applicant and no additional procedure is required, it may decide differently upon the request for entry and may replace the appealed decision with a new decision.

Article (105) - New Facts and Proofs

(1) If the appeal contains new facts and proposes new proofs proving the data that are entered, the appeal shall be considered as a proposal for replacement of the decision.

(2) Upon examining the appeal, the court may decide to replace the decision with a new decision, if the proposal is completely accepted and the rights of third parties are not violated.

Article (106) - Procedure upon Appeal

If the court determines that there are no grounds for replacement of the decision, the appeal with all documentation shall be submitted to the second instance court not later than eight days from the date of filing the appeal, unless the appeal was previously rejected as untimely, non-permitted and non-complete.

Article (107) -Untimely Appeal and New Proofs

The untimely appeal shall be considered as a new proposal for entry in the Commercial Register if it contains new facts and proposes new proofs and if rights of third parties are not violated. In such cases, the court shall replace the decision by a new one.

Article (108) - Enforcement of the Second Instance Court Decision

The court shall, ex-officio, enforce the Second Instance Court decision, within eight days as of the date of receipt of the decision.

Article (109) – Action upon Final Court Decision for Nullity

(1) The Court shall, ex officio, reach a decision for entry of nullity of the entry for founding upon a final court decision which determines the nullity of the entry for founding of the entity subject to entry.
(2) The decision for entry of the decision for nullity of the entry shall be delivered to the entity subject to entry for initiation of the liquidation procedure or for submission of a proposal for initiation of a bankruptcy procedure, within 8 days of the day of receiving the decision of paragraph (1) of this article.
(3) If the founders fail to file a request for liquidation or proposal for initiation of a bankruptcy procedure, they assume all rights and liabilities and are held liable jointly and severally.
(4) In other cases, the Court shall ex officio upon a final court's decision pass a decision for deletion of the void entry.
(5) The deletion of the entity subject to entry from the Commercial Register is published.

Part Two - TYPES OF COMPANIES

Chapter One - GENERAL PARTNERSHIP

Section One - DEFINITION AND INCORPORATION

Article (110) - Definition of a General Partnership

(1) A general partnership (hereinafter "general partnership") is an association of two or more legal entities or individuals, that are liable to the creditors for the company's obligations jointly and severally with their entire property.

(2) A general partnership shall be incorporated with a Partnership Agreement executed by the partners (hereinafter Partnership Agreement).

Article (111) - Business Name

(1) The business name of a general partnership shall include the full name, the business name or the abbreviated business name of at least one of the partners and indication "and others," if the full names of all of the partners are not included in the business name of the general partnership.

(2) The business name shall also include the words "*Javno Trgovsko Drustvo*" (General Partnership) or the abbreviation "*JTD.*"

Article (112) - Partnership Agreement

(1) The Partnership Agreement shall contain the following:

1) full name, ID number (EMBG)[2], passport number or ID number for foreigners and their citizenship, place of residence and addresses of the partners, or the business name, registered office, the address and the register number of partners which are legal persons;

2) Business name and registered office of the general partnership;

3) Scope of operations of the general partnership;

4) Type, amount, and value of each partner's contributions and appraisal of the value of the contribution;

5) Method of personal participation of each partner in the operation of the general partnership;

6) Method of distribution of profit and covering the losses;

7) Method of managing the operations, representation of the general partnership and making the decisions; and

[2] Translator's note: (EMBG) is an abbreviation that indicates the Unique ID number that each citizen of Macedonia has.

8) Other issues set forth with this law that govern the relationships between the partners.

Article (113) - Special Conditions for the Operations of the General Partnership

A general partnership may perform activities related to an occupation for which an appropriate qualification is need if a partner or employee possesses the required qualifications, unless the law requires that all or most of the partners of the general partnership hold the required qualifications for the activity related to a particular occupation.

Article (114) - Entry in the Commercial Register

A general partnership shall be entered in the Commercial Register upon filing a registration form for entry. **The application for entry of the general partnership's founding shall be submitted by all partners of the general partnership authorized to represent the partnership.**

Article (115) - Data Entered in the Commercial Register and Attachments to the Registration Form

(1) The following shall be entered in the Commercial Register:

1) full name of each member, occupation, the ID number of the individual (EMBG), passport number for foreign individuals, place of residence and addresses of the partners, or the business name, registered office and the address of partners which are legal persons;

2) Business name and registered office of the general partnership;

3) Scope of operations of the general partnership;

4) Representation of the general partnership; and

5) Type and amount of each partner's contribution.

(2) The following shall be enclosed to the registration form:

1) The Partnership Agreement;

2) A proof for registration if a legal person is the founder, or a copy of the passport or personal identification card;

3) A Statement of a legal person, or a natural person that has been or is caring out a commercial activity as a sole proprietor that all obligations are settled regarding unpaid benefits for pension, disability and health insurance;

4) A Statement from the representative by law of the legal person, or from the natural person, verified by a notary, or submission of proof that there is no obstacle for him/her to be the founder of the company according to article 27 of this law;

5) The statement pertaining to article 30 of this law;

6) Permit of the state body if the obligation is stipulated by law for registration of the company in the Commercial Register;

(3) Partners or other persons that in accordance with the Partnership Agreement are authorized to represent the general partnership shall enclose their signatures certified by a notary.

(4) Any change in the data pertaining to paragraph 1 of this Article as well as acceptance of new partners in the general partnership shall be registered in the Commercial Register.

Section Two - LEGAL RELATIONS AMONG PARTNERS OF A GENERAL PARTNERSHIP

Article (116) - General Provision

(1) Legal relations among partners in the general partnership shall be governed with the Partnership Agreement.

(2) Legal relations that are not governed with the Partnership Agreement shall be governed with the provisions of this Law.

(3) Legal relations between partners that are not governed with this Law and the Partnership Agreement shall be governed with the provisions of the Law on Obligations regarding the Partnership Agreement.

Article (117) - Contributions in the General Partnership

(1) The partner's contributions in the general partnership may be different.

(2) Contributions of the partners in the general partnership may be made in cash, kinds, rights, labor and services.

(3) The monetary value of non-monetary contributions shall be appraised with an agreement by the partners.

Article (118) - Consequences of Default

(1) The partner who either fails to deposit the monetary contributions, or fails to deposit the money received on behalf of the general partnership with the cashier of the general partnership in a timely manner, or who takes for his own benefit, without justification, money from the general partnership, shall be liable to pay the interest calculated as of the date the contribution was due, or the money was taken. General Partnership may request compensation for damages.

(2) A general partnership may request compensation for damages if the cases pertaining to paragraph 1 of this Article do not involve monetary contributions, but non-monetary contribution.

Article (119) - Increasing, Supplementing and Withdrawing the Contribution

(1) Partners of a general partnership shall not be obliged to increase their contribution above the amount determined by the Partnership Agreement, nor to supplement the contribution in cases of loss, if the partner was not liable for the decrease.

(2) Partners may request to withdraw their contribution only in cases of termination of their partnership in the general partnership.

Article (120) - Compensation of Costs and Damage

(1) Partners in a general partnership who incur costs that under the circumstances may be considered as justified or who suffer damages as a direct result of carrying out partnership operations or due to a risk connected to such operations, shall be

compensated for such costs or damages. The compensation shall include interest calculated as of the date such expenses or damage occurred.

(2) The partners may request advance payment from the partnership for costs necessary to perform the partnership's activities.

Article (121) - Prohibition on Competition

(1) A partner of a general partnership shall not undertake activities within the scope of the general partnership activities, become a partner with personal liability, or become a member of a body or an employee of a company which is or may be a competitor to the general partnership, unless the other partners agreed to it.

(2) A partner may engage in activities pertaining to paragraph 1 of this Article if, at the time the partner joined the general partnership, the other partners knew that the partner was undertaking such activities and it was not specifically agreed that the partner would cease such activities.

Article (122) - Consequences of Prohibited Competition

(1) A general partnership may request compensation for damages from partners who violate Article 121, paragraph 1 of this Law. In lieu of compensation for damages the general partnership may require that the partner claim that activities undertaken on his/her own account were undertaken on account of the partnership, or to hand over to the general partnership that was acquired on account of someone else or transfer the right to the general partnership for what he is to acquire.

(2) The other partners shall decide how to effectuate the rights of the general partnership pertaining to paragraph 1 of this Article. Claims of the general partnership related to violations of Article 121 of this Law shall become obsolete three months after other partners learned of the violation. Claims shall become obsolete five years after the violation occurred, regardless of when the partners learned of it.

(3) Effectuation of the rights pertaining to paragraphs 1 and 2 of this Article shall not exclude the other partners from requesting that the general partnership be terminated.

Article (123) - Transfer of Parts

(1) A part in a general partnership may be transferred to a third party only with the agreement of all partners.

(2) A part shall be transferred with legal action in writing.

(3) The transfer of a part shall have effect towards the general partnership after the legal action reflecting the transfer is submitted to the general partnership and when one of the persons authorized to govern the general partnership, acknowledges in writing that it has been received.

Article (124) - Part as a Pledge

(1) A member may for personal purposes give as pledge his part if the other members agree thereto.

(2) The member whose part is given as a pledge remains a member in the company.

Article (125) - Management of a General Partnership

(1) Each partner shall have the right to manage the general partnership.
(2) If one or more general partners are assigned by agreement of the partners to manage the general partnership, the other partners shall be excluded from such management.

Article (126) - Manner of Conducting the Assigned Management

(1) Managers shall have the right to act independently in the management of the general partnership. When a manager opposes an action, before the action is undertaken, performance of an opposed action shall be postponed until the partners reach an agreement in regard to such action.
(2) If the Partnership Agreement provides that all or some of the managers are entitled to mutual actions, they shall make their decisions with consent of all managers. Each manager may independently take urgent measures to prevent damage to the general partnership. The manager should inform other managers of urgent measures undertaken without delay.

Article (127) - Transfer of Management Rights

(1) The partners may transfer the authority to manage the general partnership to a third party, provided that the other partners agreed to it, in a manner set forth with the Partnership Agreement.
(2) Partners cannot transfer the authority to manage the general partnership to a third party if the Partnership Agreement prohibits the transfer.
(3) A partner who has transferred the management authority pursuant to paragraph 1 and 2 of this Article shall be liable for the activities of the manager**,** in accordance with the provisions governing the Warrant Contract, from the Law on Obligations.

Article (128) - Scope of the Management Authorities and Decision-Making Method

(1) The authority to manage the general partnership shall be given for the activities related to the usual business operations of the general partnership.
(2) Decisions that are exceeding recognized authorizations of the managers shall be made unanimously by all of the partners, unless otherwise specified by the Agreement. If the Partnership Agreement provides that decisions are to be made by a majority vote, each partner shall be entitled to one vote, unless otherwise provided by the Agreement.

Article (129) – Decision Making by a Way of Correspondence

The Partnership Agreement may provide the decisions made by all of the partners to be adopted by a decision making through correspondence, if none of the partners requires a Meeting of partners to be convened. If a decision is made by correspondence, the results shall be included in a written report, which shall be enclosed with the book of decisions. Answers of each partner to the asked questions shall be attached to the minutes.

Article (130) - Withdrawal from the Assigned Management

(1) A partner may withdraw from his/her management position for justified reasons only. A justified reason is considered to be the inability to carry out entrusted duties due to interference from other partners, or inability to carry out duties due to health problems.
(2) A partner may withdraw from management of the general partnership provided that he gives a notice to other partners that will enable them to undertake all the necessary actions related to the management of the general partnership unless there is a justified reason due to which a partner may withdraw prior to the expiration of the given notice.
(3) The duration of the notice pertaining to paragraph 2 of this Article shall not be less than three (3) months.

Article (131) - Dismissal of Managers

(1) If all of the partners are managers or if one or more managers are appointed from among the partners or with the Partnership Agreement, such managers shall be dismissed only by a unanimous resolution of all partners. The dismissed partner may withdraw from the general partnership, and request compensation of his rights arising from being a partner in the general partnership.
(2) Managing partner(s) who are not appointed with the Partnership Agreement may be dismissed under the conditions set forth in the Partnership Agreement or with a unanimous resolution of all the partners.
(3) A manager who is not a partner may be dismissed under the conditions set forth in the Partnership Agreement, or with a resolution adopted by majority vote of partners.
(4) A manager who is dismissed without justification may request compensation for damages.

Article (132) - Right to Be Informed

(1) Non-managing partners shall have the right to receive the accounting reports and other documents of the general partnership, as well as to raise questions in writing regarding the management of the general partnership, to which they shall receive the answers in writing.
(2) Non-managing partners in exercising the right pertaining to paragraph 1 of this Article shall be entitled in the registered office of the general partnership to review the trade books, contracts, correspondence, minutes and all relevant documents created or received in the general partnership.
(3) The right pertaining to paragraph 2 of this Article shall also include the right to obtain copies of the documents.

Article (133) - Right to a Bonus

The partner shall be entitled to a bonus for his personal participation in the general partnership's activities as defined by the Partnership Agreement.

Article (134) - Participation in the Profit and Loss

(1) Partners shall distribute the profit and cover the losses in proportion to the parts they own in the general partnership. The members may determine with the Partnership Agreement that each member should receive part of the profit of the partnership in the amount of 5% of his contribution. If the profit is less, the participation in the profit shall be reduced.

(2) When calculating the participation in the profit that belongs to the member pursuant to paragraph 1 of this article, the payments that were made by the member during the business year are taken into consideration as a contribution as of the date of the payment. If the member collected cash from his part in the assets, the decrease amount of the contribution shall be taken into consideration starting from the day of collecting the cash.

(3) The part which pursuant to paragraph 1 and 2 exceeds the calculated participation in the profit as well as the loss in the business year, shall be distributed among the members in equal parts.

Section Three - RELATIONS OF THE GENERAL PARTNERSHIP WITH THIRD PARTIES

Article (135) - Representation of the General Partnership

(1) Each partner shall be authorized to represent the general partnership.

(2) With the Partnership Agreement partners may authorize one or more partners to represent the general partnership. In such case, the other partners shall be excluded from the representation.

(3) If more than one partner is authorized to represent the general partnership, each of the partners shall be authorized to represent the general partnership independently. The Partnership Agreement may provide for joint representation.

(4) Representatives shall sign on behalf of the general partnership, individually or jointly, depending on whether they have authority for individual or joint representation.

(5) The authority to represent the general partnership shall be in whole. Limitations on the authority to represent the general partnership shall not have any legal effect towards third parties, regardless of whether they knew or must have known about the limitation.

Article (136) - Withdrawal and Withholding of the Authority to Represent

(1) The representative may withdraw from representing the partnership within a period not less than three (3) months from the date when he/she gave the written notice to the other partners about their withdrawal from representation. Exclusion or limitation of such right shall be void.

(2) The court may take away the partner’s authority to represent the partnership upon a complaint filed by other partners due to significant reasons. For the purposes of this law, a significant reason shall be considered any severe violation of the obligations of the partner or the inability to duly represent the general partnership.

(3) The termination of the authority to represent shall become effective towards third parties as of the date such termination is recorded in the Commercial Register.

Article (137) - Personal Liability of the Partners

(1) Each partner shall be directly liable to the creditors of the general partnership with his/her entire property and jointly liable with all other partners for the obligations of the general partnership.
(2) Provisions of the Partnership Agreement that are not in compliance with paragraph 1 of this Article shall be void.
(3) The creditors may request that the partners pay off the debt of the general partnership only after they warned the general partnership to pay them, but without success, and by doing so made the general partnership late with the payment.
(4) New partner that is admitted in an existing general partnership shall be equally liable with other partners for the obligations of the partnership incurred prior to him becoming a partner.

Article (138) - Outdated Claims

(1) A claim against a partner that arises from the general partnership's obligations shall become outdated five years after the termination of the general partnership, or after the withdrawal of the partner from the general partnership, unless the claim is outdated within a shorter period of time in accordance with the Law.
(2) The time period pertaining to paragraph 1 of this Article shall begin to run once the termination of the general partnership or the withdrawal of the partner is recorded in the Commercial Register. If the general partnership is terminated by bankruptcy, the time period shall begin to run once the opening of the bankruptcy procedure is recorded in the Commercial Register. **If the claim is submitted after the entry in the Commercial Register, the time period shall begin to run as of the date of the submission of the claim.**

Article (139) - Cessation of the Outdated Claim

(1) The cessation of the outdated claim towards a terminated general partnership shall have legal effect towards those persons who were partners of the general partnership at the time of its termination.
(2) The cessation of the outdated claims towards a general partnership that has not been terminated shall not have legal effect towards partners who withdrew from the general partnership. The cessation of the outdated claims effective only towards a certain partner shall not have legal effect towards other partners.

Section Four - TERMINATION OF THE GENERAL PARTNERSHIP AND TERMINATION OF THE PARTNERSHIP

Article (140) - Grounds for Termination

A general partnership shall terminate:
1) Upon expiration of the period for which the partnership was registered;
2) By resolution adopted by all of the partners;

3) Upon completion of a bankruptcy procedure over the general partnership;
4) Upon the death of any partner, or the termination of a partner- legal entity, unless otherwise specified with the Partnership Agreement;
5) Upon completion of a bankruptcy procedure against any partner;
6) Upon waiver by any partner of the general partnership, unless otherwise specified with the Partnership Agreement;
7) By a final court decision;
8) Upon loss of the business capacity of one of the partners, unless otherwise specified with the Partnership Agreement;
9) Revoking of a permit for performing the activity, if the general partnership does not change the activity; and
10) In other events stipulated by the law or with the Partnership Agreement.

Article (141) - Waiver by a Partner

(1) If the general partnership was registered for unlimited period, any partner may, in accordance with the requirements set forth in the Agreement, waive the Partnership Agreement, with a notice not less than 30 days and not more than six months starting from the end of the business year. The notice shall be given to each of the partners. The notice may be extended by the Partnership Agreement. Any other restrictions or exceptions shall be void.
(2) The provisions pertaining to paragraph 1 of this Article shall apply to the general partnership which according to the Partnership Agreement lasts during the life of each of the partners, or partnership whose existence has been extended silently upon expiration of the time determined for the existence of the partnership.

Article (142) - Court Ordered Termination

(1) The court may order termination of the general partnership upon a complaint by a partner for significant reasons prior to the expiration of the period for which it was incorporated or to terminate it in the absence of a waiver if it was incorporated for an indefinite period.
(2) Significant reasons pursuant to paragraph 1 of this Article shall include intended violation or violation as a result of a gross negligence by a partner of an essential duty that makes the fulfillment of duty impossible, or makes the achievement of the general partnership's goal impossible, or the aim has been accomplished.
(3) The complaint pertaining to paragraph 1 of this article shall be filed within 90 days as of the date the reason occurred.
(4) The provisions from the Partnership Agreement that are excluding or are violating paragraphs 1 and 2 of this Article by restricting the right of partners to request termination of the general partnership, shall be considered void.
(5) The court may decide to exclude the liable partner from the general partnership rather than to terminate the partnership, upon a request of a partner.

Article (143) - Waiver due to Severe Violation or Due to Behavior

Any partner may without a notice waive his partnership in the general partnership if another partner of the general partnership severely violates the Partnership Agreement, or if the behavior of a partner endangers further cooperation or accomplishment of the purpose of the general partnership.

Article (144) - Protection of a Partner's Creditor

(1) A creditor of a partner, who is unable to collect his claim from the partner's movable property in the enforcement procedure within six months, may request forfeiture of the partner-debtor's portion of liquidation, and request termination of the partnership within the next six months with a notification to all partners, unless otherwise provided by the Partnership Agreement.
(2) The general partnership shall not terminate if the partnership itself or its partners settle the claim upon issuance of the order for foreclosure pertaining to paragraph 1.
(3) If the claim is settled by the partnership or by other partners, the participation of the partner in the partnership shall terminate, unless other partners agree otherwise.

Article (145) - Continuation of a General Partnership after Terminating a Partner's Participation

(1) The Partnership Agreement may permit the general partnership to continue to exist despite the termination of a partner's participation. In such case, the other partners shall purchase the rights of the partner whose participation is terminated. The heirs of a partner who dies may become partners in the general partnership, if they express their will thereto, and if it is allowed by the company or if the other partners agree conditionally. Heirs who wish to acquire a partnership status shall state their intent within 3 months as of the date the decision for their designation as heirs has become final.
(2) If the heirs do not wish to become partners, as well as in case of cessation of the participation in the partnership, the general partnership shall purchase the rights of the successor's part.

Article (146) – Continuation of the Operations of the General Partnership After Remaining With One Partner

(1) If a general partnership consists of only two partners and if one of the partner's participation is terminated according to the conditions and procedure stipulated by this law, or a bankruptcy procedure has been started upon one of the partners, the court may authorize the remaining partner, upon his request with a decision, within a period of one year to find another partner and to continue the business activity as a general partnership or to reorganize the general partnership into an another form of a company.
(2) The defining of the liabilities and the part of the partner who is withdrawn or terminated by a bankruptcy procedure is done with an appropriate application of the provisions of this law which are regulating the withdrawal of the partner from the general partnership.

(3) If, upon the expiration of the period stipulated in paragraph 1 of this article, the partner does not act in accordance with paragraph 1 of this article, the court shall *ex-officio* start a procedure for termination of the general partnership.

Article (147) - Entry of the Termination of a General Partnership in the Commercial Register

(1) The termination of the general partnership shall be entered in the Commercial Register by the partners, unless the termination is ordered by a final court decision, or upon completion of a bankruptcy.
(2) If the partnership terminates by a court decision, the court that made the decision shall *ex-officio* submit the decision to the court which administers the Commercial Register.

Chapter Two - LIMITED PARTNERSHIP

Section One - GENERAL PROVISIONS

Article (148) - Definition of a Limited Partnership

(1) A limited partnership shall be a partnership of two or more persons, in which, at least one of the partners shall be liable jointly and severally with their entire assets for the obligations of the limited partnership (hereinafter "general partner") and at least one partner shall be liable for the liabilities of the limited partnership only up to the recorded contribution in the limited partnership (hereinafter "limited partner"). **The contribution of the limited partner may not be in labor and services.**
(2) General partners shall participate with at least one-fifth of the total amount of the contributions.

Article (149) - Application of the Provisions on General Partnerships

The provisions of this chapter pertaining to general partnerships shall also apply to limited partnerships, unless otherwise specified in the provisions of this law.

Section Two – Founding and Entry in the Commercial Register

Article (150) - Limited Partnership Agreement

A limited partnership shall be founded by a Partnership Agreement. The signatures in the agreement shall be certified by a notary.

Article (151) - Content of the Partnership Agreement

(1) The Partnership Agreement shall contain provisions for:
1) the business name and registered office of the limited partnership;
2) scope of operations of the limited partnership;

3) full name **of each partner**, ID number, passport number for foreign natural persons, place of residence and address, or the business name, registered office, as well as the address **if** the partners are legal entities;

4) total amount of the partners' contributions, and definition of the status of the partners as limited or general partners;

5) manner of representation of the limited partnership;

6) type and ratio of contributions of each partner

7) manner and date of payment of the contribution;

8) manner of distributing of the profit and covering of losses;

9) manner of personal participation in the operations of the limited partnership, and managing the limited partnership and the manner of adopting decisions; and

10) other provisions determined by this Law that regulate the relations between the partners.

(2) Amendments to the Partnership Agreement shall be made with the consent of all the general partners and the majority of the limited partners as well as according to the amount of their contribution.

Article (152) - Business Name

(1) The business name of a limited partnership shall include the full name, or the business name, or **at least the name** of one of the general partners, and the mark "and others", if there is more than one partner, and the words "Komanditno Drustvo" (Limited Partnership) or the abbreviation "KD".

(2) The name and surname, or the business name of the limited partner shall not be included in the business name.

(3) A limited partner whose name and surname, or a business name is included in the business name of the limited partnership shall be liable as a general partner.

Article (153) - Data Entered in the Commercial Register and Attachments to the Form

(1) The following data shall be entered in the Commercial Register:

1) full name **of each partner**, ID number, passport number for foreign natural persons and their citizenship, place of residence and address, or the business name, registered office and the address of the partners that are legal entities;

2) business name and registered office of the limited partnership;

3) scope of operations of the limited partnership;

4) type and amount of the contribution of each general and limited partner;

5) representation of the limited partnership.

(2) The registration form for entry of the limited partnership in the Commercial register shall be filed by the general partners.

(3) The following shall be enclosed to the registration form:

1) the Partnership Agreement;

2) a proof for registration if the founder is a legal person, or a copy of a passport or ID card;

3) **statement by a legal entity or natural person that has performed or is performing a commercial activity as a sole proprietor** that all obligations are settled regarding unpaid benefits for pension, disability and health insurance;

4) a statement from the representative by law of the legal person, or from the natural person, verified by a notary, or submission of proof that there is no obstacle for him/her to be the founder of the company according to article 27 of this law;

5) the statement pertaining to article 30 of this law; and

6) permit of the state body if the obligation is stipulated by law for registration of the company in the Commercial Register.

(4) Partners or persons which under the Partnership Agreement are authorized as representatives shall enclose their signatures, certified by a notary.

(5) Any change in the facts pertaining to paragraph 1 of this Article, as well as joining and leaving of a new partner shall be entered in the Commercial Register.

(6) The announcement of the entry of the limited partnership in the Commercial Register made by the Court, in addition to the prescribed data, may include the number of limited partners and the total amount of their contributions. The name and surname or the business name of the limited partner may not be announced without his consent.

(7) Paragraph (6) of this Article shall also apply in cases when the limited partner joins an existing limited partnership, or withdraws from the limited partnership, as well as to changes in the type or the amount of the limited partner's contribution for which he is liable.

Section Three - LEGAL RELATIONS BETWEEN PARTNERS

Article (154) - Freedom of Contract

(1) The legal relations between partners shall be defined by the Partnership Agreement.

(2) The provisions of this Law pertaining to general partnerships shall apply to those issues not addressed by the Partnership Agreement, unless otherwise specified in this Section.

Article (155) - Obligation for Personal Participation

(1) A general partner shall participate personally in the operation of the limited partnership.

(2) A limited partner may also be obligated by the Partnership Agreement to participate personally.

(3) The limited partner and general partner pertaining to paragraph 1 and 2 of this Article shall be entitled to a bonus for their personal participation in the operation of the limited partnership.

Article (156) – Management (Governance of the Partnership)

(1) A limited partnership shall be governed by general partners. Limited partners shall not be entitled to govern the partnership.

(2) A limited partner shall not have the right to oppose the decisions or procedures followed by the general partners, but may oppose the decisions and actions that exceed the regular, **day-to-day** operations of the limited partnership.

Article (157) – Application of Provisions Pertaining to Compensation of Expenses, Damages and Prohibition on Competition

The provisions pertaining to Articles **120, 121 and 122**of this Law shall apply to limited partners unless otherwise provided by the Partnership Agreement.

Article (158) - Right to Inspection

(1) A limited partner shall have the right to request a transcription or a photocopy of the annual account statements of the company, or to inspect the trade books for the purpose of reviewing their accuracy, as well as to request to be informed of the content of the limited partnership's trade books and documents and to receive written answers to his/her written questions regarding the management (governance) of the limited partnership.
(2) In case of existence of justified reasons, the court may, upon request of the limited partner, order the limited partnership to provide a transcription or a photocopy of the annual account statements to the limited partner, or to allow him/her to inspect the trade books and documents of the limited partnership.

Article (159) - Transfer of Parts

(1) Parts of the limited partnership may be transferred to a third party only with the consent of all partners (limited and general) of the limited partnership, provided in a written form and certified by a notary.
(2) The Partnership Agreement may define:

1) free transfer of parts of limited partners among the partners;

2) transfer of parts of the limited partners to third parties with the unanimous consent of the general partners and the consent of the majority of the limited partners, in proportion to the amount of their contributions; and

3) a general partner to transfer a portion of his/her part to a limited partner or to a third party with the unanimous consent of all other general partners and the majority of the limited partners, according to the amount of their contributions.

Article (160) - Limited Partner's Participation in Profit and Covering the Losses

(1) The members may define with the Partnership Agreement when the loss does not exceed 5% of the part, the participation of the members in the profit to be determined according to article 134 paragraphs 1 and 2 of this law.
(2) A limited partner shall cover the limited partnership's losses up to the amount of his/her recorded contribution, unless otherwise provided by the Partnership Agreement. A limited partner shall not be obligated to return the received profit for the purposes of covering the subsequent losses of the limited partnership.

Section Four - LEGAL RELATIONS BETWEEN THE LIMITED PARTNERSHIP AND THIRD PARTIES

Article (161) - Representing a Limited Partnership

(1) A limited partner may not represent the limited partnership. This provision shall be void should this be otherwise determined in the Partnership Agreement.
(2) A limited partner may not represent the limited partnership on any power of attorney whatsoever.
(3) Limited partners who violate paragraphs 1 and 2 of this Article shall be jointly and severally liable with the general partners for the obligations of the limited partnership that result from the prohibited acts.

Article (162) - Liability of a Limited Partner

(1) Limited partners who have paid the entire contribution as provided for in the Partnership Agreement shall not be liable for the obligations of the limited partnership. Limited partners who have not paid the entire contribution as provided for in Partnership Agreement shall be liable to the creditors of the limited partnership directly and jointly and severally with other partners up to the amount of the agreed contribution decreased by the amount already paid.
(2) Limited partners who decrease the amount of their contribution pursuant to an agreement with the other partners of the limited partnership shall be liable to third parties up to the amount of their original contribution until such time as the new contribution is recorded in the Commercial Register.

(3) General partners who become limited partners shall be liable as limited partners once their new status as limited partners is recorded in the Commercial Register.
(4) The person that becomes a limited partner shall also be liable for the obligations undertaken by the limited partnership prior to the date the limited partner joined.

Section Five - TERMINATION OF A LIMITED PARTNERSHIP

Article (163) - Grounds for Termination

Reasons for termination of a limited partnership shall be:

1) the expiration of the period for which it has been incorporated;
2) decision made by all partners (general and limited);
3) bankruptcy;
4) death of any of the general partners, or termination of the general partner – legal entity, unless otherwise provided by the Partnership Agreement;
5) bankruptcy procedure against any of the general partners;
6) resignation of any of the general partners, unless otherwise provided by the Company Agreement;
7) final court decision;
8) loss of business capacity of a general partner, unless otherwise provided by the Partnership Agreement;
9) revoking of a permit for performing an activity, and the limited partnership does not change the activity; and

10) in other cases determined by law and the Partnership Agreement.

Article (164) - Death or Withdrawal of a Limited Partner

(1) A limited partnership shall not terminate upon the death of a limited partner or the termination of a limited partner which is a legal person.
(2) If due to the withdrawal of all limited partners, at least two general partners remain, the limited partnership may continue its operations as a general partnership.
(3) The change pertaining to paragraph 2 of this Article shall be filed for entry in the Commercial Register within 30 days from the withdrawal of the last limited partner. **A general partnership agreement shall be attached to the registration form.**
(4) Should the term pertaining to paragraph 3 of this Article is not met the limited partnership shall terminate.

Article (165) - Successor of a General Partner

If a Partnership Agreement prescribes that the limited partnership will continue to operate regardless of the death of a general partner through his/her successor who is a minor, the latter shall have the status of a limited partner until the age of maturity, but shall be represented by his legally authorized representative.

Chapter Three - LIMITED LIABILITY COMPANY

Section One - GENERAL PROVISIONS

Article (166) - Definition of a Limited Liability Company

(1) A limited liability company shall be a company in which one or more natural or legal persons participate with one contribution each in the company's pre-determined core capital.
(2) The contributions may vary in amount.
(3) The members shall not be liable for the company's liabilities.

Article (167) -Founders

(1) A limited liability company may be founded by one or more natural or legal persons.

(2) The number of members of the limited liability company shall not exceed 50.
(3) If the number of members of the company exceeds fifty, the members or the bodies of the company shall undertake actions for adjusting the number of members pursuant to paragraph (2) of this Article, within one year from the date when the number of members exceeded fifty.
(4) If no action for adjusting the number of members in compliance with paragraph (2) of this Article has been taken, the members or the bodies of the company shall, within the term anticipated in paragraph (3) of this Article, undertake actions to transform the company into a joint stock company or initiate a procedure for liquidation of the company.

Article (168) - Members' Obligations towards the Company

The Members shall be obliged to make additional contributions and execute other obligations for the limited liability company set forth by the Company Agreement.

Article (169) -Content of Company's Business Name

(1) The *business* name of a limited liability company shall contain the words "*Drustvo so ogranicena odgovornos*t" (Limited Liability Company) or the abbreviation "*DOO*".
(2) The *business* name of a company incorporated by a single person shall contain the words "*Drustvo so ogranicena odgovornost osnovano od edno lice*" (Limited Liability Company founded by a single person) or the abbreviation "*DOOEL*".

Section Two - Founding of a Company

Article (170) - Manner of Founding the Company

(1) A limited liability company (hereinafter referred to as: company) shall be founded by a Company Agreement signed by all the founders of the company.
(2) If the company is founded by a single person, the Company Agreement shall be replaced by a statement made by the founder for founding of the limited liability company (hereinafter: a Statement for Founding of the Company).
(3) The signatures of the members who signed the Company Agreement, or the signature of the founder in the Statement for Founding of the Company shall be certified by a notary.
(4) The founders shall enter into the Company Agreement in person or by a representative who must have a proxy certified by a notary. The proxy shall not be required if the founder's representative is legally authorized to enter into the Agreement in member's name or to make the statement for founding of the company.
(5) A successive founding of the limited liability company shall not be allowed.

Article (171) -Content of the Company Agreement or the Statement for Founding of the Company

(1) The Company Agreement or the Statement for Founding of the company shall contain:

1) the full name **of each member**, ID number, passport number of a foreign natural persons and their citizenship, place of residence and address of members who are natural persons, or the business name, registered office and address of members that are legal persons;

2) business name and company's registered office;

3) company's scope of operations;

4) duration of the company, or the provision whether the company is incorporated for a definite or an indefinite time period;

5) amount of the core capital and amount of the contribution of each member contribution separately, if the core capital includes non-monetary contribution with detailed description and value of the contribution;

6) the manner and time period for payment of the contributions in cash that are not paid in full;

7) the **full name of each manager** and place of residence, citizenship, as well as the address, the ID number or passport number **if** foreign citizen, or **his citizenship**;

8) representation of the company;

9) rights and liabilities of members towards the company in addition to the payment of their contributions, as well as the rights and liabilities of the company towards its founders, the manner and time of payment of the contributions **in cash** that are not paid in full;

10) the manner and criteria for distribution of the profit and manner of covering the loss; and

11) management of the company;

(2) The Company Agreement or the Statement for Founding of the company, in addition to issues addressed in paragraph (1) of this Article, may also address other issues and relations.

(3) Provisions in the Company Agreement or the Statement for Founding of the company that are contrary to this law shall be void.

Section Three - CORE CAPITAL OF THE COMPANY

Article (172) -Structure and Amount of the Core Capital

(1) The core capital of the company shall consist of the total sum of the contributions of each member.

(2) The minimum value of the core capital shall not be less than **5000** Euros expressed in denars calculated according to the average exchange rate for that currency which is published by the National Bank of the Republic of Macedonia **on the day of payment** unless the founders agreed to calculate it according to the day when the company

agreement was signed, or the statement on founding of the company. The amount of the core capital must be expressed in a round number divisible by one hundred.

Article (173) -Obligation to Increase the decreased Core Capital

(1) If the core capital falls below the minimum level specified in Article **(178)** of this Law, it must be increased up to the level determined by this Law within a period of one year, unless the company is transformed into another form of company within that period.
(2) Any person that has legal interest may submit a proposal to court requesting the termination of the company if the core capital is not increased up to the amount specified in paragraph 1 of this Article within the term set forth by this law, upon warning the company's legally authorized representative that such state needs to be harmonized with the law.

Article (174) - Contributions of Members

(1) The contribution of a member may be a monetary contribution and non-monetary contribution.
(2) Making contributions in the form of labor and services, including the labor and services already performed shall be contrary to this Law**.**
(3) The contributions shall be subscribed in full.
(4) The amount of individual contributions shall not be less than 100 Euros in denars counter value. The contribution shall be expressed in a round number divisible by one hundred.
(5) Each member shall be entitled to a single contribution at the founding of the company. A single contribution may be acquired by several persons.

Article (175) - Payment and Making the Basic Contributions

(1) Each member when founding the company shall pay at least one third of the subscribed monetary contribution. Before filing an application for entry, the total amount of all cash payments shall not be less than 2,500 EUROS expressed in denar counter value.
(2) The non-monetary contributions shall be made in full, prior to filing the registration form for entry of the founding of the company in the Commercial Register. If the value of the made non-monetary contribution at the time the registration form for entering the company in the Commercial Register was filed, does not reach the value of the acquired contribution, the member shall pay the difference in value by contribution in cash.
(3) The payment of the monetary contribution shall be deposited in a temporary account of the company maintained by the bearer of the payment transactions in the Republic of Macedonia.
(4) Payments of the contributions **in cash,** as well as making the non-monetary contributions in full shall be made in such a manner so that the company, **as of the date** when the founding was entered in the Commercial Register may freely use them.

Article (176) – Non-monetary contribution

(1) If the contribution is a non-monetary contribution acquired by the company, the Company Agreement or the Founding Statement of the company shall more **precisely define** the following:

1) the member who makes the non-monetary contribution,
2) the non-monetary contribution made,
3) the value according to which the company is acquiring the non-monetary contribution, and
4) the benefits granted to the member who made the non-monetary contribution, if such benefits are agreed upon by the members.

(2) A **appraisal** report on the no**n-monetary contribution** by an authorised appraiser shall be enclosed with the Company Agreement. Provisions pertaining to Article **33** of this Law shall respectively apply to the non-monetary contributions.

Article (177) - Determining the Value of Non-monetary Contribution

Founders may by unanimous vote decide not to appraise the value of the non-monetary contribution, if the value of one non-monetary contribution is less than **5,000** Euros in denars counter value and if the total value of the non-monetary contributions in their entirety does not exceed one half of the core capital. In that case prior to filing the registration form for entry in the Commercial Register the members shall prepare a report on the non-monetary contributions stating that the value of non-monetary contribution is not less than the value of the assumed contribution.

Article (178) - Special Benefits for the Members

If a member of the company is reimbursed for the non-monetary contribution that he made into the company and that value is added to his basic contribution, or if the company grants special benefits to a member, the Company Agreement shall, completely and in detail, state the member of the company who transfers the non-monetary contribution, description of what is transferred in such a manner and the value expressed in cash, as well as the special benefits that the member of the company acquires.

Article (179) - Terms for Refund of the Amount of Paid-in Contributions

(1) If the company is not founded within six months as of the date of payment of initial contribution i**n cash** in a manner **set forth** by the Company Agreement, each founder who paid in the contribution may request from the court to determine his right on refund of the amount of his/her paid-in contribution.

(2) New procedures for making the basic contributions in the company shall be conducted if the founders decide to found the company upon the court's decision pursuant to paragraph 1 of this Article.

Article (180) - Covering the Costs of Founding a Company

(1) Founders shall cover the expenses of founding of the limited liability company in proportion to their contributions, unless otherwise agreed. The reimbursement for the expenses of founding of the company may not be paid from the core capital nor included in the core capital as a contribution.
(2) Founders may decide to receive reimbursement for the expenses for founding of the company up to the highest amount for compensation **stipulated** in the Company Agreement.
(3) The reimbursement for the costs and bonuses pertaining to paragraph 1 and 2 of this Article, unless otherwise **stipulated in the Company Agreement**, may only be paid out of the profit of the company. Members may decide for these payments to have a priority in relation to the participation in the distribution of the profit.

Article (181) - Liabilities of the Members and Managers for Damages

(1) If the core capital **did not achieve the agreed amount** as a result of false information given within the course of founding of the company, the members and the manager shall be obliged to compensate the payments made during the founding of the company, which are not accepted as expenses for founding of the company. They shall also be liable for other damages **caused**.
(2) The members and the manager shall be jointly and severally liable to the limited liability company for damages caused intentionally or due to gross negligence in the failure to make contributions or by improper making of non-monetary contributions, as a result of inflated valuation of contributions or any other detrimental behavior and action undertaken in the procedure for founding of the company for which the court finds them guilty.
(3) Any member or manager who was not aware of facts producing liabilities, nor should have known about them if he acted with due care shall be exempted for the liabilities defined in paragraphs 1 and 2 of this Article.
(4) If the fulfilling of the said liabilities, or compensation of damages is necessary for the purpose of fulfilling the liabilities against third parties, the limited liability company shall not reject the claims for damages pertaining to previous paragraphs of this Article nor negotiate for such claims.
(5) The requirement for fulfilling the mentioned liabilities or compensation of damages shall become outdated within five (5) years as of the date of publication of the entry of the founding of the company in the Commercial Register. The request shall be deemed outdated as of the day of the announcement of the entry of the company's incorporation.

Section Four - FILING A REGISTRATION FORM AND ENTRY OF THE FOUNDING IN THE COMMERCIAL REGISTER

Article (182) - Data Entered in the Commercial Register

(1) The founding of the company shall be entered in the Commercial Register by means of a registration form for entering the foundation of a company.

(2) The registration form for founding of a company shall be submitted and signed by the manager or a manager authorized by the other managers, if there are more in the company.

(3) The following data shall be entered in the Commercial Register:

1) the business name and registered office;
2) the scope of operations of the company;
3) the amount of the core capital;
4) the date of concluding the Company Agreement, **or the date of signing the statement for founding of the company**;
5) the duration of the company if that is defined in the Company Agreement or in the Statement for founding of the company,
6) the full name of the manager or managers (hereinafter: the manager), president and members of the supervisory board, or controller, if a supervisory body is established in the company, ID number or passport number if he is a foreign citizen and his citizenship, place of residence and address;
7) the authorization to represent the company;
8) the full name of each member**,** ID number, passport number for foreign members natural persons and his/her citizenship, place of residence and address, or the business name, registered office as well as the address if the members are legal persons **and the amount of the contribution of each member – founder of the company**; and
9) a WEB site if the company has one.

(4) Each change of data in paragraph 3 of this Article **as well as joining and leaving of a member** shall be entered in the Commercial Register.

Article (183)- Enclosures to the Registration Form

(1) The following documents shall be submitted as enclosures to the registration form for entry of the founding of the company:

1) The Company Agreement or the Statement for founding of the company, with all the attachments, including the proxy agreement for the proxy representative, certified by a notary;

2) Proof for registration if the founder is a legal person, or a copy of a passport or ID card;

3) Proof issued by a bank authorized for executing payment operations that each founder has paid in at least one third of their contributions in cash;

4) Proof that at least one-half of the core capital has been paid in, but not less than 2500 Euros in denar counter value;

5) Appraisal report by an authorized appraiser in case non-monetary contributions are made, except when according to article (177) of this law an appraisal is not conducted;

6) Resolution for election of a manager if he/she has not been appointed by the Company Agreement containing the following data: full name, ID number, passport number for a foreigner and his citizenship, place of residence and address;

7) Statement made by each manager **that he accepts the election certified by a notary, and if the Company Agreement prescribes that the company having more than one manager shall be represented by only one of the managers, together or without an agent, the statement shall also accept the representation of the company in the manner stipulated in the Company agreement;**

8) Resolution for election of members of the supervisory board or the controller, if such bodies are not set forth by the Company Agreement containing the following data: full name, ID number, passport number for a foreigner and his citizenship, place of residence and address;

9) License issued by a state body, if such an obligation is determined by law, for the purposes of entry of the company in the Commercial Register.

10) **Statement made by a representative by law of the legal person or from the natural person certified by a notary, or submission of proof that there is no obstacle for him to be the founder of the company according to article 27 of this law**; and

11) Statement pursuant to article 30 of this law.

Section Five -LEGAL RELATIONSHIPS BETWEEN THE COMPANY AND MEMBERS

Subsection One - Rights and Liabilities of Members in the Company

Article 184 - Rights of Members

(1) Each member of the company shall have the following rights:
1) Right to participate in the governance of the limited liability company,
2) Right to participate in the distribution of the profit;
3) Right to be informed and notified regarding the operations of the company;
4) Right to inspect the books of the company and other documentation; and
5) Right to the remainder of the winding up estate or of the bankruptcy estate.

(2) A member shall have other rights as well, **stipulated by law.** The members may determine other rights of members in the Company Agreement.

(3) Rights pertaining to paragraphs 1 and 2 of this Article shall be exercised by the members in the extent, **manner** and according to the conditions stipulated by this Law and the Company Agreement.

Article 185 - Right to Participate in the Profit

(1) The members shall have the right to participate in the distribution of profit, unless the payment of the profit is restricted or excluded by the Company Agreement.

(2) The profit shall be distributed among the members in proportion to their parts in the company unless otherwise provided by the Company Agreement.

(3) The member shall become a creditor of the company for the amount of the approved but unpaid profit.

(4) The Company Agreement shall set forth the manner of deciding upon the distribution, the distribution date, **the possibility of the manager to decide about** the right to

distribution according to the criteria and guidelines determined at the members meeting, the manner of keeping records regarding the distribution, as well as the amount which each member is entitled to, any restrictions during distribution and other issues, except **the ones** that pursuant to this Law and the Company Agreements **are determined to be adopted at the** Members Meeting.

Article 186 - Obligation for Payment of Contribution

(1) The member shall be obligated to pay the acquired basic contribution in full, in accordance with the Company Agreement.
(2) All members shall make the payment of their **monetary contributions** proportionally to their **acquired contributions**, unless otherwise provided by the Company Agreement or by a decision of the Members Meeting.
(3) The members **may** not be exempted, nor alleviated or postponed from their obligation to pay their monetary contribution. The obligation for payment of the monetary contribution **may** not be settled by a member's claim against the company.
4) The member may be exempted from the obligation to pay the monetary contribution in case of decrease of the core capital, t**he most up to the** amount by which the core capital decreases.
5) If during the foundation of the company the full amount of the monetary contribution has not been paid in, the remainder of the contribution shall be paid in a manner stipulated by the Company Agreement. The remainder of the contribution shall be paid in within a year from the date of the **announcing the entry** of the company's foundation.
6) The Company Agreement shall not contradict paragraph 3 and 4 of this Article.

Article 187 -Additional Period for Payment of Contribution and Payment of Interest

(1) **In case of delayed payment of the contribution, the company shall, within additional extension period of at least 30 days, call the member to fulfill his/her obligation. In the notification sent to the member by the manager of the company it shall be pointed out that the failure to make the payment within the extension period shall result with his/her expulsion from the company. The notification shall be hand delivered or sent to the member by registered mail. In case of sending the notification to several members, the extension period shall equally apply to all of them**

(2) The limited liability company may file a complaint against the member requesting from him/her to pay the contribution in full or a portion of it.

(3) A member, who failed to pay the contribution within the period defined in the Company Agreement, or was late in fulfilling this obligation, shall be obligated to pay the contribution together with the default interest, unless a lower interest is determined by the Company Agreement.

Article 188 - Expulsion of a Member Due to Delay

(1) If the additional period for payment of the contribution referred to in Article 187, paragraph (1) of this law expires, the manger shall announce that the member, for the benefit of the company, has lost his/her part and the partial payment of the contribution. With this act the member shall be considered expelled. The members shall be notified of the expulsion from the company in writing by registered mail or by hand delivery.

(2) The expelled member shall lose all the rights in the company, but shall still be obligated to pay the unpaid portion of the contribution. This shall not exclude his liability for damages caused to the company arising from his/her failure to make the payment.

(3) The predecessor or all predecessors of the expelled member shall be liable for the payment of the contribution that the expelled member has not paid yet. The payment may be first requested by the direct predecessor of the expelled member. Should s/he fail to pay the contribution within one month from the date of inviting him/her, the payment may be requested from his/her predecessor.

(4) The term of limited validity against the predecessor of the expelled member shall start to count as of the date when the transfer of the share was announced to the company.

(5) The predecessor of the expelled member, by paying in the remained of the contribution shall acquire the part of the expelled member.

Article 189 - Sale of the Part of the Expelled Member

(1) The limited liability company shall sell the part of the expelled member at a public auction, unless acquired by other members of the company at a price relevant to its value and with consent from the expelled member. The part **may** be sold and converted into cash by other means, only with consent from the expelled member.

(2) If a higher price is obtained at the sale of the part at the public auction than the amount owed to the company by the member, the extra **amount**, upon compensation of sales costs and **default** interest, shall be used for payment of the contribution, while the remainder is to be paid to the expelled member.

(3) The provisions from the Company Agreement are null and void, as well as, the other legal actions and matters contrary to the provisions pertaining to article **188 and** of this law.

Article 190 -Withdrawal of Part, or Payment of Contribution by Other Members

(1) **Pursuant to** the provisions of article **189 of this Law, if** the conversion of the part into cash is not possible in any way within six months, the **company may** withdraw the part or the other members of the company, in proportion to their parts in the company, may pay the basic contribution of the expelled member in full. The basic contributions of the members shall be increased in proportion to the amounts paid in this manner**.**

(2) In case of withdrawal of the part or the payment of the basic contribution in full by other members, the expelled member shall be entitled to the paid-in part of his/her basic contribution.

Article 191 – Additional Payments

(1) The Company Agreement **may** stipulate all or certain members to make a commitment to make additional payments exceeding the amount of the basic contribution.

(2) **The members may, with a decision, determine an obligation** to make additional payments for covering the losses or **the** temporary necessity of cash. The additional payments of members shall be proportional to their parts in the company, unless the members agree upon a different proportion.

(3) The additional payments shall not increase the contributions and parts of the members, nor the core capital of the company. An agreement may be reached for the company to pay interest rate for the additional payments.

(4) The member **may** not compensate his/**her** obligation for additional payment with a claim he has against the company.

(5) A member, who is late with his obligation to make the additional payment, shall be obligated to pay interest and to cover the damage caused to the company, unless otherwise provided with the Company Agreement.

Article 192 – Prohibited Payments

(1) A member, whom the company has paid a certain amount contrary to the law **and the** Company Agreement, shall be **obligated** to return the received amount to the company. The member **may** keep such amount that was received in good faith as portion of the profit.

(2) For the refund of the prohibited payment, the payment of which decreased the core capital of the company (prohibited payment), in addition to the member who received the payment, the manager, and the members of the supervisory board or the controller shall **also** be jointly liable, as well as other liable parties in the company, who during the payment **failed to** act with due care.

(3) If the full amount of the prohibited payment **may** not be collected from the parties stated in paragraph 2 of this Article, the amount for which the core capital has been decreased shall be compensated by the members in proportion to their basic contributions in the company.

(4) Parties stated in paragraph 2 and paragraph 3 of this Article may not be exempted from the stated liabilities for returning of the full amount of prohibited payment neither fully nor partially.

(5) The claims of the company pursuant to paragraph 1 through paragraph 3 of this Article shall become outdated within five (5) years as of the date of receiving the prohibited payment**,** unless the company proves that the liable party was aware of the illicit nature of the payment.

Subsection Two - Parts

Article 193 - Determining the Value of the Part

(1) The part of a member **of a company** shall be determined by the volume of the basic contribution t**hat the member has acquired**, unless otherwise provided by the Company Agreement.

(2) A member **may** have only one part in the company. If the member acquires another part, his/her part shall be increased by the value of the acquired part.

Article 194 - Certificate of Part

(1) The Company Agreement **may** determine an obligation of the company to issue a certificate of part to the members. The certificate of part shall be issued as a copy of the situation registered in the List of Parts.

(2) A certificate of part issued to a member **of a company** shall not be considered a security.

(3) The company shall not issue documents **that ensure payment** from the annual profits.

Article 195 - List of Parts

(1) The manager of a limited liability company shall be responsible to maintain a list of parts in which, upon entry of the company in the Commercial Register, **the following shall be entered** for each member: **the surname and name**, ID number, passport number or the number of ID if the member is a foreign natural person and his/her

citizenship, place of residence and address, or business name, registered office and address of members that are legal entities, date of becoming a member, amount of the basic contribution acquired, paid in or agreed to pay, the method and time of payment, the additional payments that were paid in, description and statement for the agreed value of the non-monetary contribution that was made or agreed to be made in the future, **all** liabilities encumbering the part, the number of votes in the decision making process, as well as other special rights and obligations **that arise from** the part.
(2) Any alterations related to the made registration, or divisions or encumbrances on the part shall be recorded in the list of parts immediately. The managers shall immediately enter the following actions without delay: withdrawal and expulsion of a member, change of part owner due to conversion of part into cash, acquisition of new basic contributions, reduction of basic contributions or refunds of additional payments and the changes made contrary to the will of the members, whereas the other alterations, encumbrances and divisions shall be entered only after proper notice is given to any of the members. The manager shall be obligated to file **the court** an application **regarding** the change in the registration in the Commercial Register within three days after the date of the change made in the list of parts, if this Law stipulates that the data entered in the list of parts is also registered in the Commercial Register.
(3) The manager shall be personally liable for regular and precise maintenance of the list of parts and accuracy of the data entered in the list of parts.
(4) The manager shall be liable to the company for the accuracy of data entered in the list of parts.
(5) The Company Agreement shall set forth the manner of maintaining the list of parts.

Article 196 - Effects of Entry in the Book of Parts

(1) With respect to the company, only the member registered in the list of parts **shall be** considered a member of the company.
(2) The entry in the list of parts shall be considered to have been made on the date when the company receives the application for entry in the list of parts, if it fulfills the requirements for such entry, regardless of the time when the entry was effectively made. The application shall be submitted in written form.
(3) If the manager refuses to make an entry in the list of parts, within the period of 8 days upon the submission of the **application** form, the member **may** submit a proposal to the registration court **requesting** from the court to make a decision for entry in the list of parts.
(4) Upon the final decision of the court, the manager shall be obligated, within 3 days from the date of receipt of the decision, to act according to the decision and make the entry in the list of parts.

Article 197 - Use of the Part

(1) Members **are entitled to free use of parts, under the terms set forth in the Company Agreement.**
(2) The parts in the company **may** be transferred **in a manner** and according to the procedure set forth in the Company Agreement.
(3) A member of the company **may** transfer **his/her** part in whole or only a portion of it.

(4) The part **shall** be transferred by a transfer agreement, certified by a notary.
(5) Each transfer of part made in a manner and according to the terms contrary to this law or the Company Agreement shall be deemed null and void.
(6) The member of the company **may** pledge **his/her** part according to the conditions set forth in the Company Agreement. **The member that pledged his/her part shall exercise all rights and obligations as a member.**

Article 198 - Terms of Transfer of a Part to a Third Party

(1) The member **may** transfer **his/her** part to a third party only if **s/**he has paid in his basic contribution in full.
(2) The right of priority purchase of a part shall be **realized** in the following order: **other** members and the person designated by the company.
(3) If other members or the person designated by the company do not express their position within 30 days from the date **of announcing the** intention to transfer the part, **the member shall be free in realizing his/her right to transfer the part**, unless special terms are provided by the Company Agreement.

Article 199 - Transfer of a Part by way of Inheritance

(1) The transfer of parts by way of inheritance shall not be subject to restrictions.
(2) If the member is deceased, the legal representative of his/**her** inheritance will exercise all rights and obligations arising from the membership, including all other rights and obligations the member **acquired** according to the Company Agreement.
(3) For the transfer of a part by inheritance and for gaining by acquisition **any kind of property** as a whole, the Company Agreement **may** prescribe that the heir, or the obtainer is required to transfer the part to one of the members or a person designated by the company, unless the parties agree otherwise. The part shall be transferred at the price that corresponds to the value of such part recorded in the latest annual balance sheet of the company. If the company fails to ask the heir, or the obtainer to transfer their part within 30 days from the day the company learned of it, the obligation for a transfer shall terminate.

Article 200 - Transfer of Rights and Obligations from the Member to the Person who Acquired the Part

(1) In the case of transfer of part, the rights and obligations of the membership shall be transferred to the person who acquired the part. As for the relations in the company, all legal activities undertaken **in relation to** the member, as well as the legal actions that the member has undertaken **prior** the company was informed about the transfer of the part in the list of parts, shall apply to the person that acquired the part.
(2) The person who purchased a part and his legal predecessor shall be liable for executing activities that, on the basis of the part, have to be performed toward the company under obligation existing at the time when the registration form for the transfer of the respective part in the list of parts was submitted to the company. They are liable for the obligations at the moment of transfer of the part **proportionally to** the

participation of the basic contribution in the core capital of the company on the basis of which the part is acquired.
(3) The requirements for execution of some activities of the legal predecessor of the person that acquired the part shall become outdated within five (5) years from the date of filing the registration form for transfer of the part in the list of parts.
(4) The person who acquired a part **shall be obligated** to file an application to the company for the change in the ownership of the part for the purpose of registration in the list of parts.
(5) The **application referred to in** paragraph 4 of this article shall include a statement of the person who acquired the part that **s/**he agrees to become a member in the company, and fully and unconditionally accepts the provisions of the Company Agreement.

Article 201 - Division of Parts

(1) A part **may** be divided only in the event of transfer, legal succession of a member whose status as member was terminated, or in case of inheritance. The division of a part shall require the consent of all members, unless **otherwise specified** in the Company Agreement.
(2) Provisions of this law pertaining to minimum basic contributions shall also apply to the division of a part.
(3) The division of part **may** be excluded by the Company Agreement, except in case of transfer of parts between company members.
(4) Provisions of this law pertaining to the transfer of part shall apply respectively to the transfer of a **portion of** a part.

Article 202 - Co-ownership of a Part

(1) One part may be owned by several co-owners.
(2) Parties referred to in paragraph 1 of this article shall be considered as one member, they shall exercise their rights only through a joint representative, and they shall be jointly liable for the obligations arising from the part.
(3) Each of the co-owners of a part shall **provide the** company with required data for each member **according to** this law.
(4) The co-owners of a part shall sign a written proxy for appointing a joint representative **of theirs** and submit it to the company. If the appointed representative votes or undertakes another action regarding the part, the company shall accept his voting or the other action without further examination of his authorization given by the members.
(5) The company shall send all reports regarding the company's operations and pay the distributed profit only to the joint representative, and shall have obligation to do so for each co-owner.

Article 203 - Acquisition of Treasury Parts by the Company

(1) The company may acquire treasury parts under the following conditions:
1) the basic contribution for the acquiring part is fully paid in; and

2) the company has generated reserves for acquiring treasury parts up to the amount stipulated by law, whilst not reducing the core capital of the company or the level of reserves that may not be used for payments to the members specified by the Company Agreement;

(2) The decision of the members, adopted by at least two-thirds majority vote of the total number of votes based on parts, authorizes the company to buy out up to one-third of the parts participating in the core capital.

(3) The company shall be obligated, within one year from the date of the buy out, either to transfer or, by applying the rule for decrease of the core capital, to withdraw the part acquired contrary to paragraphs 1 and 2 of this Article.

(4) **The rights of the treasury part shall be standstill**.

Article 204 - Taking Member's Part by Pledge

(1) The company **may** take in pledge member's part for which the acquired contribution has been fully paid in.

(2) The member who has given his part under pledge to the company shall realize all rights and obligations arising from the membership.

(3) The company may take a part in pledge according to paragraph 1 of this article only if the total amount of claims secured with the pledge of the part is lower than the value of the part, or, if the value of the part taken in pledge is lower than the claim, or the amount of the claim does not exceed the value of the company's assets exceeding the core capital.

(4) If the company acquires treasury part on the basis of pledge, the provisions under paragraph **3** of Article **203** of this Law shall apply.

Article 205 - Withdrawal of a Part

(1) A part **may** be withdrawn only in cases stipulated in the Company Agreement.

(2) A part **may** be withdrawn without the member's consent if the conditions for withdrawal were specified in the Company Agreement before the member acquired the part.

(3) If the withdrawal generates decrease in the core capital, the withdrawal shall be made only through decrease in the core capital.

(4) A limited liability company founded by a single person **may** neither acquire treasury part nor **withdraw** the part.

Subsection three - Termination of Member Status

Article 206 - Grounds for Termination of the Member Status

(1) The member status in the company shall be terminated by:

1) death of a natural person – member;
2) termination of a legal entity – member;
3) withdrawal of a member from the company;
4) expulsion of a member from the company;
5) execution of a bankruptcy procedure against a member and,

6) other event stipulated by the Company Agreement as a reason for termination of the member status.

(2) Property relations arising from the member status shall be regulated on the basis of a financial statement prepared not later than the end of the month in which the member status has been terminated.

Article 207 - Withdrawal of a Member from the Company

(1) The Company Agreement may provide for a member to be able to withdraw from the company. In such case, the Company Agreement shall set forth the conditions, procedure and consequences of the member's withdrawal from the company.

(2) A member may request a withdrawal from the company **by a complaint**, in **case of existence of justified reasons for that.** It shall be considered that there are justified reasons for withdrawal of the member from the company if:

1) other members or a company's body cause damage to the member, or if s/he suffers unfair damages being a member in the company;

2) the member is hindered from exercising **his/her** rights in the company; and

3) a company's body imposes unsuitable obligations on the member.

(3) The member **may** not waive the rights set forth in paragraph 2 of **this Article in advance.**

(4)

Article 208 - Expulsion of a Member from the Company

(1) The Company Agreement may provide for a member to be expelled from the company. In such case, the Company Agreement shall provide for the conditions, procedure and consequences of expulsion of a member from the company.

(2) A member or the company may, by a complaint filed to the court of competent jurisdiction, request the expulsion of another member from the company, **in case of existence of justified reasons**. It shall be considered that there are justified reasons if the other member:

1) causes damage to the company or to any member, or if **his/her** further presence in the company as a member causes damages to the company or the members;

2) acts contrary to the resolutions of members adopted at the Members Meeting, or by way of correspondence;

3) does not participate in the management of the company, thus impeding and limiting the regular operation of the company or exercising the rights of other members;

4) deliberately or coarsely violates the provisions of the Company Agreement, and the responsibilities assigned to him/**her** as a member; or

5) fails to fulfill, in other ways, the obligations assumed under the Company Agreement.

(3) The complaint shall be filed within 90 days from the date the reason occurred.

(4) A member **may** not waive the rights set forth in paragraph 2 of **this Article in advance.**

Article 209 -Effect of Withdrawal or Expulsion of a Member from the Company

(1) The withdrawal or expulsion of a member shall result in termination of his/**her** member status and of any right arising thereof.
(2) A member who withdraws or is expelled from the company shall be entitled to compensation for his part based on its market value at the time of withdrawal or expulsion. If the contribution was non-monetary, the member shall be entitled to regain his contribution, if that right is stipulated by the Company Agreement, or if the other members agree to that, within a period not less than three months from the date of his withdrawal or expulsion. The member may not require compensation for the damage caused by accidental destruction, damage or reduction of the value of his contribution, as well as, if that occurs as a result of regular use or if the member has to fulfill other obligations to the company, the value of the contribution of the member shall not be reimbursed until he compensates the company for the damage, or fulfills the obligation to the company.
(3) The method of performing the assessment, or the method of selection for establishing fair compensation for the part shall be determined **with an agreement between the member who withdraws and the expelled member.**
(4) If the selection is not made on the basis of mutual agreement in accordance with paragraph 3 of this Article, upon request of the company, of the withdrawn member, or expelled member, the court shall appoint an authorized appraiser who shall assess the amount of compensation for the part.
(5) The member status in case of withdrawal or expulsion shall cease at the moment when the compensation referred to in the paragraph 2 of this Article is paid to the member.

Section Six - NOTIFICATION OF MEMBERS

Article 210 - Documents and Information that a Company Must Keep

A limited liability company shall, at any time at its registered office, keep each of the following information and documents:

1) a copy of the Company Agreement;
2) list of parts;
3) list of resolutions;
4) list with the full name, ID number, passport number for foreign individuals and their citizenship, place of residence and address of the person appointed as a manager, members of the supervisory board, or the controller if the company has supervisory bodies;
5) minutes of all Members Meetings, and all resolutions adopted by the members without holding a Members Meeting (by **way of correspondence**), and
6) a copy of the annual account statement and the report on the company's operations during the previous business year and tax returns of the company **for** the last 3 years;
7) statements given in written by the members that they are accepting the provisions pertaining to the Company Agreement; and

8) other documents set forth by this law.

Article 211 - Access to Documents and Information

(1) The limited liability company shall provide an access to the documents it keeps and information it has, to any member, or former member with respect to the period in which he was a member of the company, or an authorized representative of a member for inspection or copying (hereinafter: access to documents and information) during the company's business hours.
(2) The company **may**, as a precondition for providing access to documents and information pertaining to paragraph 1 of this Article, request the member or former member with respect to the period he was a member, authorized representative of a member to prove their identity and status of a member or legal heir.
(3) The company **may** ask the persons referred to in paragraph 1 and 2 of this Article to cover the actual expenses (for copying and **alike**.) for access to the documents and information of the company.

Article 212 - Access to Documents and Information upon a Court Decision

(1) If the limited liability company fails to provide access to the documents and information under Article **210** of this Law to a member, or a former member or a representative of a member, within the period in which he was a member of the company, or fails to reply to a written request submitted for that purpose within five days from submitting it, he may request from the court **with a proposal** to make a decision on exercising this right.
(2) The court shall within a term not longer than 8 days from the date the request pertaining to paragraph 1 of this Article was filed, determine whether the person **under paragraph 1 of this Article is entitled to access to documents and informatio**n.
(3) The person that had access to the information **may** not disclose or present the obtained information to the public if it causes damages to the company, unless he exercises a certain right he is entitled to according to the Law, the Company Agreement or **other act** of the company.
(4) If the person pertaining to paragraph 1 of this article that had access to the documents and information discloses it and causes damage to the company, he shall be liable for indemnification, except in the cases referred to in paragraph 3 of this article.

Section Seven - RESOLUTIONS OF MEMBERS OF THE LIMITED LIABILITY COMPANY

Subsection One - Resolutions of Members

Article 213 - Forms of Making Resolutions by the Members

(1) The members shall adopt resolutions of the company at the Members Meeting, or without holding a Members Meeting **by way of correspondence**.
(2) The issues which members are resolving at the Members Meeting or **by way of correspondence**, as well as the manner, terms and procedure for making such resolutions shall be stipulated by the Company Agreement.

Subsection Two - Members Meeting

Article 214 - Composition of the Members Meeting

(1) The Members Meeting shall include all members.
(2) The Manager of the company who is not a member may participate in the activities of the Members Meeting, without having the right to vote.

Article 215 - Competence of the Members Meeting

(1) The Members Meeting shall perform the following activities, unless otherwise provided by **the Company Agreement**:

1) adopts the annual account statements and annual report on the company's operations for the previous business year and decide **upon** the distribution of profit and covering **of losses;**
2) appoints or dismiss the manager, or other managers, in case the company appoints several managers, and **decide on concluding the contract between the company and manager**;
3) elects and dismiss members of the supervisory board or appoint and dismiss the controller, if in accordance with this Law or the Company Agreement, the establishment of the controlling body has been determined;
4) decides upon the measures on examination and performing control over **the** operation;
5) litigates a procedure for compensation of damages suffered by the company that **occurred** during the process of its foundation and management against the manager(s), members of the supervisory board or controllers and appoint a litigation representative if the company **may** not be represented by the managers or members of the supervisory board;
6) approves contracts for procurements in amount that exceeds one-fifth of the company’s core capital;
7) approves contracts between the company and a member, a manager or their next of kin without limitations and a sideline to third degree, unless these types of contracts are concluded under the usual terms of the company’s operation;
8) decides upon the amendment to the Company Agreement; and
9) performs all other activities stipulated by this Law.

(3) The Company Agreement may provide for the Members Meeting also to decide upon **other issues.**

Article 216 - Persons Who May Convene Members Meeting

(1) The Members Meeting shall be convened by the manager, unless the Company Agreement assigns the right of convening the meeting to other person.

(2) The Members Meeting **shall be convened at least once a year. It shall be convened by a written notification form and within terms anticipated by this Law and the Company Agreement, whenever it is for the interest of the company.**

(3) Members Meeting shall be convened without any delay, even if requested by member(s) holding at least 10% of the core capital, by a request in writing stating the reasons for the meeting.

(4) If the body competent for convening the Members Meeting fails to convene the Members Meeting within 14 days from the date **of receipt of the request referred to** in paragraph **3** of this Article was received, the members that submitted the request **may** convene the Members Meeting, thus setting the agenda of the meeting.

(5) The Members Meeting **may** be convened by the supervisory board, **as well**, or **by** the controller if such body was established, or appointed in the company.

Article 217 - Manner and Term for Convening Members Meeting

(1) The Members Meeting shall be convened by a written invitation, or another written notification that shall be delivered to each member by registered mail or **some other convenient way**, unless otherwise provided by the Company Agreement. At least eight days **need to** pass from the date the written invitation, or the other written notification by registered mail is sent, until the date of holding the Members Meeting. The agenda for the meeting shall be enclosed with the invitation or notification.

(2) S**hould the Members Meeting not be convened properly, or in compliance with paragraph 1 of this Article**, the resolutions may be adopted only if all members are present or represented and they do not object to the Members Meeting being held.

(3) Any member **shall have the right to** propose a certain item **to** be entered into the agenda of the Meeting. The member shall inform the other members of his proposal not later than three days prior the date of the Meeting. Items that are not listed in the invitation or **the ones for which the members are not** additionally informed three days prior the Meeting, may be entered in the agenda and discussed at the meeting only if all members are present and do not object to discussing the item. **Items proposed to be entered in the Agenda at the very session of the Members Meeting may be discussed if all members are present at the Meeting and do not object discussing them.**

(4) The Members Meeting shall take place in the registered office of the company, unless otherwise provided by the Company Agreement.

Article 218 – Quorum and Limitations on Members' Right to Vote

(1) The Members Meeting **may** work and decide if the members or their representatives, that are representing at least half of the core capital are present at the meeting, unless otherwise provided by the Company Agreement.

(2) Each amount of the basic contribution equal to 100 EURO calculated according to the average exchange rate of the National Bank of the Republic of Macedonia on the day the Company Agreement is concluded or on the day the decision on change in the core

capital is reached, shall confer one vote where parts less than 100 EURO expressed in denars shall not be taken into consideration when determining the voting right.
(3) The Company Agreement can provide for the members to have voting rights that differ from paragraph 2 of this Article, whereby each member is entitled to a minimum of one vote.

Article 219 - Adoption of Resolutions

(1) Resolutions made at the Members Meeting, shall be adopted by majority votes of all **members**, unless this law prescribes a different majority.
(2) Resolutions made **by way of correspondence** shall be adopted by the majority votes of all members unless this law prescribes a different majority.

Article 220 - Limitations when Exercising the Voting Right

(1) Member who stands to be relieved from an obligation or a responsibility pursuant to a resolution that is to be made or to whom an advantage or privilege is acknowledged at the expense of the company may not vote at the Members Meeting, as well as a member with whom a contract is to be concluded or **when there is an approval by other members for filing a complaint against him, as well as in other cases set forth by the Company Agreement.** The member **may** not vote neither as a representative of another member.
(2) Provisions of the Company Agreement contrary to paragraph 1 of this Article shall be void.

Article 221 - Representation of a Member

(1) **If the company has more than two members, the member may be represented by another member or by a third party at the Members Meeting and take action on his behalf.**
(2) Where the member exercises the voting right through another member or a third party, he shall issue a written proxy. The proxy shall be issued in writing and verified by a notary. The proxy shall state the scope and the type of authorizations of the representative.
(3) The revocation or reduction in the authorizations of the proxy **referred to** in paragraph 2 of this Article shall be made by a statement verified by a notary.
(4) The authorized representatives of an individual and representatives of a legal entity, according to law, shall represent the member at the Members Meeting without a proxy and shall be obligated to submit evidence of their status as legal representatives, representatives according to law.

Subsection Three – Resolution Making by Way of Correspondence

Article 222 - Resolution Making by Way of Correspondence

(1) Where the Company Agreement provides that the members adopt a resolution **by way of correspondence**, the draft resolution shall be presented to the members in writing and a reasonable deadline for reply shall be determined, which may not be shorter than 24

hours (in working days), after the date the draft resolution in writing was presented to the members. The draft resolution shall be clearly stated.
(2) The resolution **may** be made in term shorter than the term referred to in paragraph 1 of this Article if all members voted in its favor, or if the voting is done electronically.
(3) Resolution making by electronic means shall also by considered as a resolution making by way of correspondence if such manner of resolution making is set forth in the company Agreement and provides security, documentation, possibility to control the correspondence and accessibility for each member to personally state his opinion electronically.
(4) Members who fail to respond, or give opinion within the set term referred to in paragraph 1 of this Article shall be deemed to have voted against the draft resolution.
(5) If the Company Agreement stipulates so, each member may give a proposal for convening a Members Meeting where an issue will be decided upon in the manner determined in paragraph 1 of this Article.

Subsection 3 – Liability for Adopted Resolutions, Book of Resolutions, Annulment and Contesting of Resolutions at the Members Meeting

Article 223 - Liability of Members with regards to the Adopted Resolutions

Members of a limited liability company that made a resolution at the Members Meeting, or adopted the resolution **by way of correspondence** for which they knew or should have known if they acted with due diligence that it would invariably harm the interests of the company, shall be jointly and severally liable for the damages caused by such resolution.

Article 224 - Book of Resolutions

(1) Resolutions made at the Members Meeting, or resolutions made by the members **by way of correspondence** shall be recorded in the book of resolutions, by the manager. The resolutions shall be recorded in the book of resolutions immediately after they were made and certified with the signature of at least one of the members involved in the adoption of the resolution. **T**he minutes from the held Members Meeting where the resolutions were adopted, as well as the material, which documents **the process of resolution making by way of correspondence,** as well as, the adopted resolutions, **shall be** an inherent part of the book of resolutions.
(2) Each member shall be entitled to inspect the book of resolutions and may request from the manager copies of resolutions adopted at the Members Meeting, or by way of correspondence.
(3) Resolutions of company incorporated by a single entity shall be recorded in the book of resolutions immediately after such resolution was made and certified with the signature of the sole member.
(4) The manner of maintaining the book of resolutions shall be closely regulated by the Company Agreement.

Article 225 - Annulment of a Resolution Made at the Members Meeting

(1) Annulment of a resolution made at a Members Meeting, or **by way of correspondence** may be requested by filing a complaint if:

1) the Members Meeting at which the resolution was made is convened contrary to the law and the Company Agreement, or if all members were not properly invited at the meeting;
2) as for the resolution of the members made **by way of correspondence**, without holding a Members Meeting, the members voted contrary to this law and the Company Agreement; and
3) the resolution is determined as void according to law.

(2) The complaint referred to in paragraph 1 of this Article may be filed by:
1) any member that attended the Members Meeting and expressed his objection to the resolution in the minutes from the Meeting, or the member has submitted the objection in writing to the company where the resolution was made **by way of correspondence**, and
2) the member who was prevented to attend the Members Meeting or vote in writing, in case the resolution was made outside the Members Meeting.

(3) The complaint referred to in paragraph 1 of this Article may be filed by each manager, and if a supervisory board **or a controller** is established in the Company it can be done by each member of the board **or the controller** by a resolution if they are ordered to act for which they may be liable for causing damage, or with which they could perpetrate an act subject to punishment.

(4) The complaint shall be filed within 60 days from the date when such resolution was made.

(5) The complaint shall be filed against the company. The company shall be represented by the manager of the company. The company shall be represented in the litigation by a member of the supervisory board who is elected by the board for this purpose, or the controller. The court shall appoint an interim representative if a supervisory body has not been established or if a controller has not been appointed or when a complaint is filed jointly by the manager and members of the supervisory board, or controller.

(6) If the resolution, which was annulled by the court is recorded in the Commercial Register, the court shall ex-officio record the annulment of the resolution in the Commercial Register. The entry of the court decision **shall be published.**

(7) If the complaint was rejected due to the fact that there is no ground for annulment of the resolution, persons who filed the complaint maliciously, or due to gross negligence, shall be jointly and severally liable.

Article 226 - Contesting of Resolutions Made by the Members

(1) The resolution made at the Members Meeting, and the resolution made by **way of correspondence** may be argued by complaint if the law and the Company Agreement **determine it as null**. The complaint shall be filed against the company. Complaint for annulment of a resolution adopted at the Members Meeting, or a resolution adopted **by way of correspondence** shall be filed within 60 days.

(2) The resolution may also be argued for a reason that the member by voting at the Members Meeting or by way of correspondence attempted to acquire benefit for himself or a third party at the expense of the company or other members.
(3) Any member may take part in the dispute on his own expenses.
(4) The company shall be represented by a manager of the company. If a complaint is filed the company shall be represented in the litigation by a member of the supervisory board who is elected by the board for this purpose, or a controller and if a supervisory board has not been established, or a controller has not been appointed or when a complaint is filed jointly by the manager and members of the supervisory board, or controller the court shall appoint an interim representative.

Article 227 - Authorization to Argue

The resolution made at the Members Meeting or **by way of correspondence** may be argued by:

1) each member who participated in the operation of the Members Meeting, or in the resolution making **by way of correspondence** and who stated his objection to the resolution in the minutes, or submitted the objection to the company in writing;
2) members who did not participate in the operation of the Members Meeting, or in the resolution making by way of correspondence, since they were not allowed to participate in its activities contrary to the Law and Company Agreement, if the Meeting was not properly convened, or the resolution making **by way of correspondence** was not properly conducted or if the issue subject to the resolution making at the Members Meeting or by way **of correspondence** was not properly announced or formulated;
3) any manager and any member of the supervisory board or controller, **provided that these bodies are formed** provided that the enforcement of the resolution would result in perpetrating punishable, illegal act or act for which they could be held liable for damages.

Subsection five- Protection of Rights of Minority Members

Article 228- Appointing Auditors

(1) Member(s) whose contributions jointly represent at least 10% of the core capital of the company shall have the right to appoint auditors in order to perform a special audit.
(2) If the company refuses to conduct an audit as set forth in paragraph 1 of this Article, the court may, upon a proposal of the members, appoint one or more authorized auditors to **perform** the special audit.
(3) The members who submitted the proposal referred to in paragraphs 1 & 2 of this Article may not transfer their parts without consent of the company within the time of the audit, even though the Company Agreement does not provide for such requirement.
(4) The fee for the work performed by the auditors shall be set by the court. The auditors shall not receive any other compensation for their work. The court may be

contingent upon the proposal for appointing authorized auditors by providing assurance from the individuals requesting the audit to cover the auditing expenses.

(5) If the audit confirms the regularity of the annual account statements, or if it **determines** that the commercial books have been properly maintained, the expenses shall be encumbered upon the persons that requested the audit.

Article 229 - Auditing Report

(1) The auditor shall be required to submit the report of **the performed** audit (auditing report) to the manager and the supervisory board, without delay.

(2) The members that requested the audit shall be entitled to inspect the auditing report and the enclosed documentation at the company's registered office.

(3) The manager and the supervisory board, **or the controller** are required to submit the auditing report at the **subsequent** Members Meeting and request from the Members Meeting to give opinion thereto. The auditor who conducted the auditing shall also be invited to the Members Meeting. The manager and the supervisory board, **or the controller** shall disclose all irregularities and state the measures they intend to undertake, or propose to be undertaken. The supervisory board shall state its opinion on the matter whether the company is entitled to require compensation for damages. If the auditing report states that the Law or the Company Agreement is severely violated, the Members Meeting shall be convened within **eight** days.

Article 230 - Request for Compensation for Damages on Company's Behalf

(1) The members whose basic contributions compose at least **10%** of the core capital **may** file a request for compensation for the damage caused to the company by the manager and the members of the supervisory board or the controller. The members may file a complaint if the Members Meeting refuses to file such request or if the request for liability was submitted to the manager, but he failed to submit it to the members on time in order to decide upon it.

(2) The complaint referred to in paragraph 1 shall be filed within 90 days from the date the request was rejected or upon submission of the request a decision was not made within 30 days.

(3) During the litigation the **complainants** may not use their parts without the consent of the company.

(4) Upon request by the **defendant**, the court may order the **complainant** to provide assurance for indemnification for the damage that **may** be caused to the company by filing the complaint.

(5) If the complaint is rejected as unjustified, the **complainant** shall indemnify the defendant for the damage caused therefore. If several persons file the complaint, they shall be jointly liable.

Subsection Six - Management of a Limited Liability Company

Article (231) - Requirements for Election of a Manager, or Managers

(1) Limited liability companies shall be managed by a manager or managers (hereinafter: manager).
(2) When there are three or more managers in the limited liability company, they may manage the company, constituted as a managing body of the company or in another manner provided by the Company Agreement. The composition, organization, work and the competencies of the managing body of the company shall be determined in the Company Agreement.
(3) Any natural person having business capacity may be appointed as a manager.
(4) A person against whom decree absolute is announced by he/she is prohibited, partly or fully, to perform the profession, activity or duty related to the function of a manager of the company shall not be appointed as manager of the company.

Article (232) - Appointment and Term of Office of a Manager

(1) The **members** shall decide upon the appointment of the manager.
(2) When establishing the company, the first manager may be appointed with the Company Agreement.
(3) If a member is appointed as a manager, his/her term of office may last for the duration of his/her membership in the company.
(4) If the Company Agreement does not specify the duration of the term of office for which a manager, who is not a member, is appointed, he/she shall be considered to have been appointed for a period of four years.

Article (233) - Reduction of Number of Managers Below the Number Determined in the Company Agreement

(1) **If the company has more managers** and if their number is reduced below the number determined in the Company Agreement, the remaining managers shall be obliged, in accordance with the Company Agreement, and within thirty days as of the date the number of managers was reduced below the number stipulated by the Company Agreement, to convene Members Meeting or, via correspondence, to organize election of managers up to the number determined in the Company Agreement.
(2) If the company remains without a manager, and the members failed to appoint a manager within thirty days as of the day the company remained without a manager, the supervisory board, or the controller, shall convene the Members Meeting. If there is no supervisory board, or controller, in the company, the court shall convene the Members Meeting upon the **proposal** of any party having a legal interest. The court shall also appoint a natural person that shall take over all activities regarding the holding of the Members Meeting. If the company remains without a manager, the court may, until new manager is appointed, appoint an interim manager from among the members of the company for a period not longer than six months, upon a request by a member or a person having legal interest. Until the appointment of a manager, the interim manager shall perform only the urgent activities.

Article (234) - Registration of the Appointment of a Manager

(1) Appointment of a manager, his authorization to represent the company, and all changes shall be registered in the Commercial Register without any delay.
(2) The following shall be attached to the application form:

1) the resolution for appointment of the manager, unless the appointment has been made with the Company Agreement;

2) the resolution for dismissal, if the previous manager was dismissed;

3) the resignation in writing, if the term of office of the previous manager mandate was terminated with a resignation;

4) the act determining the type and scope of representation;

5) proofs for fulfillment of the terms pursuant to Article 231, paragraph 4 of this Law; and

6) the signatures of the manager, or the persons authorized to represent, certified by a notary public.

Article (235) - Authority of a Manager to Run the Operations of the Company

(1) The authority of the manager shall be prescribed with the Company Agreement. **With respect to relations with third parties**, the manager shall be authorized to act in all circumstances on behalf of the company, except for the authorities that are within the authority of the company members in accordance with this law and the Company Agreement.
(2) If the authorities of the manager are not specified with the Company Agreement, the manager may conduct all activities and legal actions related to and considered as usual for the governance and the management of the company, and which are in the interest of the company.
(3) If more managers are appointed, all managers of the company shall have equal authorities and rights regarding the governance and the management of the company, unless otherwise provided with the Company Agreement.
(4) A member appointed as a manager or a member of the supervisory board of the company shall have, as a member, the same rights, obligations and duties as the rest of the members in the company and, when exercising his/her rights and carrying out the obligations and duties, he/she shall not be entitled to make reference to the authorities, rights and obligations he/she has as a manager or as a member of the supervisory board of the company.

Article (236) - Authority to Represent the Company

(1) The manager shall represent the company in the relations with third parties. The manager shall sign **so as after having indicated the business name of the company, he/she shall state his/her status as a manager and shall put his/her signature**.
(2) If a company has more than one manager, **it shall be represented by all managers, unless otherwise stipulated with the Company Agreement**.

(3) The manager shall be obliged to adhere to the limitations on the authorization for representation specified in the Company Agreement, in the resolution adopted at the Members Meeting or in the resolution adopted by way of correspondence or according to the compulsory instructions of the supervisory board, or the controller.
(4) **The manager aware** that he/she has performed activity on behalf of the company without being authorized therefore, shall be held personally liable to the company for the caused damage.

Article (237) - Manner of Operations of the Manager

(1) If more managers have been appointed, and unless otherwise determined in the Company Agreement, no manager may independently undertake activities necessary for conducting the operations of the company, except if the delay or failure to take certain action may result in a threat of causing damage to the company or in any other way endanger its interests.
(2) If, pursuant to the Company Agreement, each manager is authorized to conduct the entrusted activities independently, each manager may object in which case the activity shall not be conducted, unless otherwise determined with the Company Agreement.
(3) If the managers fail to settle the dispute referred to in paragraph 2 of this Article, the Members Meeting shall adopt a resolution on the contentious issue.
(4) Objections referred to in paragraph 2 of this Article shall have no legal effect against third parties.

Article (238) - Prohibition on Competition

(1) Manager of a limited liability company may not do the following without the approval of the Members Meeting:

1) conduct commercial activity for his/her account or for the account of third party, which falls under the scope of operations of the company;
2) be a member with unlimited liability in another company having the same or similar scope of operations as the concerned company; and
3) be a member of a management body or a supervisory body in another company **performing same or similar scope of operations as the concerned company; and**
(4) perform within the premises of the concerned company any activity on his/her behalf or on behalf of a third party.

(2) If the manager acts contrary to the prohibitions referred to in paragraph 1 of this Article, the company may claim from the manager:

1) that he/she compensates for the damages;
2) that he/she consigns to the company the legal matters concluded for his/her account or for the account of third party; and
3) that he/she transfers the benefit arising from the legal matters concluded for his/her account or for the account of third party, or assigns to the company any claims arising thereof.

(3) If the manager fails to compensate for the damage, and the company has only one manager, the members may request compensation for damage by lodging a complaint.
(4) The claims of the company referred to in paragraph 2 of this Article shall be deemed outdated after ninety days from the day the other managers, the members of the supervisory board, or the controller, and the members have learned about the violation of the prohibition. **The right referred to in paragraph (3) of this Article may not be exercised upon the expiration of three years from the day of failing to meet the obligation for compensation for the damage.** The claim referred to in paragraph (2) of this Article may not be realized upon the expiration of three years from the day the violation of the prohibition occurred.
(5) In case of violation of the prohibitions referred to in paragraph **(1)** of this Article, the manager may be dismissed without prior notice and without right to compensation for damage, unless otherwise stipulated in the Agreement regulating the relations between the manager and the company.

Article (239) - Conflict of Interests

(1) With respect to each contract or other business activity of the company in which the company is a party thereof, and in which the manager, the member of the supervisory board, or the controller, has interest, even in an indirect manner, the Articles 453, 454 and 456 of this Law shall apply.
(2) The manager, supervisory board, or controller, having interest pursuant to paragraph (1) of this Article, shall be obliged to immediately report such interest.
(3) If the member, the member of the supervisory board, or the controller, becomes aware that some of the requirements referred to in paragraph (1) of this Article is fulfilled, he/she shall inform the Members Meeting, the supervisory board, or the controller, thereof. The manager, the members of the supervisory board, or the controller, shall have the right to be heard, but he/she may not participate in the debate or in the decision-making process regarding the contract or other business activity, nor in the decision-making process for granting the approval referred to in paragraph (1) of this Article.
(4) On the basis of the rejection by the Members Meeting, the supervisory board, or the controller, to grant approval, or on the basis of the irregularity of the resolution by which approval is granted, no claims may be expressed against third parties, unless the company proves that the third party has known about the non-existence of the approval or about the irregularity of the resolution, or, taking into account all circumstances, could not have known thereof.

Article (240) - Responsibility to Maintain the Commercial Books and to Prepare the Annual Account Statement

(1) The manager shall be responsible to duly maintain the commercial books of the limited liability company in accordance with the law and other regulations.
(2) The manager shall be responsible to timely prepare the annual account statement and the report on the operations of the company for the previous business year, and to submit it to the Members Meeting within the determined deadline at the latest.

(3) Documents referred to in paragraph (2) of this Article, as well as the draft resolutions the adoption of which is proposed by the manager, and, if necessary, the auditing report, shall be submitted to the members in the manner and within the deadline determined with the Company Agreement.
(4) With respect to the documents referred to in paragraph (3) of this Article, the members may pose written questions and request additional explanations to which the manager shall be obliged to respond during the Members Meeting.

Article (241)- Due Diligence and Liability of the Manager

(1) The manager shall be obliged to carry out the activities of the company with due care of a diligent and prudent trader, and to keep the business secret.
(2) The manager shall be personally, jointly and severely liable with all his/her assets towards the limited liability company and towards third parties for the activities conducted contrary to law and other regulations, as well as for failing to adhere the Company Agreement.
(3) The manager shall particularly compensate for the damage, if, contrary to this Law and the Company Agreement, he/she divides the assets of the company, or returns the contributions to the members partially or in full, pays them interest or profit, or if he/she acquires own part for the company, takes it as a pledge or withdraws it.
(4) The manager shall also be personally liable for the damage caused to the company with the legal activity he/she has concluded with the company on his behalf or on behalf of a third party, but for his own account, if he/she did not receive a prior approval thereof by the supervisory board, and in case there is no supervisory board established in the company, an approval by other managers, if the members have appointed more managers of the company.
(5) In the case of dispute, the manager must prove that he/she has acted in the best interest of the company and with due care of a diligent and prudent trader. If more managers have participated in the same action, and there is a dispute for the caused damage, the court shall determine the fault of each manager in the caused damage.
(6) Apart from the complaint for compensation of the damage they suffered personally, the members may lodge, individually or jointly, complaint against the manager for compensation of the damage on the company. Plaintiffs may request compensation for the damage suffered by the company.
(7) Each provision in the Company Agreement conditioning the lodging of a complaint upon prior opinion or approval by the Meeting of Members, or any provision containing a prior waiver to lodge a complaint shall be deemed null and void.
(8) No resolution adopted at the Meeting of Members may affect the lodging of a complaint to impose liability on a manager for mistakes in the performance of his duties.
(9) Complaints based on the liabilities pertaining to paragraphs **2 and 6** of this Article shall be deemed expired three (3) years after the damaging action occurred, or the caused damage, or, if the action was concealed, after it was discovered. If the action is qualified as a criminal deed, the complaint shall expire after ten years.

Article (242) - Dismissal of the Manager, or Managers and Termination of the Term of Office Due to Resignation

(1) Manager may be dismissed by a resolution of the members in a manner identical to the one in which they have decided for his/her appointment. Unless otherwise stipulated by the Company Agreement, the members may dismiss the manager with or without stating the reason for such dismissal. Any inverse provision in the Company Agreement shall be deemed as null and void.
(2) Upon a request by a member, the court may reach a resolution for dismissal of a manager, who is also a member.
(3) A manager may resign at any time by filing a written notification to the supervisory board, or the controller, if such a body is appointed, unless otherwise required by the interests of the company.
(4) The term of office of a manager shall be considered terminated as of the date stated in his written resignation submitted to the supervisory board, or the controller, and if **such body** was established, to all members. The manager shall certify the signature on the resignation with a notary public. No decision shall be made upon acceptance of the submitted resignation, and it shall be deemed that the term of office of the manager has terminated. If the interests of the company require so, they may oblige the manager to carry out the function until appointing a new manager, but not longer than 30 days. The submitted resignation shall be filed to the court in a written form in order to delete the registration of the manager in the Commercial Register. If the company does not have more than one manager, and the company has not appointed a manager, the court shall appoint a temporary manager in a manner specified by this Law.
(5) The dismissed manager shall have the right to be compensated for damage, if it is so stipulated with the agreement for regulating the relations between the manager and the company.

Article (243) - Management of a Company with a Single Member

(1) A limited liability company with a single member shall be managed by the member personally or a manager, or managers appointed by that member, if the company has more than one manager. If the single member is a legal entity, the company shall be managed by a person appointed by **the single member**.
(2) The single member as a manager shall manage the company in the manner he/she considers suitable for attaining the interest of the company. Provisions of this Law pertaining to the liability of the company towards third parties, and of the manager as a legal representative in relations with third parties, shall apply to the singe member as a founder, member and manager of the company**.**
(3) The provisions of this Law pertaining to the manager of the limited liability companies having two or more members shall respectively apply to the manager appointed by the single member.

Subsection Five - Supervision over the Operations of the Company

Article (244) - General Provision

Supervisory board or controller may carry out supervision over the operations of the company, and if no supervisory board has been established within the company, the members shall, individually or jointly, carry out the supervision.

Part One - Supervisory Board

Article (245) - Establishment of Supervisory Board

(1) The Company Agreement may provide for the establishment of a supervisory board, or **a controller**, of the company that shall monitor the implementation of the Company Agreement, take care of the operations related to the property of the limited liability company and its protection, control the manner in which the manager conducts the management of the company and submit reports to the Members Meeting.
(2) The establishment of the supervisory board, or **the controller**, shall be compulsory if the company has core capital of more than EUR 50.000 in Denar equivalent and more than 20 members.

Article (246) - Appointment and Requirements for Appointment of Supervisory Board Members

(1) Supervisory board members, or **the controller**, shall be appointed and dismissed by the Members Meeting, unless otherwise stipulated with the Company Agreement. The first supervisory board, or **controller**, may be appointed with the Company Agreement.
(2) With respect to limited liability companies with a single member, if the member has decided to establish a supervisory board, the single member shall appoint and dismiss the members of the supervisory board, or the controller with his/her decision.
(3) The following persons may not be appointed members of the supervisory board, or controller:

1) the manager and the employees of the company;
2) spouses, direct relatives and relatives of direct lineage up to third degree of the manager;
3) persons who have been deprived the right to perform auditing activities with a resolution by the court, or

4) natural person who is a member in five supervisory boards of joint stock companies or limited liability companies.

Article (247) - Composition and Term of Office of the Supervisory Board

(1) The supervisory board shall consist of at least three members.
(2) Unless otherwise stipulated in the Company Agreement, the term of office of the members of the supervisory board shall be four years.

Article (248) - Organization and Operations of the Supervisory Board

(1) The members of the supervisory board may appoint the president of the supervisory board from among their ranks. The president of the supervisory board shall convene and chair the sessions of the supervisory board, as well as organize its operations.
(2) All members of the supervisory board shall have equal rights, obligations and responsibilities.
(3) The decision-making process and the manner of operations of the supervisory board shall be arranged with the Company Agreement.
(4) The supervisory board shall meet three times during one business year at least.

Article (249) - Competencies of the Supervisory Board

(1) The supervisory board, or **the controller**, shall supervise the operations of the limited liability company. When supervising the operations of the company, the supervisory board, or **the controller**, may review and evaluate the commercial books of the company, its acts and other documents, property, and especially the treasury, and the securities-related situation of the company. The supervisory board may assign the performance of these activities to one of its members, or assign certain activities to an expert who is not a member of the supervisory board.
(2) The supervisory board, or **the controller**, shall review the annual account statement of the company, and other financial reports, the proposal for the distribution of profit and evaluate the annual report for the operations of the company in the previous business year, and shall notify the Members Meeting thereof. The supervisory board, or **the controller**, shall state in the report separately the manner and the extent to which it has reviewed the operations of the company during the calendar year and the conclusions it reached after reviewing the annual account statement and the annual report for the operations of the company in the previous business year.
(3) The supervisory board, or **the controller**, must convene a meeting of the Members Meeting if the interest of the company requires so.
(4) The Company Agreement may determine the activities that cannot be performed without the approval of the supervisory board, or **the controller**.

Article (250) - Application of the Provisions Regarding the Prohibition on Competition and Liability

Provisions referred to in Articles 238, 239 and 241 of this Law regulating the prohibition on competition and the liability of the manager shall respectively apply to the members of the supervisory board, or the controller, according to the rights and obligations these bodies have in accordance with this Law.

Part Two - Conducting Direct Supervision by the Members

Article (251) - Control Authorization of a Member

(1) The members, through the Members Meeting, shall perform a regular supervision via reviewing and adopting the annual account statement and the report for the operations of the company in the previous business year.
(2) Each member shall be also entitled to personally obtain information on the operations of the company, to review **the annual reports** and the other commercial books, acts, and other documents of the company, the reports for the operations of the company submitted by the manager, the auditing reports, and to carry out control over the operations of the company in the manner and under the terms and conditions stipulated in this Law and the Company Agreement.
(3) When the exercising of the right to perform supervision referred to in paragraphs 1 **and 2** of this Article is being hindered or prevented by a competent body of the company or by a manager, the court shall decide about the exercising of the right, upon proposal by the members.
(4) Each member may, in writing and at any time, bring to the attention of the supervisory board, or the controller, or of the person performing the audit, issues within its scope of activity. When such action is taken by a member or members whose contributions jointly represent at least 10% of the core capital, the supervisory board, or **the controller**, shall submit to the Members Meeting a report with the necessary proposal at the next meeting.
(5) If such issues are important and urgent, and the manager, upon proposal by the supervisory board, or the controller, has not convened the Members Meeting, the supervisory board, or the controller shall convene the meeting without any delay. If the company does not have a supervisory board, or a controller, the Members Meeting shall be convened by the members referred to in paragraph 4 of this Article.

Section Eight - AMENDMENT TO THE COMPANY AGREEMENT OF THE LIMITED LIABILITY COMPANY

Subsection One - General Provisions regarding Amendments to the Company Agreement

Article (252) - Resolution to Amend the Company Agreement

(1) Company Agreement may be amended only with a resolution by the members, adopted with at least three-fourths majority of the total number of votes the members in the company have. The Company Agreement may stipulate a larger majority or may also envisage additional requirements for its amendment.
(2) The resolution for amendment to the scope of operations of the company determined in the Company Agreement shall be reached unanimously by the members, unless otherwise stipulated in the Company Agreement.
(3) The resolution to increase the liabilities of the members, arising from the Company Agreement, or to reduce the rights of the members the belong to them under the

Company Agreement, shall be reach with the consent of all members of the company that are affected by the increased liabilities, or the reduced rights.
(4) Provisions of the Company Agreement contrary to the provisions referred to in paragraphs 1, 2 and 3 of this Article shall be deemed as null and void.
(5) The revised version of the Company Agreement shall be determined by the manager, **and shall be certified by a notary, confirming that all amendments executed are recorded therein**.

Article (253) - Legal Effect of the Resolution to Amend the Company Agreement

(1) The application form for recording the resolution to amend the Company Agreement for the purpose of its recording in the Commercial Register shall be **submitted** by the manager, or by a person authorized by the manager with a written proxy, certified by a notary public.
(2) The resolution to amend the Company Agreement and the cleared version of the Company Agreement shall be enclosed with the application form.
(3) The made recording of the resolution for amendment to the Company Agreement in the Commercial Register shall be published by indicating the number of the resolution and the date when the resolution has been reached.
(4) The resolution to amend the Company Agreement shall have legal effect against members as of the day of its adoption.

Subsection Two – Increase of the Core Capital

Article (254) - Manner of Increasing the Core Capital

(1) The core capital shall be increased with a resolution by the members, having the effect of a resolution for amending the Company Agreement.
(2) The increase of the core capital may be done by acquiring new contributions, or by adding the reserves and the profit of the company to the core capital.
(3) The core capital may be increased only if all the previous contributions have been fully paid.

Article (255) - Requirements for Increasing the Core Capital

(1) The resolution to increase the core capital shall determine the amount of the increase of the core capital, the manner in which the persons to acquire the contribution will participate in the distribution of the profit and as of what time in the business year in which the core capital was increased they shall exercise this right, the amount of the portion of the core capital to be paid prior to the entry in the Commercial Register, the deadline for payment of the contributions, as well as the manner of payment (one-off or in installments), the type of non-monetary contributions if the increase is done by making non-monetary contributions, additional obligations and other requirements for the increase of the core capital.

(2) Only with the resolution for increase of the core capital it may be required that the persons who have subscribed and acquired the contributions up to the amount of the increase make a payment greater than the nominal amount of the acquired contribution, as well as to determine special rights regarding the new contributions.
(3) If a payment is required above the nominal amount of the subscribed contribution, the excess shall be paid prior to the entry of the increase of the core capital in the Commercial Register.
(4) When the increase of the core capital is done by making non-monetary contributions, it shall be explicitly stated with the resolution to increase the core capital, whereby the deadline in which the non-monetary contributions are to be made must be specified. The non-monetary contributions must be made prior to submitting the application form for entry of the increase of the core capital in the Commercial Register.
(5) Provisions of this Law pertaining to the minimum amount of the contribution, the manner of payment, the maturity of the payment of the basic contribution, as well as the legal consequences arising from the delay in the payments shall also apply to the new contributions.
(6) When the increase of the core capital is done by non-monetary contributions, the provisions referred to in Article 33 of this Law pertaining to the evaluation of the non-monetary contribution and the liability of the member who makes the non-monetary contribution shall also be applied to the new contributions.

Article (256) - Acquisition of New Contributions by the Members

(1) The company shall offer the new contributions to the existing members or to other persons who are not members.
(2) The existing members shall have the pre-emptive right to acquire new basic contributions proportionally to the previously acquired contributions in the core capital of the company, unless otherwise specified in the Company Agreement or in the resolution to increase the core capital.
(3) The manager shall, by registered mail, offer to the members to acquire contributions in the amount corresponding to the increase of the core capital, to which the members are entitled in accordance with paragraph (2) of this Article. If a member, within 15 days of the date of delivery of the letter, fails to acquire the contribution, the manager shall offer such contribution to the other members following the same procedure. If the other members fail to acquire the contribution within eight days as of the date of delivery of the letter, the manager shall, upon his/her personal choice, and in the interest of the company, offer the contribution to persons who are not members, unless otherwise specified in the Company Agreement or in the resolution to increase the core capital.
(4) The contribution shall be acquired by a statement for acquiring the contribution, given in a written form. The statement shall contain the amount of the acquired contribution, the information about all other liabilities arising from the Company Agreement**,** or from the resolution to increase the core capital, and the consent of the person who is not a member that he/she becomes a member and that he/she assuming the rights and liabilities determined in the Company Agreement. This statement shall be certified by a notary public.

Article (257) - Entry in the Commercial Register of the Increase of the Core Capital by Acquiring New Contributions

(1) Upon the payment of the monetary contributions, or by making the non-monetary contributions that increase the core capital, in accordance with the resolution to increase the core capital, **an application form shall be submitted for entry of the increase of the core capital in the Commercial Register**.
(2) The following shall be enclosed with the application form:

1) the resolution to increase the core capital, having the effect of a resolution for amending the Company Agreement,
2) the statements for acquiring the contributions certified by a notary public,
3) the list of persons who have acquired new contributions signed by the person submitting the form, that shall indicate the amounts of the acquired and paid contributions, what they are paid for and the proof of payment enclosed with the list, and if the basic contributions are acquired by existing members of the company, the total amount of their contributions, and
4) a contract by which non-monetary contributions were made, if the core capital is increased with non-monetary contributions.

(3) The company shall not mention the increase of the core capital in its business announcements and correspondence before the entry of the increase of the core capital in the Commercial Register is announced.
(4) The application form for entry of the increase of the core capital in the Commercial Register shall be submitted by the manager**,** or by the person authorized by him with a proxy certified by a notary public.
(5) The announcement for the entry of the increase of core capital of the company shall indicate the contents of the made entry, and if non-monetary contributions are made to the company, the contracts for making the non-monetary contributions shall also be indicated. It shall be enough to only make reference in the announcement for the entry to the documents enclosed with the application form for entry, kept in the court.

Article (258) - Increase of the Core Capital by Transforming the Reserves into Core Capital

(1) The members may adopt a resolution to increase the core capital by transforming the reserves into core capital, having the effect of a resolution for amending the Company Agreement. The increase of the contributions shall be made proportionally to the previous contributions of the members.
(2) The members may adopt the resolution to increase the core capital pursuant to paragraph (1) of this Article only after adopting the annual account statement submitted by the manager, according to which the company does not have any current and uncovered losses from previous years, and after adopting the report by an authorized auditor that confirms the facts stated in the annual account statement. If from the date of adopting the annual account statement and the report by an authorized auditor pass more than eight months prior to the submission of the application form for entry of the

resolution for increase of the core capital in the Commercial Register, new report on the balance sheet must be prepared and new audit must be performed by an authorized auditor.
(3) The profit and reserves of the company may be used for increasing the core capital in accordance with the purposes for which they are intended. When the members decide to increase the core capital of the company with the profit, when deciding about the distribution, they shall distribute the profit to reserves, by indicating that it shall be used for increasing the core capital.
(4) The increase of the core capital shall be conducted by increasing the nominal amounts of the existing parts in the company. Thereby, the provisions of this Law regulating the minimum amount of the individual contribution shall be respectively applied.
(5) The increase of the core capital shall be conducted in a manner so as the total amount of the increased contributions to correspond to the increased core capital of the company.
(6) The increased parts of the members of the company must be proportional to those prior to the increase of the core capital of the company.
(7) The existing parts held by the company shall have an equal share in the increase of the core capital.
(8) Unless otherwise specified by the resolution for increase of the core capital, the increased parts shall participate in the profit of the company realized during the whole business year when the resolution to increase the core capital has been reached.
(9) The provision from the resolution for increase of the core capital that is contrary to the provisions of this Article shall be deemed as null and void.

Article (259) - Recording the Made Increase of the Core Capital from the Funds for Reserves

(1) The application form for entry of the increase of the core capital from the company's reserves in the Commercial Register shall be submitted to the court without delay.
(2) The following shall be enclosed with the application form:
1) the resolution for increase of the core capital by transferring the reserves in the core capital, having the effect of a resolution for amendment of the Company Agreement;
2) the adopted annual account statement, or the balance sheet upon which the resolution to increase the core capital has been reached, confirmed by an authorized auditor; and
3) a statement by the manager, certified by a notary public, that from the last day to which the annual account statement or the balance sheet refers, until the day of the submission of the application form, no changes in the property of the company have occurred that would hinder the adoption of the resolution for increase of the core capital.
(3) The court shall make an entry of the resolution for increase of the core capital in the Commercial Register if the submitted annual account statement is not older than eight months from the last day covered in the submitted annual account statement until the day of submitting the application form for the entry of the made increase of the core capital in the Commercial Register, or if a balance sheet is submitted, if, according to this Law, should have been prepared, certified by an authorized auditor.

(4) The court shall not check and examine whether the submitted annual account statement, or the balance sheet is accurate and compiled in accordance with the Law and the international accounting standards.
(5) When entering the made increase, the court shall indicate that the core capital has been increased with assets of the company.
(6) The core capital shall be deemed increased as of the day of the publishing the announcement that the increase of the core capital is entered in the Commercial Register.

Article (260) - Admission of New Members in a Company Founded by Single Person

(1) If the limited liability company founded by single person, for the purpose of increasing the core capital, admits persons that shall make new contribution and become new members, or if a portion of the contribution is made by a new member, the members shall be obliged to harmonize the organization and operations of the company with the provisions of this Law pertaining to a company with two and more members.
(2) Following the harmonization referred to in paragraph (1) of this Article, the manager shall be obliged to file an application form for the purpose of entry of the executed harmonization in the Commercial Register.

Subsection Three - Decrease of the Core Capital

Article (261) – Manners of Decreasing the Core Capital

(1) The core capital of the company may be decreased only by a resolution of the members to decrease the core capital, having the effect of a resolution for amendment of the Company Agreement. This resolution shall prescribe the scope and the purpose for the decrease of the core capital, as well as the manner in which the decrease will be conducted.
(2) Decrease in the core capital shall be deemed any decrease in the core capital specified in the Company Agreement, regardless of whether the decrease is conducted by returning the contributions to the members, by decreasing the nominal amounts of the contributions, or by fully, or partially exempting the members of the company or their legal predecessors from the obligation to fully pay the contributions.
(3) The core capital of the company shall not be decreased below EUR **5,000** in Denar equivalent. If the decrease of the core capital is conducted by returning the paid contributions or by exempting the members from the obligation to fully pay the contributions, the remaining amount of the other contributions that will remain in the company may not be decreased below EUR 1,500 in Denar equivalent, thereby simultaneously reaching a resolution for increase of the core capital to at least EUR **5,000** in Denar equivalent.

Article (262) - Entry and Announcement of the Intention to Decrease the Core Capital

(1) The manager shall file an application form for entry in the Commercial Register of the resolution for the intention to decrease the core capital.
(2) The manager shall, immediately after the entry of the resolution for the intention to decrease the core capital in the commercial register, publish an announcement for the intended decrease of the core capital in the "Official Gazette of the Republic of Macedonia". The announcement shall state that the company agrees, on the basis of the claims by the creditors, **to settle the claim or to provide a guarantee**. It shall be deemed that all creditors agree with the intended decrease of the core capital, if no claims have been filed following the expiry of ninety days from the day of the publication of the announcement.
(3) Known creditors shall also be informed directly.

Article (263) – Entry of the Decrease of the Core Capital

(1) The application form **for the resolution** for amending the Company Agreement to the end of decreasing the core capital shall be filed with the court in order to have it recorded in the Commercial Register after the expiration of the deadline given to the creditors for filing of their claims. The decrease shall have legal effect by publishing the entry in the Commercial Register.
(2) The following shall be enclosed with the application form:
1) a copy of the notification for the intended decrease of the core capital as published in the "Official Gazette of the Republic of Macedonia";
2) a proof that the company **has guaranteed to the creditors that the registered claims will be settled**;
3) a statement by the manager that all known creditors have received the notification for the intended decrease of the core capital and that the company was not approached by other creditors, except for those to who the company has settled the claims or has given guarantee that their registered claims will be settled, and
4) a transcript from the shareholders list.
(3) If the submitted proof that the company has settled the claims of the creditors or has given guarantee that the registered claims will be settled is false, the manager shall be jointly and severally liable with his/her entire property for the damages incurred by the creditors whom he/she provided with false information, but only to the amount that could not be covered with the property of the company.
(4) The manager who can prove that he/she was not aware that the proof and the statements he/she has given are false shall not be liable for damages**.**

Article (264) - Payment to the Members and Exemption from Obligations

(1) Payments to the members based on the decrease of the core capital shall be allowed after **the resolution for** amendment to the Company Agreement has been entered into the Commercial Register.
(2) As of the date of entry of the resolution for amendment to the Company Agreement in the Commercial Register, the exemption from the obligation to pay the full amount of the contribution for the made decrease of the Core Capital shall take effect.

Section Nine - TERMINATION OF A LIMITED LIABILITY COMPANY

Article (265) - Grounds for Termination

(1) The following shall be the grounds for termination of the company:
1) the expiration of the period determined in the Company Agreement;
2) a resolution of the members;
3) merger of the company with another company, consolidation with another company, or split-up;
4) bankruptcy procedure; and
5) resolution by the court.
(2) The company shall also terminate in other cases stipulated by this and another law.
(3) The Company Agreement may also envisage other grounds for termination.
(4) In the cases of termination of a limited liability company on the basis of indents 1), 2) and 5) of paragraph (1), winding-up procedure for the company shall be conducted.

Article (266) - Grounds for Termination of a Company Founded by Single Person

(1) The limited liability company founded by a single person, where the owner of a part is a natural person, shall terminate with the death of that person, unless, following the probate proceedings, the heirs state their will for the company to continue its operations.
(2) With respect to the part in the ownership of the deceased person, until the probate proceedings is completed, the voting right shall be exercised by the joint representative, determined by the legal heirs of the decease person with a written proxy, certified by a notary.
(3) When a legal entity is an owner of a part in a company founded by a single person, the company shall terminate with the termination of the legal entity, unless, during the bankruptcy procedure, the part is acquired by another person.

Article (267) - Resolution by the Members to Terminate the Company

(1) The Members shall adopt a resolution to terminate the company by at least three-fourths majority of the total number of votes.
(2) The provision in the Company Agreement contrary to paragraph (1) of this Article shall be deemed as null and void.

Article (268) - Termination of the Company on the Basis of Court Resolution

(1) The Court may, with a resolution, announce termination of the company upon complaint by one or more members whose contributions in the company represent at least 10% of the core capital, if the attainment of the goal of the company arising from the scope of operations becomes impossible or if there are **other significant reasons for the termination of the company**.

(2) **The complaint shall be lodged against the company within ninety days from the day of becoming aware of the reasons.**
(3) The plaintiffs shall be jointly and severally liable to the company for the damages caused by invalid complaint lodged with premeditation or due to serious negligence.

Article (269) - Entry of the Termination of a Company in the Commercial Register

(1) The application form for termination of the company in the Commercial Register due to the expiry of the period for which it has been established of due to a resolution by the members for termination of the company must be filed by the manager with the court without any delay.
(2) If the manager fails to act according to paragraph (1) of this Article, he/she shall be personally and severely liable with all of his/her assets for the damage caused.
(3) Upon completion of the winding-up procedure, or bankruptcy, the court shall enter the **deletion** of the company into the Commercial Register. The court shall publish the resolution for **deletion of the entry** of the company **at the expense of the company.**

Chapter Four - JOINT STOCK COMPANY

Section One - GENERAL PROVISIONS

Article (270) - Definition of Joint Stock Company

(1) Joint stock company shall be a company in which the shareholders **participate with contributions in the charter capital that is divided in shares**.
(2) The shareholders shall not be liable for the obligations of the joint stock company.
(3) Exceptions from the provisions of this Law governing the joint stock companies shall be allowed only in the manner and under the conditions stipulated by this Law and other laws.

Article (271) - Business Name

The business name of a joint stock company shall also contain the words "*Akcionersko Drustvo*" (Joint Stock Company), or the abbreviation "*AD"* (JSC).

Article (272) - Number of Shareholders

A joint stock company (hereinafter in chapter four: the company) may have one or more shareholders.

Article (273) – Minimum Nominal Amount of the Charter Capital and of the Share

(1) The minimum nominal amount of the charter capital when a joint stock company is established simultaneously without a public notice for subscription of shares, shall be EUR 25,000 in Denar equivalent, according to the average exchange rate of the National Bank of the Republic of Macedonia determined on the day prior to the date of adoption of the company charter or the resolution on change of the charter capital. When a joint stock company is established successively with a public notice for subscription of shares, the minimum nominal amount of the charter capital shall be at least EUR 50,000 in Denar equivalent.

(2) The minimum nominal value of the share shall not be less than EUR 1, according to the average exchange rate for that respective currency, published by the National Bank of the Republic of Macedonia on the day prior to the date of adoption of the company charter or the resolution on change of the charter capital.

(3) The joint stock company shall not be entitled to subscribe treasury shares.

Section Two - SHARES

Article (274) - Definition of Share

(1) Shares are securities.

(2) Shares shall be issued, transferred and kept in a form of electronic record in the Central Depositor of Securities, pursuant to the law.

(3) Shares of a joint stock company shall be inseparable.

Article (275) - Nominal and Issue Amount of Shares

(1) Each share shall have nominal amount at which the share is registered.

(2) Shares issued at an amount lower than their nominal amount shall be null. The issuers shall be jointly and **severally** liable for the damage that will occur from the issuance of shares at a lower nominal amount.

(3) Shares may be issued at an amount greater than their nominal amount.

Article (276) - Split Share and Reverse-Split Share

(1) A joint stock company may, by amending the company charter, split the shares, and simultaneously reduce their nominal amount, provided that the charter capital remains unchanged.

(2) A joint stock company may, by amending the company charter, perform reverse split of the shares, and simultaneously increase their nominal amount, provided that the charter capital remains unchanged.

Article (277) - Types and Classes of Shares

(1) A joint stock company shall issue common shares, and may also issue other shares with different rights. Shares providing the same rights shall comprise same type of shares.

(2) According to the rights, shares may be common or preferred.

(3) Preferred shares may be consisted of several classes and shall not be issued at a nominal value lower than the nominal value of the common shares.

(4) The company may also request special, one-off pecuniary payments for the issuance of shares to which special rights are attached (preferred shares) at the moment of their issuance.

Article (278) - Rights Arising from the Shares

(1) Common shares shall be shares that provide their holders with:
1) the voting right in the general meeting of shareholders of the company;
2) the right to payment of portion of the profit (dividend); and
3) the right to receive distributions of portion of the remainder of the liquidation, or bankruptcy estate of the company.

(2) Preferred shares shall provide their holders with the rights referred to in paragraph 1 of this Article, when they are entitled to a voting right, as well as with other determined priority rights, such as the right to dividend in ex-ante determined pecuniary amount or percentage of the nominal amount of the share, the right to payment of dividend, the right to distribution of the remainder of the liquidation, or bankruptcy estate, and other rights, pursuant to the law and the company charter and determined by a resolution on issuance of shares. Even if the preferred shares do not confer the voting right, they shall acquire such right, if provided for by this Law or the company charter.
(3) The rights referred to in paragraph 2 of this Article may **be joined**

Article (279) - Special Classes of Preferred Shares

(1) Preferred shares may be cumulative and participating.
(2) A cumulative preferred share shall entitle its holder to the payment of the accumulated unpaid dividends prior to payment of any dividends to the holder of common shares.
(3) The participating preferred share shall entitle its holder to a dividend that should be paid to the holders of common shares, in addition to the determined (fixed) dividend.

Article (280) - Right to Vote

(1) Each share that provides the voting right, provides the right to one vote in the general meeting of shareholders of the joint stock company (hereinafter: the general meeting of shareholders).
(2) Each common share shall provide the right to vote in the general meeting shareholders of the joint stock company.
(3) Preferred shares, pursuant to the provisions of this Law, may be issued as voting shares. The total nominal amount of the preferred non-voting shares shall not exceed 30% of the charter capital of the company.
(4) Issuance of shares that confer different voting rights in the general meeting of shareholders for the same nominal amount shall be prohibited.

Article (281) - Shares Free of Charge or Shares Issued at Preferential Price

(1) The charter may provide for establishment of a fund wherefrom the company's employees may acquire shares free of charge or at preferential price. The shares that may be acquired by the employees from the fund shall not exceed 10% of the charter capital.
(2) The company charter shall determine the organization and management of the shares of the fund as well as the use and manner of distribution of assets intended for employees'

shares. If the fund pertaining to paragraph 1 of this article is established, the general meeting of shareholders shall **adopt** a program according to which the employees shall acquire shares. The general meeting of shareholders shall adopt a resolution on issuance of shares or on acquisition of treasury shares intended for the fund referred to in paragraph 1 of this Article as well as on the criteria for their distribution.
(3) The fund may acquire the shares referred to in paragraph 1 of this Article from the treasury shares acquired by the company in accordance with this law and from shares issued only from the assets of the company that exceeds the charter capital, from the reserves, and from the accumulated profit, by simultaneous increase of the nominal amount of the charter capital.

Article (282) - Resolution on Issuance of Shares

(1) The resolution on issuance of shares shall be reached by the general meeting of shareholders of the company.
(2) The resolution on issuance of shares shall particularly determine the following:
1) the business name and ID number of the issuer of shares;
2) the type and the class of shares;
3) the total amount at which the shares are issued and the number of shares issued;
4) the nominal amounts of the shares;
5) the time of subscribing the shares;
6) the manner of subscribing the shares;
7) to whom and when the subscribed shares will be paid;
8) the deadline by which the paid funds in case of cancellation of the issuance of shares will be refunded;
9) **the rights, liabilities, limitations and privileges** for each type and class when the shares are issued in several series; and
10) other issues related to the issuance of shares.

Article (283) - List of Shareholders (Shareholders List)

(1) Shares shall be subscribed in the list of shareholders of the joint stock company (hereinafter: list of shareholders) maintained by the Central Depositor of Securities of the Republic of Macedonia (hereinafter: Central Depositor of Securities) in electronic form by indicating the surname and the first name, the place of residence and the address and the personal registration number (EMBG) of the holder, or the passport number and citizenship of the foreign natural person, or the business name, the registered office and the address, if the holder of the share is a legal person.
(2) Other data, which are determined in the resolution on issuance of shares, shall also be recorded in the shareholders list. All encumbrances related to the shares, the prohibitions and changes that occurred as a result of disposition of shares or due to a court decision, shall also be recorded in the list of shareholders.
(3) Each person registered in the list of shareholders in a manner pursuant to the Law shall be deemed as shareholder of the joint stock company.
(4) The entry in the list of shareholders is carried out upon the company's order, unless shares are transferred by trading on the Stock Exchange or when the transfer is carried out on the basis of enforceable court decision, obligation relations and other non-commercial transfers determined by law or upon enforcement of a court decision.

(5) The company shall be entitled to file a complaint if, according to the company's opinion, some party is groundlessly registered as a shareholder in the list of shareholders.
(6) When the entry in the list of shareholders is carried out on the basis of transfer by trading on the Stock Exchange, the Central Depositor of Securities shall simultaneously notify the joint stock company for the executed entry.
(7) Each shareholder shall be entitled, upon his/her request, to access all data recorded in the list of shareholders. The access shall be enabled by the Central Depositor of Securities. The shareholder requesting **urgent** access in the shareholders list, **shall be enabled to exercise the access within a period not longer than one day as of the day of the requested access, submitted in a written form. In all other cases the shareholder requesting access in the shareholders list shall specify the day of the intended access.** Data **obtained from the access** shall be used exclusively for the purpose of exercising the shareholders' rights. Each announcement of data from **the access in** the shareholders list **for the purpose of their abuse** shall be deemed as a gross violation of the shareholder's duty and shall not exclude other types of protection of shareholders whose rights have been violated.

Article (284) - Issuance of Other Securities and Financial Derivatives

(1) Pursuant to the Law and the provisions in the company charter, the joint stock company may issue, up to the amount of the charter capital, **convertible bonds that provide the creditors with the right to exchange the bonds for shares for the time of validity of the bond, in the period of certain option or at any moment. The company may also issue bonds that provide the pre-emptive right to purchase shares issued by the company and other types of bonds.** The bonds may be issued at the amount greater than the amount of the charter capital, only if the issuance of the bonds is completely secured by the company's assets or in any other manner.
(2) The shareholders have the pre-emptive right in acquiring the bonds referred to in paragraph 1 of this Article.
(3) The bonds may be purchased with cash or by any other means, pursuant to the resolution on their issuance.
(4) The provisions of this Law pertaining to the pre-emptive right to subscription of new shares, shall accordingly apply to the procedure of exercising of the pre-emptive right to subscribe all types of bonds.
(5) The joint stock company may, pursuant to the Law, conclude option contracts for sale or purchase of shares and bonds, as well as futures contracts, in a manner and under the conditions stipulated in the company's charter.
(6) The company's charter shall determine the manner and condition under which the joint stock company issues the securities, concludes option contracts for sale or purchase of shares and future contracts.

Section Three - FOUNDING AND ENTRY OF THE JOINT STOCK COMPANY

Subsection One - Common Provisions

Article (285) - Founders of a Joint Stock Company

(1) A joint stock company may be founded by one or more persons.
(2) A joint stock company shall not be founded by persons against whom bankruptcy procedure is initiated.
(3) The founders shall establish the company simultaneously or successively.

Article (286) - Persons Having the Status of Founders

(1) The persons that have signed the company charter shall be deemed as founders of joint stock company.
(2) Signatures of the founders shall be verified by a notary.

Article (287) - Content of the Company Charter

(1) The charter of the company shall contain provisions on:

1) the business name and the registered office of the company;
2) the scope of operations of the company;
3) the amount of the charter capital;
4) the nominal amount of the shares, the number of shares of each type and class, the **rights, liabilities, limitations and privileges for each type and class when the shares are issued in several series and rights attached to the shares**;
5) the duration of the company, if the company is founded for a definite period;
6) the privileges that founders retain for themselves;
7) **the procedure for calling and convening the general meeting of shareholders;**
8) the surname and the first name of each founder, the place of residence and the address and the personal registration number (EMBG), or the number of the passport and the citizenship of a foreign natural persons, or the business name, the registered office and the address if founder is a legal person;
9) the type, composition and manner of election of the management body, or the supervisory board and their competencies;
10) the surname and the first name, the place of residence and the address and the personal registration number (EMBG), the passport number and the citizenship of foreign natural persons, if the first members of the management bodies, or the supervisory board are appointed by the company charter; and
11) the form and the manner of announcements carried out by the company.

(2) In addition to the provisions referred to in paragraph 1 of this Article, the company charter shall contain other provisions **pertaining to issues that pursuant to this Law shall be regulated by a company charter, as well as provisions of importance for the company, provided that such provisions are not prohibited by law**.
(3) Other issues of importance for the company, which are not regulated by the company charter, may be regulated by other company by-laws, pursuant to this Law.

Article (288) - Relation among the Law, the Company Charter and the other By-laws

(1) Any provision of the company charter or by-laws that is contrary to the provisions of this Law shall be null and void.
(2) In case a provision of a company by-law is not in compliance with the company charter, the provisions from the company charter shall apply thereto.

Article (289) - Special Privileges of the Founders and Founding-Related Costs

(1) Each special privilege of a shareholder shall be determined by the company charter.
(2) The total amount of the costs, which are borne by the company and refunded to the founders or to third parties as remuneration or bonuses for the founding or for the participation in the preparations for founding the company, shall be stipulated in the company charter.
(3) If certain privileges or costs referred to in paragraphs 1 and 2 of this Article are not stipulated by the company charter, the contracts and the legal actions that provide such privileges or refer to refunding of the costs, shall not have legal effect for the company.
(4) Following the entry of the company in the commercial register, the provisions of the company charter that regulate issues pertaining to paragraph 1 and 2 of this article may not be changed by amending the company charter.

Article (290) - Payment of Shares

(1) Issued shares or other securities may be paid in by monetary contribution, non-monetary contribution, or both.
(2) The shares shall be paid in cash on a temporary bank account of the founders.
(3) If the contributions are paid in cash prior to the entry of the company in the commercial register, at least **25 %** of the nominal amount of each share shall be paid, and if the share is issued at an amount greater than its nominal amount, the whole amount exceeding its nominal amount shall also be paid.
(4) If the share is partially paid in with a monetary contribution, and partially with a non-monetary contribution, prior to the entry of the company in the commercial register, the portion paid in cash shall also be fully paid.

Article (291) – Non-monetary Contribution and its Transfer

(1) The transfer of a non-monetary contribution for the purpose of exchange for shares shall be carried out pursuant to the contract for acquiring shares. If the obligation of the founder assumes transfer of a non-monetary contribution to the company, the transfer shall be completed no later than five years from the entry of the company in the commercial register. The right to lien shall not be exercised on a non-monetary contribution transferred as a contribution, pertaining to a claim that does not refer to the transferred non-monetary contribution. The appraised value of the non-monetary contribution that shall be transferred shall correspond to the nominal value of the shares, and if the shares are issued at an amount higher than their nominal amount, the value of the non-monetary contribution shall correspond to that higher amount.
(2) When the company charter or the resolution on issuance of shares stipulates that the shares acquired by the shareholders shall not be fully or partially paid in cash, but by transfer of existing or future non-monetary contributions, the company charter shall

determine the non-monetary contributions that shall be transferred, the persons that transfer the non-monetary contributions in the company and the nominal amount of the shares to be given or the compensation to be given for the transferred non-monetary contributions which shall also be deemed as a part of the non-monetary contribution.
(3) Contracts for transfer of non-monetary contributions or the rights and the legal actions through which it is exercised, shall have no effect on the company, if they are not determined by the company charter pursuant to the provisions referred to in paragraph **2** of this Article. If the company is registered in the commercial register, contracts and actions having no legal effect on the company shall not affect the validity of the company charter. If the contract for transfer of non-monetary contributions has no legal effect on the company, the shareholder shall be obligated to pay in cash the total nominal amount of the shares or the greater amount at which they have been issued.
(4) Following the entry of the company in the commercial register, the nullity of the contract or of the legal actions referred to paragraph 2 of this Article shall not be eliminated by amendment of the company charter.
(5) The value of the non-monetary contribution transferred for exchange of shares is determined by the appraisal report of an authorised appraiser, pursuant to the Article 33 of this Law.

Article (292) – Prohibitions during Payment of Shares

(1) The payment of issued shares and other securities in a form of labour and services, including thereof services and labour already executed, shall be contrary to this Law.
(2) The company shall not lend money or in any other way credit the subscriber of shares during the payment of such shares.

Subsection Two - Simultaneous Founding

Article (293) - Definition

(1) A Joint stock company may be founded in a way that the founders themselves or together with other persons, personally or through a representative, shall acquire all shares without public notice and shall sign the company charter**.**
(2) The founders shall acquire the shares by a statement on foundation of the joint stock company given in a written form and shall thereof assume the obligation to pay in the shares. The statement may be enclosed to the company charter or contained in the company charter signed by the founders. The statement shall indicate the person that acquires the shares, the number and the type of shares acquired by the person and their nominal amount, and shall designate how, when and where the shares shall be paid.
(3) The joint stock company shall be deemed as founded when the founders shall acquire all shares and when the company shall be entered in the commercial register.

Article (294) – Appointing of the First Members of the Management body or the Supervisory body

(1) The founders shall, **by the company charter,** appoint the first members of the **board of directors**, or the first supervisory board.

(2) The first members of the **board of directors**, or the supervisory board shall be appointed, for a period no longer than the time of convening of the first annual general meeting of shareholders that decides on their operations in the first business year.

Article (295) - Report on the Course of Founding (Report on Founding)

(1) The founders shall prepare a written report on the course of the founding of the joint stock company (report on founding).
(2) The report on founding shall present the essential circumstances on which the payment of the monetary contributions or the transfer of the non-monetary contributions depends. It shall particularly indicate:

1) the legal operations by which the company acquired non-monetary contributions;
2) the procurement or the production costs related to the non-monetary contributions transferred in the last two years;
3) the profit expressed by the contributed company in the established company for the last three years or for the period shorter than three years, presented in the annual account statements pertaining to the previous business year audited by an authorised auditor;
4) the number of shares, if they have been acquired during the founding on behalf of a member of the management body, or the supervisory board; and
5) the fact of whether and in which manner a member of the management body or the supervisory board has acquired privileges or payment for participation in the company's founding.

Article (296) - Dispute pertaining to the Report on Founding and Report on Audit of the Founding

(1) If a dispute arises during the founding of the joint stock company, or with respect to the report on founding, each founder, subscriber and the person acquiring the shares shall be entitled to request an audit of the founding, and particularly of the data stated in the report on founding.
(2) The audit referred to in paragraph 1 of this Article shall be carried out by authorised auditors. The auditors may require clarification and facts necessary for carrying out the audit to be provided by the founders.
(3) The auditors shall determine the validity of the data provided by the founders with respect to the acquired shares by transfer of non-monetary contributions, whether the total nominal value of the acquired shares corresponds to the appraised value of the non-monetary contributions, as well as whether the company may freely dispose with the non-monetary contributions.
(4) The auditors shall, with respect to the audit, submit a report on the audit of the founding, stating therein their findings and conclusions. The auditors shall be criminally and materially liable for the accuracy, thoroughness and compliance of data, subject to their audit, with the law, other regulations and the international auditing standards, as well as for the check of the appraised value of the transferred non-monetary contributions, which, during the transfer of the non-monetary contributions, should not be substantially lower than the nominal amounts of the shares given in their exchange, and that the company may freely dispose with the transferred non-monetary contributions.

(5) Persons referred to in paragraph 1 of this article may file a complaint in event of a dispute with respect to the acceptance of the report of the audit of the founding.
(6) The audit-related expenses shall be born by the person requesting the audit.

Article (297) - Application Form and Entities acting as Signatories

(1) **The founding of the company shall be registered in the commercial register.** The application form for **entry** shall be submitted to the court.
(2) The application form for **entry of** the founding shall be **submitted** by all members of the management body.
(3) Persons referred to in paragraph 2 of this Article shall be personally and **without limitations** liable to the founders for the omissions and detrimental consequences arising from unduly submission of the application form.

Article (298) – Data Entered in the Commercial Register

(1) The following data shall be entered in the commercial register:
1) the business name and the registered office;
2) the scope of operations;
3) the amount of the charter capital and the number of the issued shares;
4) the total number of paid in shares and the manner of payment;
5) the surname and first name, the personal registration number (EMBG), or the passport number or the personal registration number and the citizenship if foreign natural persons are founders, the place of residence and address, or the business name, registered office and the address if the founders are legal entities;
6) the surname and first name, the place of residence and address of all members of the management body, or the supervisory board, their personal registration number (EMBG), or the passport number and the citizenship for the foreign natural persons;
7) the duration of the company, if it is founded for a definite period; and
8) the authorisations for representation of the company of the members of the management body and of other persons.

(2) The following shall be enclosed to the application form:
1) the company charter and all documents on the basis of which the company charter is adopted;
2) **proof of registration if a founder is a legal person, or a copy of a passport or ID for the natural persons.**
3) proof of the paid amount issued by the bank in which the payment of the shares is realized;
4) the contracts on determining and realizing the non-monetary contributions and the appraiser's report, if during the founding, shares are acquired by non-monetary contributions;
5) the resolutions on election of the members of the management body, or the supervisory board if they are not appointed by the company charter;
6) the contracts on determining and realising special privileges, if during the founding, such privileges are provided,
7) the calculation of the founding related costs, by indicating separate items and the total costs;

8) the report on the founding and each audit of the founding, if such report has been prepared;
9) license issued by a state body if such obligation is stipulated by law pertaining to the registration of the company in the commercial register;
10) statement of a legally authorized representative of a legal person, or statement of a natural person, verified by a notary, or submitted proof that there is no obstacle for the person to be a founder of the company pursuant to Article 27 of this Law.

(3) Each change of the data referred to in paragraph 1 of this Article, except data pertaining to item **5**, shall be registered in the commercial register.
(4) The founders of the joint stock company shall be liable for the reliability, accuracy and validity of the data stated in the application form and for the enclosures to the application form for founding of the company stipulated by this Law.

Article (299) - Liability of the Founders

(1) Founders of the joint stock company shall be **jointly and severally liable without limitations** for the damage suffered by the company and the creditors due to illegal activities, false or incomplete data they provided with respect to the founding of the company, contained in the report on founding or entered in the commercial register, or contained in the enclosures, which pursuant to this Law, shall be enclosed to the application form for founding the company.
(2) The founders shall be **jointly and severally** obliged to indemnify the damage if they cause the damage with premeditation or due to gross negligence by transfer of non-monetary contributions or if they incur unjustified founding-related costs. The founder, acting as prudent person with due care and consideration shall not be liable for the damage.
(3) The founders shall not refer to the fact of their unawareness of the difference in the data, if they have signed the statement referred to in Article 30 of this Law.

Article (300) - Liability of Other Persons

In addition to the founders and the persons on behalf of whom the founders have acquired the shares, the following persons shall be jointly and severally obliged to indemnify the damage to the company:

1) the party that has received payment, which contrary to the Law is not accepted as founding-related cost, and knew or, according to the circumstances, must have known that intentional concealment has been made or conscientiously participated in that concealment;
2) the party that, with premeditation or due to gross negligence, by transfer of non-monetary contributions, caused damage to the company or enabled the damage to be caused; and
3) the party that, prior to the entry of the company in the commercial register or in the first two years following the entry, publicly announces that he/she will release outstanding shares, although he/she had been aware of the inaccuracy and the incompleteness of the data pertaining to the founding of the company, or of the damage caused to the company by transfer of non-monetary contributions or of

which he/she should have been aware of, if he/she acted as prudent person with due care and consideration.

Article (301) - Liability for False Statements

(1) The founders or other persons that gave a false statement shall be personally, jointly and severally liable to the company in case of giving false statements in the course of the procedure for founding of the company. If the false statement refers to the paid amount, such liability shall also include an obligation to pay to the company the difference of the amount for which the obligation of the payment pertains to.
(2) If the false statement refers to founding related costs, such liability shall include the obligation to pay or to compensate to the company all costs that exceed the costs stated in the report on founding of the company.
(3) The company may not waive the claims referred to in this Article or offer any agreement thereto, if the collection of these claims shall be indispensable for settlement of the claims of the company's creditors, unless the creditors agree to a different solution.

Article (302) - Prohibited Issuance of Shares

(1) Prior to the entry of the founding of the company in the commercial register, shares shall not be issued.
(2) The action undertaken contrary to paragraph 1 of this Article shall be null and void.
(3) The party acting contrary to the provision referred to in paragraph 1 of this Article shall be obliged to compensate the caused damage.

Subsection Three - Successive Founding

Article (303) - Definition

(1) A company may be founded in a manner that the founders shall adopt the company charter, subscribe certain number of shares, and shall announce a public notice for subscription of shares.
(2) The shares that are not subscribed on the basis of public notice shall be acquired and paid in by appropriately applying the provisions of this Law that pertain to the acquiring of shares in the procedure of simultaneous founding of joint stock company.
(3) **The company shall be deemed founded upon adoption of the resolutions at the founding meeting of shareholders, stipulated by this Law**.

Article (304) - Public notice

(1) The public notice for subscription of shares shall be set pursuant to the provisions of the company charter adopted by the founders.
(2) The public notice for subscription of shares shall contain the following data:

1) the date of adoption of the company charter, on the basis of which the public notice is announced;
2) the amount of the charter capital;
3) **the non-monetary contributions;**
4) the number, the type, and if more types or classes of shares are being issued, all types and classes of shares offered for subscription, their nominal value and selling price, as well as the number and type, or the classes of shares that were

acquired without subscription and the rights attached to the issued shares, the privileges, limitations and other conditions with respect to the type and the class of the issued shares;

5) the surname and first name of each founder, the personal registration number (EMBG), the passport number or the personal registration number and the citizenship of foreign natural persons, **or the ID number**, their place of residence and address, or the business name, the registered office and the address if the founders are legal entities;
6) the registered office and the address of the bank at which the shares shall be subscribed and advance notification of the possibility of review of the company charter, the prospectus, and depending on the case, of the report on founding and of the audit report if such report has been prepared pursuant to this Law, upon request of the founders or other persons;
7) **the date of commencement and completion of the shares' subscription**;
8) **the date as of which the subscriber's obligation shall cease if the entry of the founding of the company in the commercial register failed;**
9) the date on which the subscribed shares should be paid in and the portion of the subscribed shares that should to be paid in prior to the entry of the company in the commercial register, or the day on which the subscription of the share shall be deemed successful, as well as the consequences arising from the failure to pay the instalments in correct and timely manner;
10) the exact data pertaining to the special privileges;
11) the costs incurred during the company's founding, the special payments, the remuneration and bonuses, **and the maximum amount of the costs that may be paid in case of unsuccessful founding of the company**;
12) the manner of convening the founding meeting of shareholders; and
13) the highest amount of the founding-related costs, **which should be borne** by the company.

(3) The public notice may also contain other data relevant for issuance and sale of shares.
(4) The public notice shall be deemed null and void if it does not contain all data referred to in paragraph 2 of this Article or if it contains data that restrict the rights of the subscriber of shares. The subscriber of shares shall not refer to the fact that he/she is not bound by the subscription of shares or to the nullity of the public notice, if the company has been entered in the commercial register, and he/she voted on the founding meeting of shareholders, or afterwards, as a shareholder, exercised a right within the company or fulfilled an obligation to the company. The restriction that is not stated in the public notice shall have no legal effect or influence on the company.
(5) The data pertaining to the founding and other information for the company's undertaking shall be stipulated in a prospectus, which is enclosed with the public notice.
(6) The **primary issue of shares** shall be deemed successful if the percentage of issued shares stipulated in the public notice is subscribed, which shall not be less than the amount stipulated in this law as a condition for a successive founding of a joint stock company.

Article (305) - Subscription Form

(1) Each subscriber shall sign three copies of the statement on subscription of the shares (subscription form), one copy for himself/herself and two copies for the company. If the subscription is carried out through a proxy, the power of attorney shall be enclosed to the subscription forms that remain for the company.

(2) The subscription form shall contain the following:

1) the number and the type of the subscribed shares, their nominal amount, and, if necessary, the issue value;

2) the statement of the subscriber that he/she commits to pay the share in accordance with the conditions stipulated in the public notice;

3) the pecuniary amount the subscriber pays upon subscription;

4) the statement of the subscriber on familiarity with the company charter and the public notice, or the prospectus, the report on founding, the audit report, if such report has been prepared pursuant to this Law, upon request by the founders or other parties, and on providing consent to the company charter and the manner in which the company is founded;

5) the subscriber's signature, by indicating the subscriber's surname and first name, the personal registration number (EMBG), or the surname and first name of the subscriber's proxy, and the place of residence, the passport number, **the personal registration number** and the citizenship if the subscriber is a foreign natural person, or the business name or title, the address and the registered office, **and the registration number** if the subscriber is a legal person; and

6) the proof issued by the bank at which the subscription and the payment have been executed, or shall be executed, as well as the receipt issued for the received payment.

(3) The subscription form shall have binding effect upon the subscriber only if the company is founded.

(4) The subscription form shall be deemed null and void if it does not contain all data referred to in paragraph 2 of this Article and if it, contrary to the Law, restricts the liability for the obligations assumed by the subscriber.

Article (306) - Deadline for Subscription and Unsuccessful Subscription of Shares

(1) The deadline for subscription of shares shall not be longer than **ninety days** from the date of commencement of the subscription.

(2) If, within the deadline referred to in paragraph 1 of this Article, all shares offered for subscription are not subscribed and duly paid in accordance with the public notice, the founders may, within 15 days following the expiration of the deadline for subscription, subscribe or acquire the unsubscribed and unpaid shares by themselves. **In this case the deadline for distribution of the shares shall be 15 days following the expiry of the previous deadline.**

(3) If, within the deadline referred to in paragraph 2 of this Article, the founders fail to acquire or subscribe and to pay the shares offered for subscription in accordance with the conditions specified in the public notice, the founding shall be deemed unsuccessful, and the founders shall be obliged, within the next 15 days, to invite the subscribers by an announcement to withdraw their paid amounts. The announcement shall be published in the same manner as any announced public notice.

Article (307) - Distribution of Subscribed Shares

(1) If the founding is successful, the founders shall, within 15 days following the expiry of the deadline for subscription of the shares determined in the public notice, distribute the shares to the subscribers.

(2) Complete list of the shares shall be made available to the subscribers for inspection at each place where the subscription is made, indicating how many shares have been subscribed from each type, as well as how many shares of each type have been distributed to each subscriber. The list shall also contain an invitation for the subscribers to whom single share has not been assigned or to whom all subscribed share have not been distributed, to withdraw the paid amounts for which no shares were distributed.

Article (308) – Non-timely Payments

(1) If **certain** obligation for payment matures prior to the entry of the joint stock company in the commercial register and is not executed in a timely manner, the founders may declare the acquiring, or the further subscription of shares as invalid and the shares may be thereupon acquired or subscribed by themselves or by any other party.

(2) The payments executed by the former subscriber or by the person that acquired the shares shall be refunded, reduced for the costs incurred by the company with respect to the unsuccessful subscription of the shares **referred to in paragraph 1 of this Article, in a manner stipulated by the public notice.**

Article (309) – Disposal with Payments

(1) The founders shall not dispose with the payments for shares. The management body may dispose with the payments following the entry of the company's founding in the commercial register.

(2) The special remuneration, the refunds and the bonuses shall not be executed at the expense of the charter capital.

Article (310) - Calling the Founding Meeting of Shareholders

(1) The founding meeting of shareholders shall be convened not later than **60 days** following the expiry of the deadline for subscription of the shares and the of the number of shares specified by the public notice, unless the subscription of the shares is completed within a period **shorter than the period determined for the subscription of shares**. The founders shall call the founding meeting of shareholders by a public notice that has to be published in the same manner as the public notice for subscription of shares. At least 15 days shall pass between the day of the last publication of the public notice and the day of convening of the founding meeting of shareholders.

(2) The founders shall be obliged, within the deadline referred to in paragraph 1 of this Article, to provide the subscribers to whom shares have been distributed in the bank at which the shares are subscribed with the access to the company charter, the report on founding prepared in accordance with Article 295 of this Law, the public notice, the list of the subscription forms, the founders' report on the founding-related costs, the list of the shares' distribution and the list of the persons that have acquired shares without subscription on the basis of the public notice, by indicating the portion and the type and class of the shares each of them acquired, as well as the report on the audit of the founding, if such report was prepared pursuant to Article 296 of this Law, upon request by the founders or other parties.

(3) The court, on the territory of which the registered office of the company is located, may, upon a request of the founders, and due to justified reasons thereof, extend the deadline for convening the founding meeting of shareholders for 30 days.

(4) The provisions of this Law pertaining to the general meeting of shareholders shall be respectively applied to the convening of the founding meeting of shareholders, unless otherwise stipulated by this Law.

Article (311) - Consequences of Failure to Convene the Founding Meeting of Shareholders

(1) If the founding meeting of shareholders is not convened within the stipulated deadline, the founding of the company shall be deemed as unsuccessful.

(2) The founders shall, within 15 days upon expiry of the deadline for convening the founding meeting of shareholders, call the subscribers of shares to withdraw their payments by an announcement, published in the same manner as the public notice.

(3) If the founders fail to act pursuant to paragraph 2 of this Article, the announcement shall be published by the court, upon proposal by any of the subscribers of shares, and at the expense of the founders.

Article (312) - Requirements for Valid Decision-Making at the Founding Meeting of Shareholders

(1) The founding meeting of shareholders shall be convened at the company’s registered office, unless another place is specified in the announcement.

(2) The **founders and subscribes of shares** possessing the majority of **all shares** shall be present at the founding meeting of shareholders, and if the company has issued shares of more types, the **founders and subscribes of shares**, possessing majority of each **class** of shares, shall also be present.

(3) The founding meeting of shareholders shall be opened by a notary, previously designated by the founders. The notary shall compile a list of all present subscribers and of the persons that acquire shares, or their representatives thereof, and shall determine whether all requirements for convening the founding meeting of shareholders are met.

(4) If there is no quorum for convening the founding meeting of shareholders pursuant to paragraph 2 of this Article, and if the court has not extended the deadline for convening the founding meeting of shareholders pursuant to **Article 310,** paragraph 3 of this Law, the founders may re-convene the meeting not later than 15 days from the date the non-convened founding meeting of shareholders was supposed to be convened. No less than 8 days, and no more than 15 days shall pass between the date on which the founding meeting of shareholders is re-called and the date of its convening. The re-convened meeting may operate and decide with the quorum stipulated in paragraph 2 of this Article.

Article (313) - Course of the Founding Meeting of Shareholders

(1) The chairman of the founding meeting of shareholders and two counters of votes shall be elected following the opening of the founding meeting of shareholders. The report on founding and the auditors' report for the founding, if prepared pursuant to this Law, upon request of the founders or other parties shall be read after the election. The enclosures to the mentioned report shall be read only if requested by the present and represented **founders and subscribes of shares**, possessing at least 10% of the **total number of all shares**.
(2) The notary shall keep the minutes from the founding meeting of shareholders. In addition to the notary, the chairman of the founding meeting of shareholders and counters of the votes shall also sign the minutes.

Article (314) - Competencies of the Founding Meeting of Shareholders

The founding meeting of shareholders shall:

1) **adopt the report on the company's founding, and the report on the audit of the founding, if such report has been prepared;**
2) determine whether all shares are subscribed, acquired and distributed, whether all contributions, which under the Law and the company charter had to be transferred until the convening of the founding meeting of shareholders, are transferred, and whether the company may freely dispose with all contributions following the entry in the commercial register;
3) determine the amount of the founding-related costs that shall be borne by the company; and
4) elect the company's bodies, which pursuant to the Law and the company charter, shall be elected by the general meeting of shareholders, unless they are appointed by the company charter, pursuant to this Law.

Article (315) - Voting at the Founding Meeting of Shareholders

(1) Each share confers the right to one vote at the founding meeting of shareholders, except in case of election of the board of directors or the supervisory board, for which only voting shares provide the right to vote.

(2) The voting with respect to the issues referred to in Article **314**, item 2, of this Law pertaining to the non-monetary contributions, shall be executed separately for each non-monetary contribution. The **founders and the subscribers of shares** on the basis of the non-monetary contribution, shall have no right to vote. The founders shall not also be entitled to vote with respect to the issues referred to in Article **314, item 1 and 3,** of this Law.

(3) The decisions at the founding meeting of shareholders shall be reached with majority votes of the quorum stipulated in article **312,** paragraph 2, of this Law, without the shares represented at the founding meeting of shareholders which, **pursuant to paragraph 2 of this Article**, are excluded from the voting.

(4) Notwithstanding paragraph 3 of this Article, the election of the board of directors or the supervisory board shall be realized by a majority of the present founders and subscribers of shares with voting rights, provided that the majority of founders and subscribers of voting shares are present at the founding meeting of shareholders.

(5) The amendments of the provisions of the company charter pertaining to **Article 287,** paragraph 1 of this Law, shall be adopted by a unanimous consent of all **founders and subscribers of shares.**

Article (316) - Application Form for Entry and Entities That Submit the Application Form for Entry

(1) The application form for entry of the successive founding of the company in the commercial register shall be filed in the manner and under the conditions referred to in Article **297** of this Law.

(2) The application form **for entry** shall state the data set forth in Article **298**, paragraph 1, of this Law.

(3) The following shall be enclosed to the application form:

1) the company charter and all documents on the basis of which the company charter is adopted;
2) proof of the paid amount issued by the bank in which the shares are acquired or the contract which specifies the manner of transferring non-monetary contributions, if the non-monetary contributions are transferred and a copy of the prospectus on the basis of which the total or part of the charter capital was subscribed;
3) the minutes of the founding meeting of shareholders, the invitation thereof, and the list of participants;
4) the resolutions on election of the members of the management body, or of the supervisory board, provided that they are not appointed by the company charter;
5) the report on founding and the report on audit of the founding, if such report was prepared upon request by the founders or other parties, pursuant to this Law;
6) the statements of the founders and of the members of the management body, given in accordance to article 30 of this Law;
7) the contracts on determining and realising special privileges and non-monetary contributions, if during the founding, such privileges and contributions are provided,

8) the calculation of the founding - related costs, by indicating separate items and the total costs;
9) an act of a state body or other institution, if consent, license or other act of state body or institution is required pursuant to the law;
10) statement of a legally authorized representative of a legal person, or statement of a natural person, verified by a notary, or submitted proof that there is no obstacle for the person to be a founder of the company pursuant to Article 27 of this Law.

Article (317) - Appropriate Application of Other Provisions to the Successive Founding
(1) The provisions referred to in Articles **299, 300, and 301** of this Law shall respectively apply to the liability for damage caused during the founding procedure, or to the liability of the founders and the members of the management body and the supervisory board, to the liability of other parties and to the liability for giving false statements.
(2) The provisions referred to in Article 21 shall apply to the actions on a behalf of the company prior its entry in the commercial register.

Section Four – INFORMING AND ACCES OF THE SHAREHOLDERS TO THE DOCUMENTS AND BY-LAWS

Article (318) - Manner of Publishing Data or Reports

Unless otherwise stipulated by this law, the management body shall determine the manner of publishing the data and reports which have to be mandatory published pursuant to the company charter (in a company's bulletin), in a daily newspaper or in other manner (**Internet**, etc) and shall determine the data and reports which are published and which are considered significant for the shareholders and for the company.

Article (319) - Documents and By-Laws Required to be Kept

The joint stock company shall keep in its registered office the following documents and by-laws:

1) the company charter and the by-laws and all amendments thereto along with the consolidated text;
2) the minutes and all other documents pertaining to all general meetings of shareholders;
3) the minutes and the decisions pertaining to the meetings of the management bodies and the supervision bodies;
4) the annual reports and other financial reports required to be kept pursuant to the law;
5) all documents submitted to the commercial register;
6) all public notices and prospectuses for issuance of shares and other securities of the company;
7) total written communication of the company with the company's shareholders;
8) an updated list of names and addresses of all current members of the managing and supervisory bodies;
9) documents pertaining to pledge and mortgage;
10) the reports of the auditors and of the authorized appraisers;
11) the voting ballots and proxies for participation of the general meeting of shareholders in original or copy; and
12) other by-laws and documents stipulated by law and the company charter.

Article (320) - Access to Information

(1) For the purpose of attaining the rights stipulated by the law and the company charter each shareholder shall be entitled to inspect the by-laws and the documents of the company during the company's business hours in a manner and under the conditions stipulated in the company charter.

(2) The shareholders may inspect the minutes and the resolutions of the meetings of the management bodies through the non-executive members of the board of directors or through the supervisory board.

(3) The joint stock company may require the shareholder to provide advance notice for the inspection within a deadline not longer than three days prior to the date of the intended inspection. The company may require the shareholder to cover the cost of the requested copies, which may not be higher than the actual cost.

(4) If the company does not allow the shareholder to make the inspection and the copying of the by-laws and the documents, the shareholder may submit a proposal to the court for the purpose of allowing inspection of the **by-laws and the documents**. The proposal shall

indicate the by-laws and documents that the shareholder wishes to inspect or receive, as well as the form in which the by-laws or the documents shall be submitted.
(5) The court shall, within eight days from the submission of the proposal, reach a decision, obliging the company to allow the shareholder that submitted the proposal to inspect the by-laws and the documents to which the proposal pertains to or to supply the shareholder with a transcript of the by-laws and the documents, at the expense of the company.
(6) The shareholder who inspected the by-laws and documents shall not publicly announce or present the information obtained from the inspection, unless the shareholder **presents them to other shareholders** or exercises certain right, stipulated by law, company charter or company by-law, before a competent body.
(7) If the shareholder, who inspected the by-laws and the documents, discloses the information or in any other way abuses the inspection thereby causing damage to the company or to any shareholder, the shareholder shall be obliged to indemnify the damage to the company or to the shareholder, except in the case pertaining to paragraph 5 of this Article.

Section Five - LEGAL RELATIONS BETWEEN THE COMPANY AND THE SHAREHOLDERS

Article (321) - Principle of Equal Status of the Shareholders

The shareholders shall, under equal conditions, **have** equal status in the company.

Article (322) - Main Obligation of the Shareholder

(1) The shareholder shall be obliged to pay to the company the nominal amount of the share, or the greater amount if the share is issued at a greater amount than the nominal one, as well as to transfer the non-monetary contribution, if the share is acquired on the basis of non-monetary contribution.
(2) The conditions for payment of shares that the shareholders have subscribed but not paid shall be equal for all shareholders according to the type and the class of the shares.
(3) The shareholder shall neither set off his claims against the company by means of payments for the shares nor exercise the right to lien on the non-monetary contributions.
(4) The company shall neither defer the payment of certain shareholders, nor release them from the obligation to pay or accept as payment some means that differ from the means stipulated in the company charter. The non-monetary contribution that comprises claim, shall be deemed paid only after the company collects that claim. The company shall be liable to the shareholder, if it does not handle the collection with due care and consideration.
(5) Co-holders of a share shall be jointly **and severally** liable for the obligations arising from that share.

Article (323) - Consequences from Non-timely Payment

(1) The shareholders shall pay the contributions in cash upon an announcement of the management body of the joint stock company in accordance to the conditions under which they have subscribed their shares. The announcement shall be carried out by means of personal notification of the shareholders, unless otherwise provided for in the company charter.
(2) The shareholder, who fails to execute the payment on time pursuant to paragraph 1 of this Article, shall not be entitled to vote until he/she executes the due payment and the corresponding interest. The shareholders, who failed to pay the contribution within the

stipulated time period, shall be obliged to pay interest **at a rate that is not higher than the rate determined by law.**

Article (324) - Expulsion of a Shareholder due to Non-timely Payment of Contribution

(1) The shareholder, who fails to execute the payment of the subscribed shares within the determined time period and under the condition under which the shares were subscribed, may, through registered letter, be given an additional deadline, with a notice that the failure to fulfill the obligation to pay in the additional deadline, will lead to dispossession of the partially paid shares to which the warning for payment refers. The additional deadline shall be announced in a daily newspaper.

(2) If, despite the notice referred to in paragraph 1 of this Article, the shareholder fails to pay the due amount to the company, he/she shall be dispossessed of the shares and shall be expelled from the company. The announcement referred to in paragraph 1 of this Article shall indicate the shares dispossessed from the shareholder for the benefit of the company.

(3) The shareholder shall be notified of the expulsion from the company in a written form by means of registered mail or personally delivered mail.

(4) If the company sells the shares dispossessed from the expelled shareholder:

- below their nominal value, the expelled shareholder shall pay the unpaid portion of the contribution, as well as the costs and the default interest;

- at their nominal value, the expelled shareholder shall pay the costs and the default interest, and the company shall refund the remaining amount to the shareholder;

- above their nominal value, the expelled shareholder shall to pay the costs and the default interest, and the remaining amount, up to the nominal amount of the share, shall be refunded by the company to the shareholder;

(5) The expelled shareholder shall also be obliged to pay a contractual penalty if such obligation is stipulated in the public notice. The payments pertaining to paragraph 4 of this Article shall not exclude the liability of the expelled shareholder for the damage caused to the company due to failure to execute the payment.

Article (325) – Sale of the Shares of the Expelled Shareholder

(1) The company shall sell the shares of the expelled shareholder on the Stock Exchange, unless the shares are sold through a block transaction, under the condition that the price corresponds to their value and the expelled shareholder gives his/her consent. The shares may be sold and transformed into cash in another manner only with consent of the expelled shareholder.

(2) If the price obtained by sale of the shares on the Stock Exchange exceeds the amount the shareholder is obliged to pay to the company, the amount remaining after the settlement of costs for the sale and the default interest shall be used for payment of the contribution up to the unpaid amount. The remaining amount shall be thereupon refunded to the expelled shareholder.

(3) Any provision of the company charter and other legal actions and activities contrary to the provisions of Article 324 of this Law and paragraph 1 and 2 of this Article shall be null and void.

Article (326) - Liability of a Holder of Partially Paid Shares

(1) Each holder of partially paid shares shall be personally liable for the unpaid portion of the amount at which the shares were issued. The company shall not exempt the holder of the partially paid shares from the liability to pay the unpaid amount of the subscribed shares.
(2) Notwithstanding paragraph 1 of this Article, the company may exempt the shareholder from the liability to pay subscribed shares only in case of regular reduction of the charter capital of the company and in case of reduction of the charter capital by withdrawing shares up to the amount for which the charter capital is reduced **in the manner and under the conditions stipulated by this Law**.

Article (327) - Prohibition for Refund of a Contribution and for Payment of Interest

(1) Except in cases stipulated by this Law, the paid in contribution shall not be refunded to the shareholders. The payment of the purchase price in cases of allowed purchase of shares by the company shall not be considered as refund of the contribution.
(2) Interest for their payments or contributions in the company shall not be guaranteed, nor paid to the shareholders.

Article (328) - Manner of Determining the Participation of the Shareholders in the Profit

(1) The shareholders shall be entitled to participate in the profit, unless the profit is excluded from the distribution among the shareholders, according to the resolution of the general meeting of shareholders on utilization of the profit, adopted on the basis of law or the company charter.
(2) The participation of the shareholders in the profit shall be determined according to the type and the class of the shares.
(3) The dividend referring to each type and class of shares shall be paid proportionally to each holder of the corresponding type or class of shares. If the contributions in the charter capital are not paid in full, or if all shares are not paid in equal ratio, the shareholders **that comply with their obligations in a timely manner** shall participate in the profit distribution in proportion to the paid portion of the shares. The payments made during the business year shall be taken into consideration according to the time of the execution of the payment.
(4) Prior to the termination of the company, only the profit expressed in the income statement may be distributed to shareholders.

Article (329) - Liability of a Shareholder who Received Prohibited Payment

(1) A shareholder who received any advance payment of dividend, dividend or other payments on any grounds, shall be obliged to refund to the company the received amount, if he/she knew or, **considering the circumstances**, must have known that the **distribution of funds** is in contravention with the law.
(2) The refund of payments received contrary to the law, may be also claimed by the creditors, if they can not collect their claims from the company. During bankruptcy procedure, if such procedure is initiated on the company, the bankruptcy trustee shall exercise the right of a creditor in relation to the shareholder.
(3) The right referred to in paragraphs 1 and 2 of this Article shall become outdated in five years upon receiving the prohibited payment.

Article (330) – Parts of Share and Their Merger

(1) If due to increase of the charter capital or any other reasons, the shareholder is entitled to only a part of a new share, the shareholders shall be considered as co-owners of such share.

(2) Parts of one share owned by several persons may be merged in one whole share owned by one person, or in parts of share owned by several **shareholders**, which are considered co-owners of the share.

(3) The shareholders exercise the right to merge the parts into one share and the right to co-ownership of one share pertaining to paragraph 2 of this Article, in a manner stipulated in a statement verified by the notary. The notary submits the verified statement to the Central Depositor of Securities.

(4) All co-owners shall be jointly and severally liable for the obligations arising from the shares, unless otherwise agreed among them.

Article (331) – Exercising the Rights Attached to Parts of Share

(1) **The co-owners of a share exercise and perform their rights through a single joint representative**.

(2) Legal actions that the company undertakes against the co-owners shall be performed against the **joint** representative, provided that the representative is registered with the company. If the common representative is not registered with the company, the company may undertake legal action or express the will against any co-owner, thus the legal action shall be deemed as undertaken, or the company's will shall be deemed as expressed against everyone.

(3) The representative shall be registered in the list of shareholders in the Central Depositor of Securities. **The company may, upon a proposal of the company, appoint guardian to the co-owners.**

Article (332) – Prohibition of Subscription of Treasury Shares

(1) The company shall not subscribe treasury shares.

(2) Any person that has acquired shares for the account of the company in the course of the procedure for increase of the charter capital may not refer to the fact that the shares were not acquired on his/her behalf. The person that has acquired the shares is not entitled to any right attached to the shares until he/she acquires the shares on his/her behalf.

Article (333) - Acquisition of Treasury Shares via Repurchase

(1) The company may acquire treasury shares via repurchase, by itself or through certain party acting in his/her name and on the behalf of the company. The repurchase of treasury shares shall be valid under the following conditions:

1) the general meeting of shareholders shall reach a resolution on acquiring treasury shares via repurchase, determining the manner of repurchasing, the maximum number of shares to be acquired, the time when the repurchase should be executed, which shall not be longer than 12 months as of the date of reaching the resolution on acquiring treasury shares, and the minimum and maximum counter value that may be paid for the shares;

2) the nominal value of the acquired shares, along with the shares the company has previously acquired and are in a possession of the company shall not exceed 10% of the charter capital;

3) the acquiring of the treasury shares shall not lead to reduction of the assets of the company below the amount of the charter capital, and of the reserves, which, pursuant to the Law or the company charter, the company is obliged to maintain, and which shall not be used for payments to the shareholders; and
4) only shares fully paid may be acquired via repurchase.

(2) As an exception, the company may acquire treasury shares contrary to the conditions stipulated in paragraph 1, items 1 and 2 of this Article, when the acquisition of treasury shares is indispensable in order to prevent a severe and direct damage that the company would suffer. The resolution shall be reached by the board of directors, or the management board upon prior consent of the supervisory board. In this case, the board of directors, or the management board shall be obliged to inform the general meeting of shareholders on its first next meeting about the reasons and the objective of the carried out acquisition of treasury shares, the number and the nominal value of the acquired shares, the portion of the charter capital represented by the acquired shares, the price at which they are acquired, as well as of the source of funds utilized for their acquisition.

(3) The provision referred to in paragraph 1 of this Article shall not apply to treasury shares acquired by the company or by a party acting in his/her own name, but on behalf of the company, with the purpose of distributing the shares to the employees of this company or to the employees of a related company. The distribution of such shares shall be executed within one year from the date of acquisition of these shares.

Article (334) - Procedure for Proportional Acquisition of Treasury Shares by the Company from all Shareholders

(1) When acquiring treasury shares proportionally from all shareholders, the company shall, on the basis of the resolution on acquisition of treasury shares, put forth a public notice for acquisition of shares to all shareholders. The public notice shall state the number of shares the company intends to acquire by indicating the type and the class of the shares, the proportionate number of shares the shareholder may offer for sale in relation to the number of shares in his/her possession, the purchase price or the manner of calculating the purchase price, the payment procedure and date of payment, as well as the procedure and the deadline by which all shareholders should offer their shares for sale to the company. The publishing of the public notice shall last at least 30 days.

(2) If the total number of shares offered for sale by the shareholders exceeds the number of shares the company may acquire in accordance with this Law, the company shall proportionally purchase from each shareholder the number of shares that each shareholder offered for sale in relation to the number of shares he/she possesses, except in case when it is necessary to avoid purchase of fractions of a share.

Article (335) - Special Manners for Acquisition of Treasury Shares

(1) The limitations stipulated in Article **333** paragraph 1 of this Law shall not apply, if the acquisition of the treasury shares is carried out:

1) on the basis of a resolution of the general meeting of shareholders if the withdrawal of shares is realized according to the provisions of this Law pertaining to reduction of the charter capital;
2) free of charge or when **a bank, investment fund or other** financial institution purchases shares **in its own name and on behalf of the company;**
3) as a result of **transfer of all assets;**
4) in a procedure for enforced execution for the purpose of settling of a company's claim on the basis of a court decision;

5) in case of merger, accession and division, **and during a transformation of the company, if the company, pursuant to this Law is obliged to purchase the shares of particular shareholders**;
6) in case of expulsion of a shareholder in accordance with Article **324** of this Law;
7) on the basis of an obligation stipulated in law or on the basis of a court decision; and
8) as a compensation for debt or in a procedure of reorganization of the debtor according to the Bankruptcy Law or in other manner.

(2) The shares acquired in the cases referred to in paragraph 1 of this Article shall be dispossessed within three years as of the date of their acquisition, unless the nominal value of the acquired shares, including therein treasury shares referred to in Article **333** of this Law, does not exceed 10% of the charter capital.

(3) If treasury shares referred to in paragraph 1 of this Article are not dispossessed within this deadline stated in paragraph 2 of this Article, they shall be cancelled without delay. When the cancellation of treasury shares results in reduction of the charter capital as well as of the legal and statutory reserves, a procedure for an appropriate reduction of the charter capital shall be undertaken.

Article (336) – Dispossession of Treasury Shares

The shares acquired contrary to the Articles 333, 334 and 335 shall be dispossessed within one year as of the day of their acquisition. If the shares are not dispossessed within this deadline, the provisions of Article 335, paragraph 3 of this Law shall apply.

Article (337) – Notification for the Treasury Shares

The annual report of the company shall state:

1) **the reasons for acquiring treasury shares in the course of the year;**
2) **the number and the nominal value of the treasury shares acquired on any grounds as a participation of the acquired treasury shares in the charter capital and the counter value paid for them;**
3) **the number and price at which treasury shares acquired in the previous year have been dispossessed and their participation in the charter capital; and**
4) **the number and the nominal value of the acquired treasury shares distributed to employees and their participation in the charter capital.**

Article (338) – Shares with Right of Repurchase by the Company

(1) The company may be authorized by its charter to issue shares with the right of the company to repurchase those issued shares in a certain time period. The repurchase shall have legal effect if the following conditions are met:

1) the conditions and the manner of repurchase shall be stipulated by the company charter;
2) the general meeting of shareholders shall adopt a resolution on repurchase of such shares before their subscription;
3) the shares should be paid in full;
4) the repurchase shall be executed only by funds that exceed the charter capital and the reserves which shall not be distributed to the shareholders; and
5) the amount which is not less than the nominal value of the issued shares shall be put with the reserves which shall not be distributed, except in the case of reduction of the charter capital.

(2) The provision pertaining to paragraph 1, item 2 of this Article shall not apply to repurchases that pertain to usage of funds for issuance of new shares for repurchase of the existing shares, which include the right of repurchase by the company.
(3) If there is a provision pertaining to payment of a premium to the shareholders during the repurchase, the premium shall be paid only from the reserves that may be distributed to the shareholders.
(4) The company charter shall determine the time limit for repurchase of shares which include the right of purchase by the company.
(5) The notification for repurchase of the shares pertaining to paragraph 1 of this Article **shall be published in a daily newspaper**.

Article (339) - Null and Void Legal Actions

(1) The legal actions by which the company provides some party with an advance payment, loan, credit, or other type of collateral for purpose of acquiring shares in that company, shall be considered null and void. This shall not apply to the current legal activities of the banks and the other financial institutions or to the acquisition of treasury shares by the company for their distribution to the employees, provided that the purchase of shares does not lead to reduction of the charter capital, the legal and statutory reserves.
(2) The legal actions shall also be considered null and void in cases when the company acquired treasury shares from the reserves necessary to preserve the nominal value of the charter capital, or from the reserves, which pursuant to the Law and the company charter, could not be used for other purposes.
(3) The legal actions between the joint stock company and other party, that authorise or oblige the other party to acquire shares in the company, in the controlled company or in the company in which the joint stock company has majority share, shall also be considered null and void.
(4) The acquisition of treasury shares, on any grounds, shall be null and void if it the nominal amount at which shares are issued is not fully paid.

Article (340) - Pledging the Treasury Shares

(1) Taking treasury shares as pledge or any other type of collateral by the company or through a person acting in his/her own name, but on behalf of the company shall be equivalent to the acquisition of treasury shares pursuant to Articles **333 and 335** of this Law.
(2) Any activity that is contrary to paragraph 1 of this Article, shall lead to nullity of the pledge of treasury shares.

Article (341)- Rights Arising from Treasury Shares

(1) The rights arising from treasury shares shall be suspended.
(2) The joint stock company shall set aside special reserve, the amount of which has to be equal to the amount of the treasury shares. If the treasury shares are presented in the assets side of the balance sheet, the special reserve shall be presented in the liability side of the balance sheet. The special reserve shall not be used until the company sells or cancels the treasury shares.

Section Six - BODIES OF THE JOINT STOCK COMPANY

Subsection One - General Provisions

Article (342) - Management Systems

(1) The management in a joint stock company may be organized either as one-tier system (Board of Directors) or a two-tier system (Management Board or manager and Supervisory Board).
(2) The joint stock company shall choose the management system. The one-tier management system may be replaced with the two-tier management system and vice versa, by amending the company charter.
(3) The provisions governing the General Meeting of Shareholders shall respectively apply to joint stock companies with either one-tier or two-tier management system.
(4) The participation of the employees in the management of the joint stock company shall be carried out in accordance with the Law.

Article (343) - Conditions for Election

(1) Only natural persons having full business capacity may be elected as members of the management body or Supervisory Board.
(2) As an exception, when it is stipulated by the company charter, a legal person may also be elected as non-executive member of the Board of Directors or member of the Supervisory Board, and immediately following the election the legal person shall appoint a permanent representative with the same rights, obligations and liability as the other non-executive members or Supervisory Board. The joint and several liability of the legal person having its representative in the Board of Directors or Supervisory Board shall not be excluded. The representative of the legal person, as a non-executive member of the Board of Directors, shall be determined by the management body of the legal person.
(3) A member of the management body or Supervisory Board may not be a person against whom a safety measure is pronounced for prohibition on performing a certain profession which is partly or entirely included in the company's scope of operations, for the period of the duration of that prohibition.

Article (344) –Bodies that Carry out the Election

(1) The members of the Board of Directors and the members of the Supervisory Board shall be elected by the General Meeting of Shareholders by majority votes of the total number of the voting shares, unless higher majority is stipulated by the company charter, in the manner and according to the conditions stipulated in the charter.
(2) If stipulated by the company charter, the election of the members of the Board of Directors or Supervisory Board may be executed by cumulative voting. The shareholder having the right to vote shall be entitled to use the votes arising from the shares, multiplied by the number of members who need to be elected. The shareholder may give all the votes for one candidate or may distribute them among the candidates in any manner. The election of the candidates shall be effected simultaneously. The votes given for each candidate shall be calculated separately. The candidates who have the greatest number of votes shall be deemed elected. The voting shall be carried out until electing the number of members of the Board of Directors or the Supervisory Board stipulated by the charter, or the number of members which are elected at the General Meeting according to the agenda.
(3) Before carrying out the election of a member of the Board of Directors or the Supervisory Board, in accordance with paragraphs 1 and 2 of this Article, the following particulars shall be published in writing regarding each candidate: age, gender, education and other

professional qualifications, working experience and how it was gained, in which companies he has been or is a member of the management body or the Supervisory Board, and other important positions occupied by him, number of shares he owns in the company and in other companies. as well as loans and other liabilities toward the company. The particulars concerning the candidates proposed before scheduling the general meeting shall be delivered to all shareholders together with other materials which are delivered to the shareholders for the scheduled general meeting.
(4) The data stated in paragraph 3 of this Article shall be submitted to the shareholders before carrying out the election at the general meeting, and shall be made available to any shareholder.

Article (345) - Duration of the Election

(1) The members of the Management body or Supervisory Board shall be elected for a period prescribed in the company charter, which shall not be longer than six years. If the company charter does not stipulate the duration of the term of office of the members of the management body or Supervisory Board, their term of office shall be one year.
(2) The members of the management body or Supervisory Board may be re-elected, regardless of the number of terms of office they have been elected for, unless otherwise stipulated by the company charter.

Article (346) - Limitations on the Election

(1) A non-executive member of the Board of Directors or a member of the Supervisory Board may not be simultaneously elected in more than five boards of directors as non-executive member, or in more than five Supervisory Boards of joint stock companies having registered office in the Republic of Macedonia.
(2) An executive member of the Board of Directors and a member of the Management Board may not be elected as executive member of the Board of Directors, or member of a Management Board of other joint stock companies having their registered office in the Republic of Macedonia, except in banks and insurance companies.
(3) An executive member of the Board of Directors, and a member of the Management Board , may be elected as a non-executive member and a member of the Supervisory Board in maximum five other joint stock companies with a registered office in the Republic of Macedonia.
(4) The limitations referred to in paragraph 1 of this Article shall not be applied to legal entities.

Article (347) - Incomplete Composition

(1) If certain members of the Board of Directors or Supervisory Board cease to perform, or are hindered to perform their functions during the term of office, the other members of the Board of Directors or Supervisory Board shall, unless otherwise stipulated by the company charter, continue to work until the vacancy is filled.
(2) If the number of members in the Board of Directors or the Supervisory Board is reduced below the number stipulated by the company charter, but is not less than the minimum stipulated by the Law, the Board of Directors or the Supervisory Board may, within ninety days from the date the function of the member terminated, complement its composition by

electing an acting member of the Board of Directors or the Supervisory Board until the next General Meeting of Shareholders. The resolutions and the actions undertaken by the Board of Directors or the Supervisory Board shall remain valid.
(3) If the number of the members in the Board of Directors or the Supervisory Board is reduced below the minimum required by Law, the remaining members of the Board of Directors or the Supervisory Board shall call a General Meeting of Shareholders within three days, in order to complement the composition of the Board of Directors or Supervisory Board. If the General Meeting of Shareholders is not called within that period, the general meeting shall be called by the non-executive members of the Board of Directors or the Management Board , within three days after the expiration of the previous period.
(4) If the Board of Directors or the Supervisory Board fails to conduct the election of an acting member of the Board of Directors or the Supervisory Board, or if the remaining members of the Board of Directors or Supervisory Board fail to call the General Meeting of Shareholders, or if the non-executive members of the Board of Directors or the Management Board fail to call the General Meeting of Shareholders within the periods under paragraph 3 of this Article, any person having legal interest may place a proposal to request from the court to appoint a natural person who shall call the General Meeting of Shareholders.

Article (348) - Prohibition Against Competition

(1) Without approval by the Board of Directors or the Supervisory Board, the members of the Board of Directors or the Management Board shall not perform any, paid or unpaid, activity or action in other company with the same or similar business activities, whether for his account or for the account of a third party.
(2) Prior to the election of a natural person as a member of the management body, the candidate shall notify in writing the body of the company authorized for election of all, paid or unpaid, activities in other company, undertaken for his own account or for the account of third parties.
(3) The next General Meeting of Shareholders shall be notified about the approvals pertaining to paragraph 1 of this Article. If a member of the body referred to in paragraph 1 of this Article violated the prohibition, or kept silent about a relevant fact in the notice referred to in paragraph 2 of this Article, the company may request a compensation for damages or may request from the member of the management body that the operations undertaken for his account be conducted for the account of the company, and to give up the compensation received for the operations undertaken for a third party's account or to give up his right of compensation.
(4) The claims of the company shall be limited to ninety days, starting from the time when the non-executive members of the Board of Directors, or the members of the Supervisory Board learned about the action on the basis of which the right of compensation for damages exists, or limited to five years since the action occurred.

Article (349) - Conflict of Interests

(1) In case of any transaction of the company, in which the joint stock company is a party, and in which a member of the management body or Supervisory Board has interest, even in an indirect way, it shall be acted upon in accordance with Articles 453, 454 and 455 of this Law.
(2) Any member of the management body or Supervisory Board, having conflict of interests pursuant to paragraph 1 of this Article, shall be obliged to declare it immediately.

(3) If a member or an interested member of the management body or Supervisory Board becomes aware that any of the conditions referred to in paragraph 1 of this Article is fulfilled, he shall inform the Board of Directors or Supervisory Board thereof. The interested member shall be entitled to be heard, but he may not participate in the debate or in the decision making related to the contract, nor in the decision making for granting the approval referred to in paragraph 1 of Article 455 of this Law.
(4) Claims against third parties may not be raised on the basis of rejection by the Board of Directors or the Supervisory Board, or the General Meeting of Shareholders to grant an approval, or on the basis of the irregularity of the resolution for granting an approval, unless the company proves that the third party knew about the non-existence of the approval or about the irregularity of the resolution, or, taking into account all circumstances, the party could not have not known thereof.

Article (350) - Rights and Obligations

The rights and obligations of the executive members of the Board of Directors, the members of the Management Board, or the manager, in addition to the rights and obligations stipulated by this Law, may be specified with the contract regulating the relations between the company and the executive member of the Board of Directors, member of Management Board, or the manager. On behalf of the company, the non-executive members of the Board of Directors shall conclude the contract with an executive member of the Board of Directors, and the president of the Board of Directors shall sign it, while the contract between the member of the Management Board or the manager and the company shall be concluded, on the basis of prior consent from the Supervisory Board, by the president of the Supervisory Board.

Article (351) – Equal position

(1) All members of the management body, the manager, or the Supervisory Board, in accordance with their position stipulated by this Law, shall have equal rights and obligations, regardless of the manner of distribution of those rights and obligations between them within the body. They shall carry out the activities together, according to the competencies and authorizations stipulated by this Law, and according to the activities entrusted to them according to this Law and the company charter. The company charter may stipulate a different manner of managing and carrying out these activities, but only according to the competencies and authorizations of the members of the management body or Supervisory Board, stipulated by this Law.
(2) The by-Laws or resolutions of the management body or Supervisory Board that are adopted beyond the authorizations stipulated by this Law and the company charter, shall be binding on the company in relations with third parties, unless the third party knew or, taking into account the circumstances, must have known thereof.
(3) The management body or Supervisory Board shall operate and reach resolutions in a manner stipulated by this Law, the company charter and its rules of procedure. The rules of procedure are adopted in the manner stipulated by the company charter.

Article (352) - Report on the Operations of the Company

(1) The executive members shall submit to the Board of Directors, and the members of the Management Board or the manager to the Board of Directors or the Supervisory Board, a

written report on the operations of the joint stock company, at least once every three months, and upon the expiry of the business year they shall also submit an annual account statement and annual report on the company's operations[3].
(2) Upon request by the non-executive members of the Board of Directors or the Supervisory Board, the executive members of the Board of Directors, the members of the Management Board, or the manager shall prepare a special report on the condition of the company or on particular aspects of its operations.
(3) The non-executive members of the Board of Directors or the Supervisory Board may, personally or through other persons, undertake actions for the purpose of carrying out inspection over the operations of the company and the management by the executive members of the Board of Directors, or by the members of the Management Board or the manager. Upon request of at least one-third of the non-executive members of the Board of Directors, or the members of the Supervisory Board, the executive members of the Board of Directors, or the members of the Management Board or the manager shall be obliged to prepare all documents and notifications necessary to enable the supervision over the operations.
(4) For the purpose of exercising his function, any non-executive member of the Board of Directors or the Supervisory Board shall have the right to inspect all reports, documents and notifications that were delivered by the executive members of the Board of Directors or the members of the Management Board, or the manager, to the non-executive members of the Board of Directors or to the Supervisory Board.

Article (353) - Preparation and Implementation of the Resolutions of the General Meeting of Shareholders

The management body, during the preparation and implementation of the resolutions of the General Meeting of Shareholders, shall be, in particular, obliged:

1) upon request by the General Meeting of Shareholders, to prepare the resolutions and general by-Laws, the adoption of which is under the competence of the General Meeting of Shareholders;
2) to prepare the contracts which may be concluded solely with the consent by the General Meeting of Shareholders;
3) to implement the resolutions taken by the General Meeting of Shareholders within its competences; and
4) to carry out other matters for the General Meeting of Shareholders according to this Law, which are within its competences.

Article (354) - Liabilities in Case of Loss, Over-indebtedness and Insolvency

(1) If, during the operation, and especially if according to the quarterly or semi-annual calculations, or the annual account statement it is determined that the company has new losses that are higher than 30% of the value of the assets of the company, or when the charter capital is reduced below the amount stipulated by the charter, the executive members of the Board of Directors, or the Management Board shall immediately prepare a written report explaining the reasons for the loss and suggesting measures for covering the loss. Within 48 hours from the moment when they learned that the company demonstrated losses, they shall call the

[3] This sentence is still not quite clear in Macedonian.

General Meeting of Shareholders at which they shall notify the shareholders about the condition and about the undertaken measures.
(2) If there is a circumstance which, pursuant to the Law, is stipulated as a condition for opening a bankruptcy procedure, the management body shall, no later than 21 days from the day when the condition for opening bankruptcy occurred, call a General Meeting of Shareholders at which it shall notify the shareholders about the condition and about the undertaken measures as well as about the measures which need to be undertaken and approved by the shareholders at the general meeting.
(3) Following the occurrence of insolvency or over-indebtedness, the management body shall not propose or make any payments, except the payments that are indispensable for the regular operations of the company and are made with due diligence.
(4) The members of the management body shall hold material liability and shall be jointly and severally liable to the creditors and to the shareholders, if they acted contrary to paragraph 1, 2, and 3 of this Article.

Article (355) - Quorum for Operation and Decision Making

(1) The Board of Directors may reach valid resolutions, if at least one half of all its members are present, out of which the number of the non-executive members of the Board of Directors present is higher than the number of executive members of the Board of Directors present.
(2) The Management Board or the Supervisory Board may operate and reach resolutions provided that the session is attended by at least half of all its members.
(3) Any provision in the charter which is contrary to the paragraphs 1 and 2 of this Article shall be null and void.
(4) The management body or the Supervisory Board shall reach the resolutions with majority vote of the quorum determined by paragraphs 1 and 2 of this Article, unless greater majority is stipulated by this Law and the company charter.
(5) The vote of the president of the management body or the Supervisory Board, and in his absence, the vote of the chairman authorized by the president to replace him, shall be decisive in case of even splitting of votes, unless otherwise stipulated by the company charter.
(6) The resolutions of the management body or Supervisory Board shall enter into force on the day of their adoption, unless otherwise stipulated by this Law.

Article (356) - Meetings and Reporting

(1) Any member of the management body may submit a written request to the president, requesting from him to call a meeting of the management body, stating the reasons and the purpose thereof. The meeting shall be held within 15 days from the day when the request was submitted.
(2) The management body shall hold meetings when it is required by the execution of its responsibilities, but at least four regular meetings annually.
(3) In addition to the obligation to hold meetings as referred to in paragraph 1 of this Article, the management body may also hold other meetings, called by the president of the management body, or upon a request by any member of the management body. If the president does not call the meeting upon the submitted written request within the period under paragraph 1 of this Article, the member of the management body who submitted the request may himself call the meeting, having previously announced the agenda by notification which is usual for notifying the members of the management body, if he has the support of at least half of the members of the management body.

(4) Calling the meeting referred to in paragraph 3 of this Article shall be done with a notification delivered to all the members of the management body, which is usual for calling the meetings of the management body, stating the reasons, time and place of the meeting.

Article (357) - Meetings by Teleconference

(1) Unless explicitly prohibited by the company charter, the members of the management body or Supervisory Board may participate and decide at a meeting organized via teleconference or by using other audio or visual communication equipment, whereby all the persons participating in such meeting can hear, see and talk to each other. Participation in such meetings shall be deemed as attendance and personal participation of the persons engaged in this manner.

(2) The participation at the meeting shall be recorded in the minutes of the management body or Supervisory Board, which are signed by all members participating at the meeting organized in the manner referred to in paragraph 1 of this Article.

Article (358) - Operations without Holding a Meeting

(1) The company charter may provide for the management body or Supervisory Board to make resolutions without holding a meeting, if all members of the management body or Supervisory Board give their consent for the resolutions to be made without holding a meeting.

(2) The president of the management body or Supervisory Board, or the natural person authorized by the president shall prepare minutes for recording all the resolutions made in the manner referred to in paragraph 1 of this Article. The minutes shall be signed by the president of the management body or Supervisory Board, and in his absence, by a member of the management body or Supervisory Board, at the latest within 30 days from the day of giving the consent for the resolution that was made without holding a meeting.

(3) The resolutions made in this manner shall enter into force on the day when the consent referred to in paragraph (1) of this Article is given by all members of the management body or Supervisory Board, unless the resolution specifies another day for entry into force. Giving consent may be confirmed by personal signature or by signature sent by fax or electronically on the draft resolution.

Article (359) - Committees

(1) The management body or the Supervisory Board may establish one or more committees from among its members and other persons.

(2) The committees shall not decide on issues under the competence of the management body or the Supervisory Board, nor shall the rights and obligations of the latter be transferred to them.

(3) The conditions, the scope and the manner of operations of such committees shall be regulated in detail with the company charter and other by-Laws of the company taken in accordance with the charter.

(4) All activities of the committees shall be subject to approval by the management body or the Supervisory Board.

Article (360) - Meeting Minutes

(1) Minutes shall be prepared for the activities of each meeting of the management body or the Supervisory Board and the committees, regardless of how the meeting was held.

(2) The minutes shall be prepared within three days from the day when the meeting was held, unless otherwise stipulated by this Law.

(3) The minutes shall contain data about the manner of operations of the management body or the Supervisory Board (at a meeting or otherwise), the place and the time of the meeting, the persons attending and the agenda of the meeting, the issues subject to voting and the results of each voting, including the names of the members who voted "for" and "against", and the resolutions adopted at the meeting. The minutes, upon request of the member who voted "against", may state the reason for the vote. If a member has conflict of interests, the member shall be obliged to state that at the beginning of the meeting and it shall be recorded in the minutes.

(4) The minutes shall be signed by all members of the management body or Supervisory Board attending the meeting. In addition, the minutes shall be signed by the president of the management body or the Supervisory Board, and in his absence, by the member of the management body or the Supervisory Board who, upon authorization given by the president, chaired the meeting.

Article (361) - Obligations Relative to the Execution of Authorizations

(1) The member of the management body or Supervisory Board shall be obliged to execute the authorizations extended to him by this Law and the company charter, in the interest of the company, and in the interest of the shareholders, with due diligence of a diligent and conscientious businessman, and may not transfer his authorizations to another member of the management body or Supervisory Board.
(2) The members of the management body or the Supervisory Board shall be obliged to keep as business secret all confidential notifications and data that are related in any way to the operation of the company.
(3) The obligation referred to in paragraph 2 of this Article shall continue after the termination of the term of office in the management body or the Supervisory Board, in accordance with the obligations under the contract regulating the relations between the member of the Board of Directors and the company, or a member of the Management Board or manager and the Supervisory Board of the company.
(4) When performing his duties pursuant to paragraph 1 of this Article, the member of the management body or the Supervisory Board may rely on the information, opinions or reports prepared by independent legal advisers, independent authorized accountants and authorized auditors and other persons, reasonably believed to be trustworthy and competent for the matters they perform, and that shall not release him from his obligation to act with due diligence of a diligent and conscientious businessman.

Article (362) - Liability for Damages

(1) If the members of the management body violate their obligations toward the company, they shall be liable to the company for the caused damage as joint debtors, if they have failed to operate and act with due diligence of diligent and conscientious businessman. The members of the management body, who acted on the basis of a resolution which was adopted by the General Meeting of Shareholders although they have pointed out that the resolution is contrary to this Law, as well as the members of the management body who were opposed to the resolution by declaring their opinion in the minutes and voting "against" the resolution, shall not be held liable.
(2) The members of the management body shall be, in particular, liable for the damages caused, if they, contrary to this Law, perform the following:

1) return to the shareholders their contribution in the company;
2) pay interest or dividends to the shareholders;
3) subscribe, acquire, take as collateral or withdraw the shares of the company;
4) divide the assets of the company;
5) make payments after the company has become insolvent or has incurred over-indebtedness;
6) give false financial statements;
7) misuse and use without authorization the assets of the company; and
8) when increasing the charter capital, they issue shares contrary to the purpose or issue shares before those of the previous emission were fully paid.

(3) If the members of the management body fail to remove the irregularities of the actions as set forth in paragraph 2 of this Article, the shareholders shall be entitled to request compensation for damages from the members of the management body.

(4) If the member of the management body severely violates his responsibility to act with due diligence of a diligent and conscientious businessman, the creditors of the company may request compensation for damages if they fail to settle their claims from the company.
(5) The members of the Supervisory Board shall be jointly and severally liable with the members of the management body for the damage caused, if they, when giving the consent, did not act with due diligence of a diligent and conscientious businessman.
(6) The requests for compensation for damages contained in this Article shall be limited to five years.

Article (363) - Dismissal

(1) The Board of Directors, or the Supervisory Board, or a member of these bodies may be dismissed by the General Meeting of Shareholders before the expiration of their term of office. The resolution for dismissal requires a majority of votes from the total number of voting shares, unless otherwise stipulated by this Law, or unless the company charter stipulates a higher majority of votes. The company charter may also stipulate additional conditions for adopting the resolution.
(2) An executive member of the Board of Directors may be dismissed at any time by the Board of Directors from the function of an executive member, with or without an explanation. The membership of the dismissed executive member in the Board of Directors shall not cease.
(3) The Board of Directors may propose to the General Meeting of Shareholders that a member of the Board of Directors be dismissed before the expiration of his term of office.

(4) If the General Meeting of Shareholders adopted a resolution for dismissal of the Board of Directors or Supervisory Board, or a member of those bodies, it shall elect at the same meeting the new Board of Directors, Supervisory Board, or new members on the place of the dismissed members.
(5) The Supervisory Board may, at any time, with or without an explanation, dismiss the Management Board or its member. The Supervisory Board shall, at the same meeting, elect a new Management Board or new members on the place of the dismissed members. The resolution on dismissal shall enter into force on the day of its adoption. The application for entry into the Commercial Register of the dismissed, or elected Management Board or its member shall be submitted by the president of the Supervisory Board or a member of the Supervisory Board authorized by him. The court shall make the entry in the Commercial Register within 24 hours from the moment of submission of the application.
(6) An executive member of the Board of Directors or a member of the Management Board who is dismissed, is entitled to request compensation for damages, if it is stipulated by the contract regulating the relations between an executive member or a member of the Management Board, and the company.
(7) The term of office of a member of the management body or the Supervisory Board shall cease also in the case when the condition stipulated in paragraph 8 of Article 385 of this Law is met.
(8) The member of the Board of Directors or the Supervisory Board, who has been elected by cumulative voting, shall be dismissed by cumulative voting for dismissal, so that the votes against the dismissal of the director are multiplied by the number of directors stipulated by the company charter. If the number of votes given for the dismissal of the member of the Board of Directors or the Supervisory Board exceeds the number of votes against the dismissal of the member of the Board of Directors or the Supervisory Board, multiplied by the number of directors, it shall be deemed that he is dismissed.
(9) The resolution of the General Meeting of Shareholders on the dismissal or election of the Board of Directors or Supervisory Board, or a member of these bodies, shall enter into force on the day of its adoption. The application for entry in the Commercial Register of the elected or dismissed Board of Directors, Supervisory Board, or a member of these bodies, shall be submitted by the person determined with the resolution on dismissal. The court shall be obliged to make the entry in the Commercial Register in accordance with the resolution of the general meeting, within 24 hours from the submission of the application.

Article (364) - Resignation

(1) A member of the management body or Supervisory Board may submit a resignation at any time, by submitting a written notice to the body that has elected him or to its president, unless the interests of the company require otherwise.
(2) The signature of the member of the management body or the Supervisory Board on the resignation notice shall be certified by a notary public.
(3) The submitted resignation shall not be subject to a resolution for its acceptance. If the interests of the company require so, the management body or the Supervisory Board may oblige the member who resigned to continue exercising his function until the election of a new member in the management body or Supervisory Board, but not longer than 60 days. The term of office of a member of the management body or Supervisory Board shall be deemed terminated on the day of submitting the written notice on resignation, unless other date is stated in the notice. On the basis of the resignation notice, an application for deletion of the

entry on the resigned member of the management body or Supervisory Board shall be submitted to the court.

Article (365) - Bonuses for the Members of the Management Body or Supervisory Board

(1) The General Meeting of Shareholders shall make a resolution specifying the earnings of the non-executive members of the Board of Directors, or the lump sum fee for the members of the Supervisory Board, and the reimbursement of their expenses, as well as the manner of calculating and the amount of the salary and the salary allowances for the executive members of the Board of Directors and the members of the Management Board , reimbursement of expenses, insurance, as well as other rights**.**
(2) The earnings of the non-executive members of the Board of Directors, or the lump sum fee of the members of the Supervisory Board, and the reimbursement of their expenses shall be determined by the General Meeting of Shareholders according to the type and scope of their rights and obligations and according to the responsibilities of the member and the type and scope of the responsibilities entrusted, and according to their personal contribution for the successfulness of the operation of the company as a whole.
(3) The General Meeting of Shareholders may, with the resolution referred to in paragraph 1 of this Article, approve to the members of the management body to participate in the profit, based on their performance. Such participation, as a rule, shall consist of a share in the annual profit of the company (in cash, shares or in other manner). The approved participation in the annual profit of the company shall be calculated on the basis of the portion of the annual profit that remains after the reduction of the realized profit for the amount of the total losses transferred from the previous years, and for the amounts which, pursuant to the Law and the company charter, are set aside as legal and statutory reserves. Any resolution contrary to this provision shall be null and void.
(4) The non-executive members of the Board of Directors or the Supervisory Board shall specify in detail the type and scope of the rights and obligations of the executive members of the Board of Directors or members of the Management Board , and their total earnings in accordance with paragraph 1 of this Article, in accordance with the status of the member of the management body, his responsibilities, the type and scope of the responsibilities entrusted, and his personal contribution to the successfulness of the operation of the company as a whole.
(5) The salary and the salary allowances for the executive members of the Board of Directors or for the members of the Management Board , the fees for the non-executive members of the Board of Directors, as well as the participation in the profit and the manner of participation (payment in cash, shares or in any other manner), reimbursement of expenses, insurance, as well as other rights of the members of the management body, shall be regulated by the contract regulating the relations between the member of the management body and the company, on the basis of the resolution by the General Meeting of Shareholders pertaining to paragraph 1 of this Article.
(6) The contract under paragraph 5 of this Article shall set forth the situations when the financial condition of the company is deemed to be significantly deteriorated, on the basis of which the earnings of the member of the management body present a great burden to the company, on the basis of which the General Meeting of Shareholders, the non-executive members of the Board of Directors, or the Supervisory Board may reduce the total earnings and other rights of a member of the management body as referred to in paragraph 2 and 5 of this Article. The reduction of earnings shall not affect the relations between the member of

the management body and the company, and the member of the management body may cancel the contract and resign as early as the end of the next quarter, with a resignation period that may not be shorter than 30 days, unless the General Meeting of Shareholders, the non-executive members of the Board of Directors or the Supervisory Board accept a shorter deadline.
(7) The funds paid to the members of the management body or Supervisory Board shall be considered as operating costs of the company. Regarding the specially entrusted matters, performed for the company by a member of the management body, or a member of the Supervisory Board, additional bonus may be acknowledged to that member and paid out of the operating costs.
(8) The company may not extend a credit neither to a member of the management body or Supervisory Board, or to a manager and to his close family members, nor to a member of the management body, Supervisory Board, or manager of a controlled company or to his close family member, as well as when the controlled company extends credit to a member of the management body, Supervisory Board, or manager of the controlling company or to his close family member. The prohibition shall not apply to the obligations assumed by the company pursuant to the contract regulating the relations between a member of the management body or manager and the company, if the resolution has been approved by the General Meeting of Shareholders, with three quarters of the represented votes attached to the parts and voting shares.

Article (366) - Status of the Members of the Management body and the Officers

(1) The rights and obligations, stipulated by an employment contract, arising from the employment of an executive member of the Board of Directors, or member of the Management Board in the company prior to the election, shall be standstill. The standstill shall start running from the day of election of the person.
(2) An executive member of the Board of Directors, or a member of the Management Board, within the time period he was elected for, shall exercise the rights and obligations arising from the employment according to the terms stipulated by the contract regulating the relations between a member of the management body and the company, in accordance with this Law.
(3) The provision referred to in paragraph 1 of this Article shall respectively apply to persons who, according to a resolution of the management body, are appointed as persons with special authorizations and responsibilities (hereinafter: officers). The rights and obligations arising from the employment of the officers shall be exercised according to the terms stipulated by the contract regulating the relations between the management body and the officer (hereinafter: contract regulating the relations with an officer). The contract regulating the relations with an officer shall determine the salary, the salary allowances, the participation in the profit, the reimbursement of expenses, the reimbursement for insurance and other rights arising from employment. The determination of the type and the amount of total earnings and the other rights and obligations arising from the employment of a officer (salary, salary allowances, participation in the profit, manner of participation in the profit, payments in cash, shares, fees, bonuses etc.), reimbursement of expenses, reimbursement for insurance and other rights, and the total earnings shall correspond to the duties and responsibilities of the officer, and to his personal contribution to the successfulness of the operation of the company.
(4) The provisions from the collective agreements as well as from the Law on Labor Relations, referring to establishing and terminating employment, disciplinary responsibility, salary, salary allowances, and protection of employees' rights, shall not apply to the persons

pertaining to paragraph 2 and 3 of this Article. These persons shall exercise the rights deriving from the provisions of the Labor Law in the manner and under the conditions specified in the contract regulating the relations with an officer.
(5) The provisions referred to in paragraphs 1, 2, and 4 of this Article shall respectively apply to the manager of the joint stock company.
(6) The provisions referred to in Article 365 of this Law, and paragraphs 1-4 of this Article shall respectively apply to the manager(s), if more than one managers are elected in other types of companies stipulated by this Law, unless they perform their function without establishing employment.

Subsection Two - One-Tier Management System (Board of Directors)

Article (367) - Composition of the Board of Directors

(1) The Board of Directors shall consist of at least three and not more than fifteen members.
(2) The members of the Board of Directors shall be elected by the General Meeting of Shareholders. When electing the members of the Board of Directors, it shall be specified which members are elected as independent members of the Board of Directors.
(3) The Board of Directors, from among the elected members, shall appoint one or more executive members of the Board of Directors (hereinafter: executive members). Member of the Board of Directors who is elected as an independent member of the Board of Directors may not be elected as an executive member of the Board of Directors. The number of executive members shall be less than the number of the non-executive members of the Board of Directors (hereinafter: non-executive members).
(4) When the Board of Directors has up to four non-executive members, at least one of the non-executive members of the Board of Directors shall be an independent member. When the Board of Directors has more than four non-executive members, at least 25% of them shall be independent members of the Board of Directors.

Article (368) – Manner of Electing Executive Members

(1) The company charter may provide for the election of an executive member to be carried out by a unanimous resolution of all members of the Board of Directors.
(2) The executive members of the Board of Directors may bear the title which is typical for the exercise of the function (general executive director, executive director, and other appropriate titles).
(3) If the Board of Directors consists of more than one executive member, the members of the Board of Directors shall decide by a majority vote which executive member shall be especially responsible for the issues related to employees and relations with them.

Article (369) - President of the Board of Directors

(1) The Board of Directors shall elect its president from the rank of its non-executive members, by majority votes out of the total number of members of the Board of Directors.
(2) The Board of Directors may dismiss the president and elect a new one at any time.
(3) The president of the Board of Directors shall call and chair the meetings, and shall be responsible for keeping records of the meetings and organizing other manners (forms) through which the Board of Directors shall operate and reach resolutions.

(4) If the president, for any reason, is not able to exercise his function, or if the president is absent, the meetings of the Board of Directors shall be chaired by another non-executive member of the Board of Directors, elected by majority votes of the members of the Board of Directors present at the meeting.

Article (370) - Authorizations of the Board of Directors

The Board of Directors, within the competencies stipulated by the Law and the company charter, and the authorizations explicitly awarded to it by the General Meeting of Shareholders, shall manage the company, conduct the operations of the company at its own responsibility, and shall have the broadest authorizations in managing the company, within its scope of operations, and acting, in all circumstances, on behalf of the company, except the authorizations explicitly given to the non-executive members of the Board of Directors.

Article (371) - Authorizations of the Executive Members and Representation

(1) Notwithstanding the authorizations explicitly awarded to the General Meeting of Shareholders pursuant to the Law, as well as the authorizations reserved for and exercised by the Board of Directors pursuant to this Law and the company charter, the Board of Directors shall entrust to the executive members the power to represent the joint stock company in relations with third parties, as well as the management of the operations of the company. The executive members shall have the broadest authorization to execute all matters related to the management, implementation of the resolutions of the Board of Directors and realization of the day-to day activities of the company, as well to act on behalf of the company in all circumstances. The Board of Directors shall submit an application for entry into the Commercial Register of the executive members representing the company. The application shall be signed by all members of the Board of Directors, unless the members have given a written authorization to an executive member of the Board of Directors. The executive directors shall submit signatures certified by a notary upon the entry in the Commercial Register.
(2) The executive members of the Board of Directors, for the purpose of exercising the authorizations referred to in paragraph 1 of this Article, may appoint managers who shall run the daily management of the activities of the company, in accordance with the resolutions and directions, or the orders of the Board of Directors.
(3) The limitations on the power of representation of the executive members of the Board of Directors shall not have legal effect against third parties.
(4) The internal organization and the manner of coordinating the management of the operations of the company shall be determined by the Board of Directors, upon proposal by the executive directors.

Article (372) - Authorizations of the Non-executive Members relating to Supervision

(1) The non-executive directors, in addition to the authorizations stipulated by this Law concerning the exercise of the right of supervision over the management by the executive directors, shall be entitled to inspect and check the books and documents of the company as well as the assets, and in particular the petty cash of the company and the securities and goods. The non-executive members of the Board of Directors may oblige any employee in the company or other expert to carry out certain expert matters of supervision.

(2) In the course of the supervision, the president of the Board of Directors, or any non-executive member of the Board of Directors, the auditor or other person stipulated by the charter, or the shareholders representing at least 10% of the voting shares, may request calling a meeting of the Board of Directors. The request shall be submitted to the president of the Board of Directors.

Article (373) - Authorizations that may not be transferred to the Executive Members

(1) The Board of Directors may not transfer the authorizations to the executive members when it is decided upon:

1) closure (termination) or transfer of the undertaking or any part of it, participating with more than 10% in the profit of the company;

2) decrease or expansion of the scope of operations of the company;

3) essential internal organizational changes in the company, set forth by a by-Law of the company;

4) establishing long-term cooperation with other companies, being of essential importance for the company or its termination;

5) founding and termination of a trade company with monetary and contributions in kind, participating in the charter capital of the company with more than 10%; and

6) founding and termination of branch offices of the company.

(2) The company charter may prohibit the transfer of the authorizations to the executive members of the Board of Directors for the decision-making regarding other rights within the competence of the Board of Directors.

(3) The prohibitions stated in paragraphs 1 and 2 of this Article may not be relied upon against third parties, unless the company proves that the third party knew about them, or, taking into account all circumstances, the party must have known about it.

Subsection Three - Two-Tier Management System (Management Board and Supervisory Board)

Sub-section One - Management Board

Article (374) - Composition of the Management Board and Election of Members

(1) The Management Board shall consist of at least three, but not more than eleven members.

(2) As an exception from paragraph 1 of this Article, in companies with charter capital less than 150.000 EURO, a manager may be elected instead of Management Board, having all the rights and obligations of the Management Board.

(3) The members of the Management Board or the manager shall be elected by the Supervisory Board.

(4) No person shall be at the same time a member of the Management Board or a manager, and a member of the Supervisory Board.

(5) The Management Board shall, from among its members, elect the president of the Management Board, by majority votes of the total number of members of the Management Board. The members of the Management Board may dismiss the president and elect a new one at any time.

(6) The president of the Management Board shall call and chair the sessions, and shall be responsible for keeping the minutes of the meetings and organizing other forms through which the Management Board shall operate and make resolutions.
(7) If the president, for any reason, is not able to exercise his function, or if he is absent, the meetings of the Management Board shall be chaired by a member of the Management Board, elected by majority votes of the members of the Management Board present at the meeting.
(8) The president, the members of the Management Board, or the manager may bear the title president of the company, general director, or other title appropriate to the entrusted function.

Article (375) - Authorization of the Management Board

(1) The Management Board shall manage the company, and within that, shall conduct the operations of the company at its own responsibility. The Management Board shall have the broadest authorizations in managing the company and acting, in all circumstances, on behalf of the company, within the scope of operations of the company, except as to the authorizations explicitly granted to the General Meeting of Shareholders and the Supervisory Board.
(2) All members of the Management Board shall jointly conduct and execute the matters referred to in paragraph 1 of this Article. The company charter may provide for a different manner of conducting and executing these matters.
(3) The Management Board, for the purpose of exercising the authorizations referred to in paragraph 1 of this Article, may appoint managers who shall conduct the day-to-day management of the activities of the company, in accordance with the resolutions and directions of the Management Board .

Article (376) - Decision-Making upon Prior Approval by the Supervisory Board

(1) The Management Board shall, with a prior approval by the Supervisory Board, decide on the issues stipulated in Article 373, paragraph 1 of this Law.
(2) The company charter may specify other cases when approval by the Supervisory Board shall be necessary for decision making by the Management Board.
(3) The lack of approval by the Supervisory Board may not be relied upon against third parties, unless the company proves that the third party knew about that or, taking into consideration all circumstances, must have known thereof.

Article (377) - Representing the Company

(1) The members of the Management Board shall jointly represent the company in its relations to third parties, unless otherwise stipulated by the company charter.
(2) The Management Board, with an approval by the Supervisory Board, may authorize one or more members of the Management Board to represent the company. The Supervisory Board may revoke such authorization at any time.
(3) The Management Board shall submit application form for registration of the members of the Management Board, authorized to represent the company, in the Commercial Register. The application shall be signed by all members of the Management Board, unless the members have given written authorization to a member of the Management Board to sign the application. Upon entry in the Commercial Register, they shall submit signatures certified by notary public.

(4) The limitations on the representation authorizations of the members of the Management Board shall have no legal effect against third parties.

Section Two - Supervisory Board

Article (378) - Composition of the Supervisory Board and Election of Its Members

(1) The Supervisory Board shall consist of at least three but not more than eleven members.
(2) The members of the Supervisory Board shall be elected by the General Meeting of Shareholders. When electing the members of the Supervisory Board, it shall be specified which members are elected as independent members of the Supervisory Board.
(3) When the Supervisory Board has up to 4 members, at least one of the members is an independent member. When the Board of Directors has more than three members, at least 25% of its members are independent members of the Supervisory Board.

Article (379) – President of the Supervisory Board

(1) The Supervisory Board shall elect, from among its members, the president of the Supervisory Board, with majority votes from the total number of members of the Supervisory Board.
(2) The Supervisory Board may dismiss the president at any time and elect a new one.
(3) The president of the Supervisory Board shall call and chair the sessions, and shall be responsible for keeping records of the meetings and organizing other manners (forms) of operation of the Supervisory Board.
(4) If the president, for any reason, is not able to exercise the function, or if he is absent, the **sessions** of the Supervisory Board shall be **chaired** by a member of the Supervisory Board elected by majority votes of the total number of members of the Supervisory Board.

Article (380) - Authorization of the Supervisory Board

(1) The Supervisory Board shall supervise the management and the conducting of the operations of the company performed by the Management Board.
(2) The Supervisory Board may inspect and check the books and documents of the company, as well as the property, in particular the petty cash of the company and the securities and goods. The Supervisory Board may oblige certain members of the board, authorized auditors or experts, to carry out certain expert matters of supervision.
(3) The authorizations related to management and conducting of the operations of the company may not be transferred to the Supervisory Board, unless it is stipulated by this Law. As exception, the company charter may provide that the Management Board may undertake certain types of activities only with approval by the Supervisory Board. If the Supervisory Board refuses to grant an approval, the Management Board may request an approval from the General Meeting of Shareholders by submitting an explanation in writing. The resolution of the General Meeting of Shareholders granting an approval, shall be taken by majority vote which shall not be less than three quarters of the voting shares represented at the General Meeting of Shareholders, unless the charter prescribes a greater majority. The company charter may provide for additional conditions for adoption of the resolution.

(5) The Supervisory Board shall represent the company in relations with the members of the Management Board.

Article (381) - Calling the Meetings

(1) Any member of the Supervisory Board or Management Board may, by stating the reasons and the purpose, request **in writing** from the president of the Supervisory Board to call a meeting of the Supervisory Board. The meeting shall be convened within 15 days as of the date **when the request was submitted**.
(2) The Supervisory Board, during the year, shall be obliged to convene **at least** four regular meetings, one in every three months, provided that one of the meetings shall be convened within one month prior to convening the General Meeting of Shareholders.
(3) In addition to the obligation for convening meetings, as stipulated in paragraph 2 of this Article, the Supervisory Board may hold other meetings as well, which are called by the president of the Supervisory Board, or which are called upon a written request by a member of the board, the auditor or other person stipulated by the company charter, the shareholders who represent at least 10% of the voting shares. The request shall be submitted to the president of the Supervisory Board. If the president does not call the meeting after the submitted written request **within the period under paragraph 1 of this Article**, the members of the Supervisory Board may call the meeting in the manner stipulated in Article 356, paragraph 3 of this Law.

Article (382) – Prohibition for Competition and Conflict of Interests of the Members of the Supervisory Board

Article 348 regulating the prohibition of competition, and Article 349 regulating the conflict of interests shall respectively apply to the members of the Supervisory Board when exercising their rights and obligations, and to their liability.

Subsection Four - General Meeting of Shareholders

Sub-section One- General Provisions

Article (383)-General Provisions pertaining to General Meeting of Shareholders

(1) The shareholders shall exercise their rights and interests in the company at the General Meeting of Shareholders, unless otherwise stipulated by this Law.
(2) Each shareholder registered in the shareholders list shall have, from the day of the entry, the right to participate in the operations of the general meeting and the right to vote, unless otherwise stipulated by this Law.
(3) Members of the Management body and Supervisory Board shall participate in the operation of the General Meeting of Shareholders without having the right to vote, unless they are shareholders.

Article (384)-Competences of the General Meeting of Shareholders

(1) The General Meeting of Shareholders shall decide only on matters explicitly stipulated by the Law or the Charter, and in particular:

1) amending the Charter;
2) increasing or decreasing the company's charter capital;
3) altering the rights attached to particular types of shares;
4) electing and dismissing members of the Board of Directors and members of the Supervisory Board;
5) approving the operation and management of the company's operation by the members of the Management body and Supervisory Board;
6) approving the annual account statements and the report on operation of the company in the previous business year and deciding upon the utilization of the profit;
7) appointing authorized auditors to audit the annual account statement and other financial statements, if the company is obliged to prepare them;
8) transforming the company into another company, as well as reorganization of the company;
9) issuing shares and other securities; and
10) termination of the company.

(2) The General Meeting of Shareholders shall conduct a vote to elect a chairman of the sessions of the general meeting, a person to take minutes and two shareholders to certify the minutes, **unless the minutes are taken by a notary. The general meeting shall also elect a committee for conducting a secret vote,** and other natural persons **(to count the votes or others),** if necessary for performing other activities necessary to enable continuous operation of the General Meeting of Shareholders in the manner and under the conditions stipulated by this Law and the Charter.

(3) **When the general meeting of shareholders decides on changing data which, pursuant to Article 298 of this Law, are entered in the Commercial Register, the minutes shall be taken by a notary.**

(4) The General Meeting of Shareholders may not decide on matters related to management of the company and conducting the company's operations, unless it is requested by the Management body.

Article (385)-Annual Meeting of Shareholders

(1) The annual meeting of shareholders shall be called **by the management body,** no later than three months after the annual account statement and annual report on operation of the company for the previous business year were prepared, but not later than six months after the end of the **calendar** year or 14 months from the last annual meeting.

(2) **The annual meeting of shareholders shall**:
1) examine and adopt the annual account statement and annual report on operation of the company in the previous business year;
2) decide about the use of the net profit, or covering the losses; and
3) approve the work of the members of the Management body and Supervisory Board.

(3) If the Management body does not call the annual meeting in due time, the Supervisory Board or the non-executive members of the Board of Directors shall immediately call the annual meeting.

(4) If the Annual Meeting is not called by the Supervisory Board or the non-executive members of the Board of Directors, or if it is not convened due to other reasons within the period stipulated in paragraph 1 of this Article, **the court may take a decision** to call the annual meeting upon a proposal by any shareholder.

(5) At the end of each business year, the annual meeting shall be obliged to decide on approving the work and the management of the company's operation by the members of the Management body and the work of the members of the Supervisory Board. Voting on the approval of the work of members of the company's bodies shall be conducted separately for each member of the body.
(6) The annual report of the company shall disclose the earnings of each member of the management body (salary, salary allowances, bonuses, insurance and other rights) or the fees for the members of the Supervisory Board.
(7) The discussion and the approval of the operation of the **management body or Supervisory Board**, or of the manner of management of the company operations, shall **be related to the** discussion about the annual account statement and the report on operation of the company in the previous business year.
(8) If the General Meeting of Shareholders does not approve the operation of the **management body or** Supervisory Board, **or of any of the members of these bodies,** the General Meeting of Shareholders may decide, at the same session, **to elect the management body or Supervisory Board, or new members in these bodies in the place of those whose work was not approved by the general meeting. The general meeting of shareholders may decide for the members of the management body or Supervisory Board, whose work was approved, to continue performing the urgent matters of the company until the election of the full composition of these bodies, which is done on a continued session held within a period not less than 8 days, but not more than 15 days** from the day of publishing the date of continuation of the session of the annual meeting of shareholders. The date of convening the continuation of the session shall be published in a daily newspaper.
(9) The approval of the operation of the **management body or Supervisory Board** shall not include a waiver of the requests for compensation for damages.
(10) The provisions of this Law pertaining to the General Meeting of Shareholders shall also apply to the annual meeting of shareholders, unless otherwise provided by this Law.

Sub-section Two – Calling and Convening the General Meeting of Shareholders

Article (386)-Calling a General Meeting of Shareholders

(1) A General Meeting of Shareholders may be called within the period between two annual meetings, when the interest of the company and the shareholders require so.
(2) The Management body or Supervisory Board may, with a majority of its members, or **the non-executive members of the Board of Directors**, when it is stipulated by this Law, upon their own initiative or upon a request of any other person, make a resolution to call the General Meeting of Shareholders.
(3) The request for calling the General Meeting of Shareholders may be submitted by shareholders holding at least 10% of all voting shares. The shareholders requesting the meeting to be called shall, in the request submitted in writing, state the purpose and reasons for calling the meting, their name and surname, ID number and the address of their place of residence. The excerpt from the shareholders list, issued by the Central Securities Depository, which states the number of the voting shares they own in the company, shall be enclosed with the request.

(4) The request shall be submitted to the Management body, at the company's registered office. The request may be a single document, or it may comprise of two or more documents signed by the shareholders holding at least 10% of the total number of voting shares.

(5) The Management body of the company shall make a resolution to accept or refuse the request, within eight days from the day of receipt of the request by the shareholders for calling a meeting. The resolution for refusal shall state the reasons for the refusal.

Article (387)-Calling a Meeting Upon a Court Decision

(1) If the management body, **the Supervisory Board, or certain non-executive members of the Board of Directors** fail to take a resolution or reject the request for calling the **annual meeting, or the** meeting in accordance with Article 386, **and Article 385 paragraph 4** of this Law, the court may take a decision for calling the annual meeting**, or the general meeting, upon a proposal**.

(2) The court shall, within 8 days from the day of submission of the proposal referred to in paragraph 1 of this Article, reach a decision for calling the general meeting, if the conditions, the manner and the procedure for calling the General Meeting of Shareholders as specified by this Law are met, if the issues proposed for the agenda of the meeting are within the competence of the General Meeting of Shareholders as stipulated by this Law or by the Charter.

(3) In the decision for calling the meeting under paragraph 2 of this Article, the court shall order calling the meeting and undertaking other activities necessary to accomplish the purposes for which the meeting is called, including appointment of a natural person to call the general meeting. The person determined by the court shall specify the time and place of the meeting, the date for recording the shareholders entitled to vote, and, in accordance with the Charter, shall send invitations for the meeting or shall publish a public notice for calling the meeting.

(4) The General Meeting of Shareholders that is to be called upon a court decision as referred to in paragraph 2 of this Article, shall be called not later than **8** days from the day when the court has made the decision ordering to call the meeting.

(5) The appeal stated against the decision under paragraph 2 of this Article shall not delay the enforcement of the decision of the court.

(6) The company shall cover the expenses for holding the General Meeting of Shareholders, as well as the court expenses, when the request is approved by the court. Should the court reject the request, all expenses shall rest on those who made the proposal.

Article (388) -Invitation and Public Notice for Calling a General Meeting of Shareholders

(1) The General Meeting of Shareholders may be called with an invitation or with publication of a public notice, or with invitation and publishing a public notice to the shareholders.
(2) The General Meeting of Shareholders shall be called by sending invitations to all shareholders having shares that give the right to participate in the operation and in the decision making process at the General Meeting of Shareholders that is called. The invitation shall be sent according to the excerpt from the shareholders list which is issued not more three days before the day of sending the invitation.
(3) The public notice shall be published in at least one daily newspaper.

(4) Sending the invitation shall be carried out in the manner which enables confirmation of the date when it was sent and the date when it has been received by each shareholder.
(5) The period that starts to run from the day of publication of the public notice, or the day of sending the invitation for participation at the meeting, until the day when the meeting is to be convened, shall not be more than 50 days nor less than 21 days before the day of holding a meeting.
(6) The management body shall specify the day (**recording date**) that shall be used for sending the invitations according to the excerpt from the shareholders list, which shall not be issued more than 3 days before.

Article (389) -Content of the Invitation or Notice

(1) The invitation, or the public notice for calling the meeting, shall contain the following data:

1) business name and registered office of the company;
2) date and location of the General Meeting of Shareholders;
3) other procedure formalities stipulated by the Charter that are important for the presence at the meeting and for the manner of voting;
4) agenda of the meeting; and
5) method in which the materials prepared for the called meeting shall be made available

(2) The charter may stipulate additional data that shall be contained in the invitation or the public notice, which are of importance for the exercise of the rights of the shareholders in relation with calling and convening the meeting.
(3) The materials shall be delivered or made available to the shareholders on the day of sending the invitations or publication of the public notice.

Article (390)- Methods of Notification, Delivery and Reception of Materials and other Information

(1) When it is stipulated by this Law and the Charter **to notify, or deliver materials and other information from the company to the shareholders and to the company, it shall be carried out by** registered mail, telegram, fax, e-mail or daily newspaper.

(2) The notification, **or the delivery of materials and other information** as referred to in paragraph 1 of this Article, from the company to the shareholders, shall be considered completed if:

1) sent by registered mail or telegram via mail, at the address reported by the shareholder in the Central Securities Depository; or
2) sent via fax, at the telephone number, e-mail, or electronic address reported by the shareholder; or
3) published in a daily newspaper.

(3) The notification, **or the delivery of materials and other information** pertaining to paragraph 1 of this Article, **from the company to the shareholders,** shall be considered as received:

1) if arrived at the address of the shareholder recorded in the list of shareholders;
2) if received personally or by an authorized person in the company, a member of the management body or a shareholder **who is a natural person**;

3) **received electronically, which allows to confirm the sending and the receipt;** or
4) as of the date stated in the declaration for handing the registered mail or sending the telegram, including the cases of sent but not received and picked up registered mail or telegram.

(4) The notification or the delivery of materials and other information from the shareholder to the company shall be considered received when:
1) arrived at the registered office of the company entered in the Commercial Register;
2) received personally by an authorized person of the company, a member of the management body;
3) received electronically, which allows to confirm the sending and the receipt; or
4) as of the date stated in the declaration for handing the registered mail or sending the telegram, including the cases of sent but not received and picked up registered mail or telegram.

Article (391)-Agenda and the Right to Initiate Inclusion of New Items on the Agenda of a Meeting

(1) The General Meeting of Shareholders may only decide on issues duly included in the agenda.
(2) The general meeting of shareholder may also discuss, but not decide upon issues that are not duly included in the agenda.
(3) Any shareholder shall have the right at any time to submit initiative for inclusion of items on the agenda of the General Meeting of Shareholders that is to be called.
(4) The shareholders that jointly own at least 5% of the total number of all voting shares may request in writing one or more items to be added to the agenda of the meeting that has already been called.
(5) The request for including a new item on the agenda for the meeting that is already called, shall be sent to person who called the meeting, or to the person determined by the court to call the meeting, in accordance with this Law, within **eight** days from the day when the invitation was sent or the day of publication of the public notice for participation at the meeting.
(6) The request for including a new item on the agenda of the called General Meeting of Shareholders may not be refused, except in the following cases:
1) if the shareholder(s) has missed the period referred to in paragraph 5 of this Article,
2) if the shareholder(s) does not own sufficient number of voting shares in the company, in accordance with paragraph 4 of this Article;
3) if the proposal does not fulfill other conditions provided with this Law; and
4) if the proposal for the item to be included in the agenda at the General Meeting of Shareholders, is not under the competence of the General Meeting of Shareholders or is not in compliance with the Law and the charter.
(7) If the request referred to in paragraph 5 of this Article is not put on the agenda, **except for the cases under paragraph 6 of this Article,** the final decision shall be taken by the General Meeting of Shareholders when adopting the agenda.
(8) The body that called the meeting, or the person determined by the court to call the meeting, shall send the request for adding one or more items to the agenda of the called meeting to all shareholders, or shall publish it in the same manner in which the invitations were sent, or in which the public notice for participation at the called meeting was announced, no later than **8** days prior to convening the meeting.

Article (392) -Registration and Recording of Participation of Shareholders or their Representatives at the General Meeting of Shareholders

(1) Each shareholder that intends to participate at the General Meeting of Shareholders is obliged to register his participation at the meeting (registration for participation at the meeting), at the latest before the beginning of session of the scheduled General Meeting of Shareholders. **The list shall be prepared by the management body or the person authorized to call the general meeting.**

(2) The list of registered shareholders pursuant to paragraph 1 of this Article shall be made available for inspection at the registered office of the company.

(3) **Prior the beginning of the General Meeting of Shareholders, the management body or the person authorized to call the general meeting shall compare the list of registered shareholders with the shareholders list, obtained from the central securities depository, 24 hours prior the session of the general meeting.**

(4) Prior to the beginning of the General Meeting of Shareholders, the list under paragraph 3 of this Article shall be signed by each present shareholder or his representative, by which he verifies his presence at the meeting (verified participant at the General Meeting of Shareholders). The signed list shall be verified by the signatures of the Chairman of the General Meeting of Shareholders and the minutes taker. After the verification of the list, the Chairman of the General Meeting of Shareholders shall confirm the quorum for work.

(5) All participants at the General Meeting of Shareholders shall have access to the verified list pertaining to paragraph 4 of this Article, prior to the first voting. Any verified participant at the general meeting may request a copy of the signed list at his own expense, **which may not be greater than the actual cost**.

Article (393)-Proxy of a Shareholder at the General Meeting of Shareholders

(1) Any shareholder may authorize with a proxy his representative **for the General Meeting of Shareholders** (hereinafter: representative).

(2) The authorization of the representative pertaining to paragraph 1 of this Article shall be conferred through signing a written proxy, certified by a notary public.

(3) Representative may not be appointed:

1) a member of the management body or Supervisory Board of the company, or his close family member;

2) a manager of the company or his close family member;

3) a member of the management body or Supervisory Board of related or controlled companies; and

4) legally authorized **representative, or other** natural person authorized by the company or by other legal person owned by the company.

(4) The proxy, as a rule, shall be issued for one general meeting.

(5) The proxy may contain restrictions on the authorizations of the representative related to the voting rights, including orders on the manner of voting at the meeting. If the proxy does not contain restrictions or orders, the representative may vote at his own discretion, but taking into consideration the interests of the shareholder giving the proxy.

(6) The proxy may be cancelled unilaterally, without stating the reasons, by the shareholder or the representative, by submitting a written notification to the other party. If the shareholder personally registers his presence at the general meeting, it shall be considered that the proxy for appointing a representative for that meeting is canceled, and the shareholder may personally exercise his voting right without restrictions.

(7) Issuing and canceling a proxy shall be carried out only according to the provisions of this Article.

Article (394) -Quorum for Work of the General Meeting of Shareholders

(1) The General Meeting of Shareholders may work (quorum for work), if verified participants who hold at least majority of the total number of all voting shares are present at the session, unless the Charter requires a greater majority.

(2) If the quorum pursuant to paragraph 1 of this Article is not reached, the General Meeting of Shareholders shall not start working. In a period of time no longer than 15 days, a new date for convening the meeting shall be scheduled (rescheduled meeting), and the meeting shall be convened within this period. The new date of the rescheduled meeting shall be published in the same manner for publishing the calling of the General Meeting of Shareholders that did not have the quorum for work.

(3) The participation at the rescheduled meeting shall not be reported again. Before the rescheduled meeting starts to work, each attendee shall sign the list to verify his presence at the rescheduled meeting. The signed list shall be certified by the signature of the Chairman and the minutes taker of the General Meeting of Shareholders. After the verification of the list, the Chairman of the General Meeting of Shareholders shall confirm the presence of the registered shareholders or their proxies and the quorum for work and decision-making at the General Meeting of Shareholders.

(4) Any verified participant at the rescheduled meeting may request a copy of the signed list at his own expense, **which may not be greater than the actual cost**.

(5) The rescheduled meeting of shareholders may only reach resolutions related to issues included in the agenda for the first call of the General Meeting of Shareholders, regardless of the number of shareholders attending and the number of shares that they hold. **The rescheduled general meeting of shareholders may not decide on issues that, according to this Law, require greater majority quorum than the quorum referred to in paragraph 1 of this Article.**

Article (395) - Majority for reaching Resolutions at the General Meeting of Shareholders

The resolutions at the General Meeting of Shareholders shall be made with majority of the voting shares represented at the general meeting, unless this Law and the charter stipulated greater majority or provides other conditions in relation to the majority for reaching resolutions.

Article (396) - Conducting a Meeting

(1) The Chairman of the General Meeting of Shareholders (hereinafter: Chairman) shall preside over the General Meeting of Shareholders. The Chairman shall determine the course of the meeting, maintain the order at the meeting and may establish rules for conducting the meeting.

(2) The Chairman shall be elected for each meeting convened.

(3) The term of office of the Chairman shall continue until the election of the Chairman for the next General Meeting of Shareholders that is to be convened.

(4) Any shareholder or shareholder's representative may be elected as Chairman**.** A member of the management body or Supervisory Board shall not be elected as a Chairman.

Article (397) -Continuation of the Adjourned General Meeting of Shareholders

(1) If the session of the General Meeting of Shareholders which has already started is adjourned, the shareholders present at the meeting may decide for the meeting to continue its work at a time and place determined by the majority votes of the present shareholders, unless the Charter requires greater majority (continuation of the adjourned session of the meeting). The adjournment may not be postponed for more than 8 days from the date of adjournment.
(2) If the session of the General Meeting of Shareholders that started to work is adjourned, and the meeting did not reach a resolution for continuation of its work pertaining to the paragraph 1 of this Article, the Chairman of the meeting shall set the time and place for continuation of the adjourned session, unless otherwise provided in the company Charter.
(3) The participation at the continuation of the adjourned session of the General Meeting of Shareholders shall not be registered again. Before the adjourned session continues its work, the list of registered shareholders or shareholders' representatives shall be signed by each attendee, by which he verifies his presence at the continuation of the adjourned session of the General Meeting of Shareholders. The signed list shall be verified by the signatures of the Chairman and the minutes taker of the General Meeting of Shareholders. After the verification, the Chairman of the General Meeting of Shareholders shall confirm the quorum for work and decision making at the continuation of the adjourned session of the General Meeting of Shareholders.
(4) The verified list referred to in paragraph 3 of this Article shall be made available to all attendees at the continued session of the general meeting, prior to the first voting. Any verified participant at the meeting may request a copy of the signed list at his own expense.
(5) If there is no quorum for work at the continued session, or if it is not convened within the period specified in paragraph 1 of this Article, a new General Meeting of Shareholders shall be scheduled according to the conditions, manner and procedure specified by this Law and the Charter.
(6) The resolutions reached at the General Meeting of Shareholders which was adjourned after it started to work, shall be deemed valid, regardless of whether it shall continue its work. At the continued session, the General Meeting of Shareholders shall discuss and decide only upon the issues that were not discussed and decided upon.

Article (398)-Conditions for Exercising the Voting Right

(1) The voting right shall be acquired upon payment of the monetary contribution or making contribution in kind if, on the basis of the Charter, **the public notice** stipulates that the voting right shall be acquired before the full payment of the contribution, and no share has been fully paid, the voting right shall be determined in proportion to the amount of the paid contribution. In such cases, fractions of the votes shall be grouped only to create full votes.

(3) The provisions in the Company Charter which are contrary to paragraph 1 of this Article, or provisions applying only to particular shareholders or to particular types of shares, shall be null and void**.**

Article (399) –Exercise of the Voting Right of Certain Types of Shares

(1) The shareholder shall not lose the right to vote when pledging his shares.

(2) The voting right of shares owned by a minor or another person having no business capacity shall be exercised by his legal representative, either in person or by a proxy authorized by a written proxy statement certified by a notary public.

(3) The voting right of shares owned by a deceased person, until completion of the succession procedure, shall be exercised by the joint representative appointed by the legal successors of the deceased person, by a written proxy statement certified by a notary public.

(4) The voting right of shares held by a company under liquidation or bankruptcy in another legal person, shall be exercised by the liquidator or the bankruptcy trustee, or by a proxy appointed by them through a written proxy statement certified by a notary public.

Article (400) -Restrictions on the Exercise of the Voting Right

(1) A shareholder may not vote at the general meeting of shareholders for a resolution which exempts him from an obligation, a claim that the company has towards him, or from liability, or **which grants him certain advantage or privilege on behalf of the company, or a resolution to initiate court or other procedure against him, unless otherwise stipulated by this Law.** In such cases, the shareholder shall exercise his voting right neither personally nor through a representative.
(2) **The provisions in the charter which are contrary to paragraph 1 of this Article shall be null and void.**
(3) A shareholder who acted contrary to paragraph 1 of this Article shall be liable for damages caused to the company, unless he proves that the majority vote would have been reached even without his vote.
(4) A contract obliging the shareholder to exercise the voting right according to the directions of the Management body or the Supervisory Board shall be void. A contract obliging the shareholder to vote for all proposals of the Management body or the Supervisory Board shall also be deemed void.

Article (401) -Manner of Voting at the General Meeting of Shareholders

(1) Unless otherwise provided by the Law and the Charter, and if the General Meeting of Shareholders has not determined a special manner of voting or secret voting, the manner of voting shall be determined by the Chairman of the session of the General Meeting of Shareholders. The General Meeting of Shareholders shall appoint at least one person for counting the votes.
(2) Unless the Charter provides for public voting, all elections of members of the management bodies and the Supervisory Board of the company, or dismissal of members of these bodies shall be carried out by secret voting.

(3) If the Charter provides for public voting at the General Meeting of Shareholders, upon a request of one or more shareholders who hold at least 10% of the total number of all voting shares, the General Meeting of Shareholders shall conduct secret voting.
(4) The company charter may provide for the shareholders to vote on the convened meeting by telephone or other appropriate electronic means which is part of the public communications network, **and which shall enable, in a secure manner, to verify the identity of each shareholder, the voting right, the manner of establishing the communication network between the company and the shareholders in a way that the voting is accessible to each shareholder and the conducted voting can be recorded with certainty.** The shareholder who voted by phone or other electronic means shall be considered present at the meeting and shall be included in the quorum for work and decision making at the general meeting.

Article (402) –Manner of Conducting a Secret Voting

(1) The secret voting shall be conducted by a Committee for the conducting of a secret voting, elected with a resolution of the General Meeting of Shareholders, unless otherwise provided by the Charter. The Committee shall consist of at least three members from among the shareholders. A shareholder or other person who is a member of the management body of the company or the Supervisory Board, or a Chairman of the General Meeting of Shareholders at which the secret voting takes place shall not be appointed as a member of the Committee. The Committee for conducting a secret voting shall work impartially and fairly.
(2) The Committee shall determine the content of the voting ballots, take care of multiplication of the voting ballots, enumerate the ballots, count the votes and submit written report on the conducted secret voting, specifying the number of ballots used for secret voting, number of unused ballots, and shall determine the results from the voting. The report of the conducted secret voting shall be signed by all members of the Committee.
(3) When elections are conducted, the voting ballot shall state the names and surnames of all candidates to be elected by secret voting. When other type of secret voting is conducted, the ballot shall state the issues to be voted upon, the option for voting: "for", "against", "abstaining" for each issue or group of issues, or other clear option, as well as explanation of the manner of conducting the secret voting.
(4) The voting ballots (used and unused), the report on the conducted voting, and other election material shall be maintained in the same manner as the minutes of the General Meeting of Shareholders.

Article (403) –Entry into Force of the Resolutions of the General Meeting of Shareholders

The resolutions of the General Meeting of Shareholders shall enter into force on the day of their adoption, unless **the decision specifies some other date of entry into force**.

Article (404) -Separate General Meeting of Shareholders and Separate Voting

(1) In case when a resolution of the General Meeting of Shareholders, or a resolution for amending the charter changes or restricts any right arising from a certain type of shares, such resolution shall be considered valid if the shareholders representing the relevant type of

shares give consent by a separate resolution for consent, with the majority as determined in this Law and the charter.
(2) The shareholders referred to in paragraph 1 of this Article shall reach the resolution for consent at a separate session (separate General Meeting of Shareholders) or at the same General Meeting of Shareholders with other shareholders, but with a separate voting (separate voting), unless otherwise provided by Law. The provisions of this Law referring to decision making at the General Meeting of Shareholders shall also apply to calling a separate session of separate General Meeting of Shareholders, participation at the session, right of notification, as well as making separate resolutions. Shareholders who hold at least 10% of the total number of all shares comprising the charter capital and who may participate in the voting for separate resolution for consent, may request calling a separate meeting or separate voting.

Article (405) -Rights Arising from Preferred Non-Voting Shares

If the amount which is to be paid from the dividend for the preferred non-voting shares has not been paid or paid in full for one year, and if the other amounts are not paid additionally in the subsequent year, in addition to the full amount of the dividend for that year, the preferred non-voting shares shall be deemed voting shares until such amounts are paid. In such case, the preferred shares shall also participate in determining the quorum for work and decision making, in the same way as the voting shares.

Article (406)-Conditions for Canceling a Resolution That Cancels the Preemptive Right

(1) Consent by the owners of preferred shares shall be required for a resolution that cancels the preemptive right.
(2) Consent by the owners of preferred shares shall be required for issuance of preferred shares that, in the course of distribution of the profit or property of the company, have preemptive right or are equal to the preferred non-voting shares.
(3) The consent shall be given by the owners of preferred shares in the form of a separate resolution. Such a resolution shall be adopted by a majority vote which may not be less than three quarters of the preferred shares represented, unless the Charter requires greater majority. The charter may determine additional conditions for adoption of the resolution.
(4) Should the preemptive right be cancelled, the preferred non-voting shares shall become voting shares.

Article (407) -Right of Information Regarding the Company Condition and Its Relations with Other Companies

(1) Any shareholder may request at the General Meeting of Shareholders to be informed about the company condition and its relations with other companies, if such information is related to the items included on the agenda of the General Meeting of Shareholders.
(2) The shareholder who is denied to obtain the information may request **in writing** for his question, the request, as well as the reasons for the denial to be entered into the minutes of the discussion.

(3) The shareholder, who has been denied to obtain the information, may request court protection of his right in a non-litigation procedure. The proposal shall be filed within **15** days as of the date of convening the General Meeting of Shareholders.

Article (408) -Minutes from the Operation of the General Meeting of Shareholders

(1) Minutes shall be taken for the operation of the General Meeting of Shareholders, containing the following information:

1) business name and registered office of the company;
2) date, time and place of the meeting;
3) name of the Chairman of the session of the General Meeting of Shareholders, name of the minutes taker and names of the members of the voting Committee, if elected;
4) agenda of the meeting;
5) number of shareholders or representatives of the shareholders present at the meeting and working quorum;
6) discussion held at the General Meeting of Shareholders;
7) the most important events at the General Meeting of Shareholders, as well as proposals submitted;
8) resolutions, number of votes "for" and "against" and the number of abstentions; and
9) refraining or objections made by a shareholder, member of the management body or Supervisory Board against a resolution, if an objection has been stated.

(2) **A member of the management body or Supervisory Board, or the Chairman of the general meeting may not be elected as minutes taker or minutes certifier.**
(3) The Minutes shall be prepared not later than 8 days from the date of convening the General Meeting of Shareholders, and shall be signed by the minutes taker and the Chairman of session of the General Meeting of Shareholders, and certified by certifiers of the minutes.
(4) Any shareholder may request from the executive members of the Board of Directors or the Management Board a copy of the minutes from the General Meeting of Shareholders at his own expense. The expense shall not be greater than the actual cost.
(5) In case the minutes are taken by a notary public, it shall be prepared not later than three days from the day the General Meeting of Shareholders was held, and it shall be signed by the notary public and the chairman of the session of the General Meeting of Shareholders. The notary that kept the minutes shall issue the copy pertaining to paragraph 3 of this Article.
(6) The Minutes and enclosures thereof shall be kept for at least 10 years.

Article (409) -Grounds for Annulment of a Resolution of the General Meeting of Shareholders

In addition to the cases explicitly prescribed in this Law, the resolutions of the General Meeting of Shareholders shall be considered void:

1) if the General Meeting of Shareholders decided upon an issue which is not under its competence;
2) if the resolution is adopted at a General Meeting of Shareholders that was not called in the manner prescribed by this Law, except in cases where all shareholders attended the meeting;
3) **the management body or the Supervisory Board is composed contrary to the provisions of this Law and the charter;**

4) **the General Meeting of Shareholders elects a natural person, who was not nominated in accordance with this Law or the charter, as a member of the management body or Supervisory Board;**
5) **the General Meeting of Shareholders elected in the management body or Supervisory Board more natural persons than the number stipulated by this Law or the charter;**
6) **audit of the annual account statement has not been conducted, or it has not been conducted in accordance with the Law, or it has not been conducted by authorized auditors; and**
7) **the Management Board and Supervisory Board has not adopted the annual account statement and the annual report on the operations of the company for the previous business year.**

Article (410) -Grounds for Contesting a Resolution

(1) The resolution of the General Meeting of Shareholders may be contested in case the resolution has been adopted contrary to the Law and the Charter.
(2) The resolution may be contested if the shareholder voted for the resolution with intent to gain benefit for himself or for a third party at the expense of the company or other shareholders, and the contested resolution enables him to achieve that.
(3) The resolution of the General Meeting of Shareholders may be contested if it is based on providing insufficient information that affected the decision-making process.

Article (411) -Parties Entitled to File a Complaint

A resolution of the General Meeting of Shareholders may be contested by:
1) a shareholder who participated in the work of the General Meeting of Shareholders and declared his objection to the resolution in the minutes of the meeting;
2) a shareholder who did not participate in the work of the General Meeting of Shareholders because he was not allowed to participate in its work contrary to the Law and the Charter, in case the General Meeting of Shareholders was not properly called, or if the issue subject to decision making at the meeting was not properly announced;
3) any shareholder, in case when the General Meeting of Shareholders adopted a resolution with intent for the shareholder who voted for the resolution to gain benefit for himself or for a third party, at the expense of the company or other shareholders;
4) Management body and Supervisory Board; and
5) any member of the Management body and Supervisory Board, if by implementation of the resolution he would have performed action which is punishable or illegal or which would make him liable for damages; and
6) creditor of the company who has legal interest.

Article (412) -Entities Subject to the Complaint

(1) A complaint for contesting a resolution of the General Meeting of Shareholders shall be filed within 30 days from the date when the resolution was adopted. If the plaintiff did not participate at the General Meeting of Shareholders when the resolution was adopted, the time

limit shall start to run on the first subsequent day after the day when he was able to learn about the resolution, but not later than one year after the resolution was adopted.
(2) The complaint shall be filed against the company. The company shall be represented by the Management body or Supervisory Board. If the complaint is filed by the executive members of the Board of Directors, the company shall be represented by the non-executive members. If the complaint is filed by the Management Board or its member, the company shall be represented by the Supervisory Board. If the complaint is filed by the Supervisory Board, the company shall be represented by the Management Board .

Article (413) –Obligation for Submission and Entry of the Court Decision

(1) The Board of Directors or the Management Board shall, **within 3 days as of the day of receiving the final court decision**, submit the resolution to the court, **if on the basis of that resolution an entry was made in the Commercial Register**. The entry of the resolution in the Commercial Register shall be published in the same manner as the **previous entry**.
(2) If the resolution amends the Charter, in addition to the resolution, the revised text of the Charter shall be submitted to the court, certified by notary public who confirms that the text contains the court decision and all previous amendments of the Charter.

Section Seven -JOINT-STOCK COMPANY WITH A SINGLE SHAREHOLDER

Article (414) -Appropriate Application of the Provisions pertaining to the Company with a Single Entity

The provisions of this Law pertaining to joint-stock company with two or more shareholders shall be respectively applied to the joint-stock company with a single shareholder, whereby the rights and obligations of the General Meeting of Shareholders of the joint-stock company shall be exercised by the body determined by the founder, or the single shareholder, in a manner prescribed in the Charter of the Joint stock company with a single shareholder.

Section eight-AMENDMENTS TO THE CHARTER

Article (415)- Manner and Procedure of Amending the Charter

(1) The Company Charter shall be amended by a resolution for amendment of the Charter.

(2) The procedure for amending the Charter may be initiated by the Management body or the Supervisory Board, as well as by the shareholders who own at least 10% of the total number of all shares contained in the Charter capital. The initiative, in the form of amendments, shall be submitted to the management body, and, if authorized by this Law, to the Supervisory Board.

(3) The draft resolution for amending the Charter which states the proposed changes, regardless of the party that initiated the changes, shall be confirmed by the management body, and, if authorized by this Law, the Supervisory Board. The confirmed draft resolution for amending the Charter shall contain explanation.

Article (416)-Resolution for Amending the Charter

(1) The resolution for amending the Charter shall be adopted by the General Meeting of Shareholders.
(2) The resolution for amending the Charter shall be adopted by a majority vote which may not be lower than three quarters of the represented voting shares at the general meeting, unless the Charter requires greater majority.
(3) The General Meeting of Shareholders shall, with the resolution for amending the Charter, authorize the **Board of Directors** or the Supervisory Board to prepare a revised text of the Charter, to include the amendments made with the resolution on amending the Charter, as well as the provisions from the resolutions having the character of a resolution amending the Charter, as defined by this Law. When this Law provides for the revised text of the Charter, in which the amendments of the Charter made with the resolution amending the Charter or with a resolution having a character of a resolution amending the Charter, to be enclosed to the application for entry into the Commercial Register, the Board of Directors or the Supervisory Board shall be obliged to prepare revised text of the Charter. **The revised text of the charter shall be certified by a notary who shall confirm that all previous amendments to the charter have been included in the text.**

Article (417)-Registration and Entry into Force of the Amendments to the Charter

(1) The Management body shall submit the application form for entry in the Commercial Register of the resolution on amending the Charter, together with the revised text of the charter. If amending the charter or some of its provisions requires approval from a competent body determined by Law, the approval shall be enclosed to the application form.
(2) The amendment to the Charter shall enter into force on the day when the resolution to amend the Charter was adopted, unless other date is specified in the resolution on amending the charter.

Section Nine-INCREASE AND REDUCTION OF CHARTER CAPITAL

Sub-Section One - Increase of the Charter Capital

Sub-section One - General Provisions

Article (418) – Manners of Increasing the Charter Capital

The increase of the charter capital of the company may be carried out by:
1) contributions;
2) conditional increase of the charter capital;
3) authorized capital; and
4) from the assets of the company.

Article (419) - Resolution for Increase of the Charter Capital

(1) Increase of the charter capital shall be carried out with resolution of the General Meeting of Shareholders for increase or reduction of the charter capital. **All resolutions for increase of the charter capital shall have the character of a resolution for amending the Charter, except for the resolutions on increase of the charter capital that the management body adopts according to the provision of the charter concerning the authorized capital.**

(2) **If the new shares are issued at amount higher than the nominal amount of the shares, the resolution for increase of the charter capital shall state the amount below which the shares may not be issued.**

(3) The resolution for increase of the charter capital by contributions shall contain data on the amount, manner and date of increasing the charter capital, number and type of shares, monetary contributions, contributions in cash, on the basis of which the newly issued shares are acquired, as well as other data **determined by Law and the provisions of this section, according to the** appropriate manner for the increase of the charter capital.

(4) The resolution for increase or reduction of the charter capital shall be adopted by majority vote that may not be lower than three-quarters of the represented voting shares at the General Meeting of Shareholders, unless higher majority is required by the Charter.

(5) If there are more than one types of shares, the resolution referred to in paragraph 1 of this Article shall be valid if the shareholders of each type of shares agree to it. The shareholders of each type of shares shall reach a resolution on agreement with the same majority with which the resolution referred to in paragraph 1 of this Article has been adopted.

Article (420)-Participation of the New Shares in the Profit

(1) The resolution for increase of the charter capital may provide for the new shares to participate in the profit of the company in the business year preceding the year in which the resolution for increase of the charter capital was reached. In that case, the resolution for increase of the charter capital shall be reached prior to the resolution for distribution, or utilization of the profit for the business year preceding the year in which the resolution for increase of the charter capital was reached. The resolution for distribution or utilization of the profit from the previous year shall have legal effect after the increase of the charter capital.

(1) The resolution referred to in paragraph 1 of this Article shall be void if the resolution for increase of the charter capital is not entered in the Commercial Register within three months from the date of its adoption. This period shall not run during the dispute upon a complaint contesting the resolution, or a complaint requiring its nullity, or for the time until the approval or other document is obtained by a state body for increase of the charter capital, if it is stipulated by Law.

Article (421)-When may the Issuance of Shares and Exercise of the Rights arising from Shares Commence

(1) The **registration** of the **subscribed** shares in the shareholders list according to the resolution for increase of the charter capital may be carried out only after the publication of the entry of the resolution for increase of the charter capital in the Commercial Register.
(2) Shareholders may exercise the rights arising from the newly-issued shares as of the day of their registration in the shareholders list.
(3) The issuers shall be jointly and severally liable towards the shareholders for the damage incurred from the issuance of shares contrary to paragraph 1 of this Article.

Article (422)-Exclusion of the Pre-emptive Right When Subscribing New Shares

(1) The pre-emptive right when subscribing new shares may be, prior to the subscription of shares, fully or partially excluded only with the resolution for increase of the charter capital, in accordance with the charter, which shall be announced in the manner in which the calling of the General Meeting of Shareholders is announced.
(2) The General Meeting of Shareholders may decide upon the exclusion of the pre-emptive right to subscribe new shares only on the basis of a written report of the management body stating the reasons for the limitation or exclusion of the pre-emptive right to purchase, and explaining the price for issuance of shares. The resolution referred to in paragraph 1 of this Article shall be adopted with majority vote which may not be less than three-quarters of the represented voting shares at the general meeting, unless the charter requires higher majority. The charter may provide additional conditions for adoption of the resolution.

Article (423)-Protection of Rights of Shareholders and Third Parties

(1) The increase of the charter capital shall not affect the relation between the **shares and the rights** arising from the shares **owned by the shareholders**.
(2) If certain rights arising from shares that are partially paid, such as the right to participate in the profit or the right to vote, are determined according to the amount paid, until the full payment of shares, the shareholders shall have the rights that are determined up to the amount they have paid.
(3) The increase of the charter capital shall not affect the contents of the agreed relations between the company and third parties, depending on the realized profit, the value of shares or the value of the charter capital prior to the increase of the charter capital. The same shall also apply to the additional obligations of shareholders.

Sub-section Two - Increase of the Charter Capital by Contributions

Article (424) - Conditions for Increase of Charter Capital with Contributions

(1) The increase of the charter capital with contributions may be performed only by issuing new shares. The issued shares may be paid with money and with making non-monetary contributions.
(2) The **resolution for** increase of the charter capital with contributions may be **adopted** only in case of **fully** paid nominal amount of the shares **subscribed from the previous emission which is considered as successful** in accordance with the resolution for issuing those shares.

Article (425)-Increase of Charter Capital with Contributions in Kinds

(1) If the increase of the charter capital with contributions is carried out with contributions in kind, the resolution for increase of the charter capital with contributions shall indicate the contributions in kind, the persons **from which the company may assume the** contributions in kind, and the nominal amount of shares acquired in exchange for the contribution made in kind.
(2) If the data referred to in paragraph 1 of this Article are not determined in the resolution for increase of the charter capital, making the contributions in kind, the legal acts and actions for their realization towards the company shall be void.
(3) **The provisions under Article 33 of this Law shall respectively apply to the increase of the charter capital with contributions in kind.**

Article (426)-Subscription of Newly-Issued Shares

(1) Newly-issued shares shall be subscribed with a written statement (subscription form), clearly indicating who the subscriber is, the number of shares he subscribes, the nominal amount of the shares, and, in case of shares of several types, the type of shares. The subscription form shall contain the following:
1) the date when the resolution for increase of the charter capital with contributions was adopted;
2) the amount for which the charter capital is increased, the type and number of shares, the manner of payment and additional obligations, if determined with the resolution for increase of the charter capital with contributions;
3) data determined for increase of the charter capital by making contributions in kind, and, in case of issuance of shares of several types, the total nominal amount of shares of each type; and
4) the period within which the subscription form may be signed, if within this period the increase of the charter capital is not entered in the Commercial Register.
(2) The subscription forms not containing the data or limitations referred to in paragraph 1 of this Article, except the ones referred to in item 4, shall be void.
(3) The person which has subscribed shares on the basis of the subscription form and has exercised rights or fulfilled obligations as a shareholder, may not call upon nullity or be released from the obligations undertaken with the subscription form, if the resolution for increase of the charter capital has been entered in the Commercial Register.
(4) Any limitation not stated in the subscription form shall have no effect against the company.

Article (427)- Publishing a Call to the Shareholders for Subscription of Shares

(1) The management body, upon obtaining the approval of the Securities Exchange Commission for issuing shares, shall put a notice to the shareholders, in accordance with the resolution on increase of the charter capital by contributions. The notice shall be published in at least one daily newspaper. The shareholders shall be notified to, within a period not longer than 30 days but not shorter than 15 days from the day of publication of the notice, subscribe the portion of the new shares which corresponds to the participation of their shares in the charter capital prior to its increase, and to use their

pre-emptive right when subscribing new shares, unless the resolution for increase of the charter capital with contributions does not exclude this right.
(2) The management body shall inform in writing each shareholder about the amount of the issued shares, the number of shares corresponding to the participation of his shares in the charter capital, and the period under paragraph 1 of this Article within which the shareholder may subscribe the new shares.
(3) Upon the expiry of the period under paragraph 1 of this Article, within which the shareholders may exercise their pre-emptive right when subscribing new shares, other subscribers shall have the right to subscribe newly-issued shares within a period not shorter than 15 days as of the day of expiration of the period under paragraph 1 of this Article.

Article (428) - Exercising the Pre-emptive Right via Statement

(1) **Upon request by any shareholder, within a period not shorter than the period determined in Article 427, paragraph 1 of this Law, he shall be entitled to exercise the pre-emptive right to subscribe shares via written statement, in order to subscribe the portion of the new shares that corresponds to the participation of his shares in the charter capital prior to its increase.** The statement shall be provided in two copies, within a period determined with the resolution for conditional increase of the charter capital. The statement shall indicate the number of shares to be subscribed, their nominal amount, the type of the shares, the data listed in Article 425 in case contribution in kind is made, as well as the date when the resolution for increase of the charter capital has been adopted.
(2) The statement for pre-emptive right when subscribing shares shall have the same legal effect as the subscription form. The statement not containing the data referred to in paragraph 1 of this Article or containing limitation on the obligation of the person giving the statement shall be void.
(3) The person who, on the basis of a statement for exercise of pre-emptive right when subscribing shares, has subscribed shares and exercised rights or fulfilled an obligation as a shareholder may not call upon nullity or non-binding force of the subscription form.
(4) Any limitation not stated in the subscription form shall have no effect against the company.

Article (429)-Payment and Making Contributions

(1) Monetary contributions shall be paid in full until the date of entry of the increase of the charter capital in the Commercial Register.
(2) Contributions in kind shall be fully made to the company until the date of entering the increase of the charter capital in the Commercial Register, according to their appraised value. The company shall sign a contract for making contribution in kind with the person making the contribution in kind. The contract shall be signed by an executive member of the Board of Directors, or by the president of the Management Board , or the person authorized by him, and the person making the contribution in kind.
(3) **If the person under paragraph 2 of this Article does not make the contribution in kind in accordance with the conditions stipulated in the contract under paragraph 2 of this Article, he shall be obliged to pay the nominal amount of the shares acquired by him, as well as other obligations stipulated in the contract.**

Article (430)-Entry of the Resolution for Increase of the Charter Capital by Contributions in the Commercial Register

(1) **The management body, upon the executed increase of the charter capital by contributions, shall be obliged, within 8 days from executed increase of the charter capital, to submit an application for entry of the increase of the charter capital in the Commercial Register.**
(2) **The notification about the entry of the increase of the charter capital in the Commercial Register shall be published.**
(3) The following shall be enclosed with the application form for entry of the increase of the charter capital:
1) **resolution for increase of the charter capital;**
2) **excerpt from the minutes of the session of the general meeting of shareholders at which the resolution for increase of the charter capital was adopted, and, if more than one type of shares exist, from the resolution on the approval by the shareholders of each type of shares, certified by a notary;**
3) **approval by the Securities Exchange Commission for the issuance of shares;**
4) report on the appraisal, if the increase of the charter capital of the company is carried out with contributions in kind;
5) the contract for making each contribution in kind;
6) calculation of expenses that will be incurred with the issuance of the new shares;
7) **revised text of the charter;**
8) **proof of the exercised pre-emptive right to subscribe issued shares and** list of the persons that have **exercised that right**, indicating the **number of** shares **acquired and the contributions paid for their acquisition,** signed by the president of the management body, **if the pre-emptive right of subscription is not excluded; and**
9) approval by a state body, if required by the Law for the increase of the charter capital.

Sub-section Three - Conditional Increase of the Charter Capital

Article (431)-Terms for Conditional Increase of the Charter Capital

(1) Conditional increase of the charter capital may be carried out on the basis of a resolution for conditional increase of the charter capital, only for the purpose of:
1) exercising the right of **owners of bonds, upon their request, the** company that issued the bonds to **transform** them into shares of the company;
2) exercising the pre-emptive right **when subscribing shares issued by the company, under the conditions and within the period stipulated by the decision for conditional increase of the charter capital.**
(2) **The company may, together with the issuance of bonds under paragraph 1 of this Article, adopt a resolution for conditional increase of the charter capital for the amount at which the owners of bonds shall be able to convert them into shares. The resolution shall determine the issuance of shares that the company may issue (approved shares), whose type, class and number shall be corresponding to the obligations assumed by the company with the issued bonds.**
(3) The resolution on conditional increase of the charter capital shall stipulate the purpose of the conditional increase of the charter capital, the range of persons entitled to

pre-emptive right to subscribe new shares, **the period within which the conditional increase of the charter capital shall be carried out and the conditions under which these rights may be exercised,** and the amount at which the shares are issued and the merits and criteria according to which this amount can be calculated.

(4) The nominal amount of the conditionally increased charter capital may not exceed one half of the charter capital on the date when the resolution for the conditional increase of the charter capital is reached.

(5) The resolution for conditional increase of the charter capital adopted contrary to the provisions of this Article shall be void.

(6) The right to convert the bonds under paragraph 1 of this Article, and the pre-emptive right to subscribe shares shall be carried out by a written statement for their conversion into shares or subscription of shares. Article 426 of this Law shall respectively apply to the provision of written statement.

(7) **The provisions under Articles 33 and 425 of this Law, relating to the contribution in kind, shall be respectively applied in case of conditional increase of the charter capital.**

(8) The provisions **under Articles 427 and 428 of this Law,** relating to the pre-emptive right when subscribing new shares, shall respectively apply to the exercise of the pre-emptive right when subscribing new shares **according to the resolution on conditional increase of the charter capital.**

Article (432)-Authorization for Issuance of Bonds

(1) The management body may issue convertible bonds and other bonds, in accordance with the authorization in the decision for conditional increase of the charter capital, for maximum five years as of the day when the authorization was given.

(2) The resolution for issuance of bonds may authorize the management body to issue shares necessary for ensuring the rights of the owners of bonds under paragraph 1 of this Article, for maximum five years as of the day the authorization was issued.

(3) The issued shares under paragraph 2 of this Article shall be registered in the list of shareholders of the company in the Central Securities Depository, as conditionally issued shares for special purposes. The authorized shares shall be reserved in the Central Securities Depository. The company shall maintain the number of authorized shares of each type and class at the level necessary to ensure those rights, until the expiration of the period within which those rights may be exercised.

Article (433)-Registration of the Conditional Increase of the Charter Capital

(1) The increase of the charter capital shall be considered as carried out with the issuance of the shares **and their exchange for bonds, under the conditions stipulated by** the resolution for conditional increase of the charter capital. The management body shall be obliged, within 15 days **upon the expiry of the business year**, to submit application form for entry in the Commercial Register of the **total amount for which the charter capital is increased by the exchange of the issued shares with the convertible bonds.**

(2) **In addition to the enclosures under Article 430, paragraph 3, items 1, 2, 3, 4, 5, 6, 7, 8, and 9, the application under paragraph 1 of this Article shall be complemented with a** statement by which the management body ascertains that the **bonds and** shares have been issued only for the purpose of achieving the objective determined in the resolution for conditional increase of the charter capital, and that they have not been

issued prior to the payment or making the contribution in kind, as counter value for the shares, which was determined with the resolution.

Sub-section Four - Authorized Capital

Article (434)-Issuance of New Shares

(1) The provision in the company charter authorizing the increase of the charter capital shall be deemed as resolution for increase of the charter capital.
(2) The issuance of new shares shall be carried out pursuant to the provisions of this Law regulating the increase of the charter capital with contributions, unless otherwise provided in this section and in other Law.
(3) The authorization referred to in paragraph 1 of this Article may provide the right of the Board of Directors, or the Supervisory Board, to decide on exclusion of the pre-emptive right when subscribing the new shares. The resolution for the exclusion of the pre-emptive right shall be adopted only with consent by the majority non-executive directors of the Board of Directors or the majority members of the Supervisory Board. They shall be obliged to submit a written report at the subsequent annual meeting of shareholders stating the reasons for exclusion of the pre-emptive right when subscribing new shares.
(4) **The provisions in Articles 33 and 425 of this Law, relating to the contribution in kind, shall respectively apply to the conditional increase of the charter capital.**
(5) **The provisions in Articles 427 and 428 of this Law, relating to the pre-emptive right when subscribing new shares, shall respectively apply to the exercise of the pre-emptive right when subscribing new shares, in accordance with the resolution for increase of the charter capital with authorized capital.**

Article (435)-Entry of the Increase of the Charter Capital in the Commercial Register

(1) The management body shall be obliged, within 15 days from the date of acquiring the shares, to submit application form for entry of the total amount of the acquired shares in the Commercial Register, for the purpose of entering the increase of the charter capital.
1) **In addition to the enclosures under Article 430, paragraph 3, items 1, 2, 3, 4, 5, 6, 7, 8, and 9, the application under paragraph 1 of this Article shall be complemented by a** statement by which the management body ascertains that the shares have been issued within the authorization for issuance of new shares and only for the purpose of achieving the objective determined in the authorization stipulated by the charter.

Sub-Section Five - Increase of the Charter Capital from the Company Assets

Article (436)-Resolution on Increase of the Charter Capital from the Company Assets

(1) The general meeting of shareholders may increase the charter capital by a resolution on increase of the charter capital, by converting the profit, the reserves and the undistributed (withheld) profit **that has not been allocated** into dividends or for which no other purpose has been determined (hereinafter: resolution on increase of the charter capital from the company assets).
(2) The resolution on increase of the charter capital from the company assets shall be based on the last annual account statement verified by an authorized auditor, and on the report on the company operation in the previous business year, adopted by the general meeting of shareholders.
(3) If no authorized auditor is appointed on the last regular general meeting of shareholders, it is deemed that the appointed authorized auditor is the one that was appointed by the general meeting of shareholders for audit of the last annual account statement, or the authorized auditor that shall be appointed by the court upon company request.
(4) The increase of the charter capital from the company assets may be carried out with the issuance of new shares or with the increase of the nominal value of the issued shares. The resolution on increase of the charter capital shall state the manner in which the increase of the charter capital shall be carried out.
(5) The shareholders shall be entitled to the newly issued shares in proportion to the participation of their shares in the previous charter capital.
(6) The resolution of the general meeting of shareholders or the provision in the Charter which is contrary to paragraph 5 of this Article shall be void.

Article (437)-Suitability of the Profit and the Reserves for Increase of the Charter Capital

(1) The statutory reserves may be fully converted into the charter capital, while the legally determined reserve may be converted into charter capital only if it exceeds the amount determined with this law.
(2) The reserves and the profit shall not be converted into charter capital if losses, including therein the transferred loss, are stated in the balance sheet, which represents the basis for adopting the resolution for increase of the charter capital.
(3) Statutory reserves intended for particular purpose may be converted into charter capital, if their conversion leads to realization of that particular purpose.

Article (438)-Exchange of Shares for the Purpose of Increasing the Nominal Amount of Shares

(1) The shares fully paid-in shall participate in the increase of the charter capital according to their nominal amount.
(2) Shares that are partially paid shall participate in the increase of the charter capital according to their paid-in nominal amount.
(3) Shares owned by the company shall participate in the increase of the charter capital only if the increase **of the charter capital** is carried out by increasing the nominal value of shares under the same conditions as other shares.
(4) If the increase of the charter capital is carried out by increasing the nominal amount of shares, the increase shall be carried out according to their nominal amount **by proportional increase of the nominal amount of each share**, whereby the total increase shall be equal to

the amount for which the charter capital is increased. The resolution on increase of the charter capital shall stipulate the manner thereof.
(5) The board of directors or the management board shall, within 30 days following the increase of the charter capital, exchange the shares registered in the shareholders list for the shares with increased nominal amount (exchange of shares), and shall request entry of this exchange in the shareholders list, notifying thereof the Central Depositor of Securities.

Article (439)-Application Form for Entry of the Increase of the Charter Capital from Company Assets

(1) The management body shall be obliged to file application form for entry of the increase of the charter capital in the commercial register within 15 days from the date of reaching the resolution on increase of the charter capital from company assets.
(2) In addition to the enclosures under items **1, 2, 3, 4, 5, 6, 7, 8 and 9 of paragraph 3 Article 430** of this Law, the following shall be enclosed to the application form:
1) The annual account statement, or the balance sheet and the income statement, verified by an authorized auditor; and
2) Statement signed by the president of the board of directors, or by the president of the management board **which warrants that, according to their knowledge, no reduction of the assets of the company that would represent an obstacle for the increase of the charter capital from the company assets occurred in the balance sheet used as the basis for the increase of the charter capital and verified by the authorized auditor until the day of filing the application form for entering the increase of the charter capital in the Commercial Register, if the increase is to be decided on the date of filing the application form.**

Section Two - Reduction of the Charter Capital

Sub-Section One – General Provisions

Article (440)-Methods of Reduction of the Charter Capital
(1) Charter capital may be reduced by means of:
1) reduction of the nominal amount of one or more types of shares;
2) merger of one ore more types of shares, by reduction of their nominal value thereof; and
3) withdrawal (cancellation) of treasury and other shares.
(2) Following the reduction of the number of the shares or their withdrawal and the publication of the entry of the reduction of the charter capital in the commercial register, the shares shall be cancelled.
(3) The charter capital shall not be reduced below the lowest amount stipulated in this Law.
(4) If the company reduces the charter capital contrary to paragraph 3 of this Article, the resolution on reduction of the charter capital shall be void, unless a resolution on increasing of the charter capital at least to the minimum amount stipulated in this Law is reached together with the resolution on reduction of the charter capital.
(5) In case the reduction of the charter capital is carried out by reduction of the nominal value of the shares, the reduction shall refer to all shares by proportional reduction of the nominal value of each share, provided that the total reduction shall be equal to the amount of the reduction of the charter capital.

Sub-section Two

Article (441)-Resolution on Regular Reduction of the Charter Capital

(1) The reduction of the charter capital shall be carried out by a resolution on reduction of the charter capital adopted by the general meeting of shareholders with majority votes that may not be lower than ¾ of the voting shares represented at the general meeting of shareholders, unless the company charter stipulates greater majority.

(2) If there are several types of shares, the resolution shall be valid if the shareholders of each type of shares provide their consent by a majority that may not be lower than the majority referred to in paragraph 1 of this Article. The shareholders of each type of shares shall adopt a resolution for providing consent. The resolution for providing consent shall be adopted in the manner and under the conditions stipulated in paragraph 1 of this Article.

(3) The resolution on reduction of the charter capital shall determine the amount, the purpose, as well as the methods for carrying out the reduction of the charter capital. If the reduction of the charter capital is carried out for the purpose of refunding a part of the reduced charter capital to the shareholders, that shall be separately indicated in the resolution.

(4) The invitation for calling the general meeting of shareholders that should decide on the reduction of the charter capital shall contain the reason, the purpose and method of carrying out the reduction of the charter capital.

Article (442)-Entry of the Reduction of the Charter Capital

(1) The management body shall be obliged to file an application form for entry of the resolution on anticipated reduction of the charter capital in the commercial register.

(2) The following shall be enclosed to the application form:

1) the resolution of the general meeting of shareholders on anticipated reduction of the charter capital;
2) the excerpt from the minutes from the session at which the resolution on reduction of the charter capital has been reached, verified by the notary.

(3) The president of the board of directors, or the president of the management board shall publish the anticipated reduction of the charter capital on the first business day following the entry of the resolution on anticipated reduction of the charter capital in the commercial register. The company should announce that it agrees to pay the matured claim to each creditor that submits a request or to provide the creditor with collateral for the respective claim. If following the expiry of 90 days as of the date of publication of the announcement no request for setting the claims is submitted, it shall be deemed that all the creditors have agreed with the anticipated reduction of the charter capital

(4) The known creditors shall be also notified directly.

Article (443)-Collateral for the Creditors

(1) The company shall provide each creditor with an acceptable collateral for the claims established prior to the entry of the resolution on reduction of the charter capital in the commercial register, declared within 90 days as of the date of announcing the resolution on reduction of the charter capital, provided that:

-the creditor has requested collateral by declaring the claim for the purpose of reduction of the charter capital; and

-there are sufficient reasons according to which it might be considered that the reduction of the charter capital will diminish the company's capability to settle the creditor's claim.

(2) A creditor that is entitled to pre-emptive settlement from the bankruptcy estate of the debtor or that has exercised a collateral, shall not be entitled to require new collateral due to reduction of the charter capital.

Article (444)-Reverse Spilt of Shares

(1) If the reduction of the charter capital is carried out by reduction of the nominal value of the shares or by merger of one or more types of shares and reduction of their nominal value, shares with new nominal amount, which is not less than 1 EURO, shall be issued to the shareholders, proportionally to the participation of their shares in the charter capital prior to the reduction of the charter capital. The new shares shall be of identical type and class as the shares for which they have been exchanged.
(2) The board of directors, or the management board, shall submit a request to the Central Depositor of Securities to register the changes in the shareholders list of the company according to the completed reduction of the charter capital and the new nominal amount of the shares or according to the number of the shares each shareholder acquires due to their reverse split.
(3) Prior to the issuance of shares according to their nominal amount or issuance of new shares for the purpose of reverse split, issuance of new shares shall be prohibited.

Article (445)-Payments to Shareholders Due to Reduction of the Charter Capital

(1) On the basis of the completed reduction of the charter capital, a part of the reduced charter capital may be paid to the shareholders only upon the settlement of creditors' claims or granting a collateral for their claims pursuant to this sub-section and following the publication of the entry of the completed reduction of the charter capital in the commercial register.
(2) Payments referred to in paragraph 1 of this Article may be executed following the completion of the reduction of the charter capital and the entry of the completed reduction in the commercial register. In that case the shareholders are exempted from the further payments for the shares, if they have failed to pay in the contribution for which the payment obligation refers to.
(3) If due to annulment of the resolution on reduction of the charter capital a complaint is filed, no payments shall be made, nor shall exemption of further payments of shares shall be allowed prior to final effective completion of the litigation procedure.

Sub-Section Three – Reduction of the Charter Capital by Withdrawal of Shares

Article (446)- Requirements for Reduction of the Charter Capital by Withdrawal of Shares

(1) The reduction of the charter capital by withdrawal of shares may be carried out only if explicitly stipulated by law or by the company charter.
(2) The withdrawal of the shares shall be carried out pursuant to the provisions of this Law that pertain to the regular reduction of the charter capital.
(3) The general meeting of shareholders shall specify in the resolution on reduction of the charter capital the method and the details for carrying out the withdrawal of shares.
(4) In case the law stipulates the obligation for reduction of the charter capital, a procedure for reduction of the charter capital by enforced withdrawal of shares shall be carried out. The resolution on enforced withdrawal of shares shall be reached by the management body of the company.

(5) In case of enforced withdrawal of shares, the shareholders may be entitled to compensation for a part of the withdrawn shares or to exemption from the obligation for payment of the acquired contribution, only from the part of the reduced charter capital that remains following the settlement of creditors' claims or granting collateral for their claims, pursuant to this section.
(6) The payments, pursuant to paragraph 5 may be executed following the entry of the reduction of the charter capital in the commercial register.

Sub-Section Four
Article (447) - Simplified Reduction of the Charter Capital
(1) The reduction of the charter capital may be carried out in a simplified manner, if the reduction is performed for the purpose of equalizing the nominal amount of the charter capital with its lower amount.
(2) The amount obtained by the reduction of the charter capital shall be used only for equalisation of the reduced amount of the charter capital or for covering the losses or shall be set in the legal reserves. The resolution on reduction of the charter capital of the company shall state the specific purpose.
(3) The charter capital may be reduced in a simplified manner only following the utilisation of the part of the profit and reserves that exceed 5% of the charter capital.
(4) The amount obtained by the reduction of the charter capital shall not be used for payments to the shareholders, and the shareholders shall not be exempted from the further payments of the contributions on the basis of which they have acquired the shares.

Article (448)-Entry of the Completed Reduction of the Charter Capital
(1) The management body, shall be obliged to report the completed reduction of the charter capital for the purpose of its entry in the commercial register, within 8 days from the day of fulfilment of all conditions stipulated in this Law.
(2) The charter capital shall be reduced for the amount of the total reduction of the nominal value of one or more types of shares, or for the total reduced nominal amount of the merger shares of one or more types of shares or for the total amount of the withdrawn shares.
(3) The charter capital shall be considered reduced **following the entry** of the resolution on reduction of the charter capital in the commercial register.

Section Ten -TERMINATION OF JOINT STOCK COMPANY

Article (449)-Grounds for Termination of a Joint Stock Company
(1) A joint-stock company shall be terminated:
1) upon expiration of the time stipulated in the company charter, provided that the company was established for a definite period of time;
2) by a resolution of the general meeting of shareholders on termination of the company, reached by majority votes which may not be less than 3/4 of the represented voting shares at the general meeting of shareholders, unless the company charter requires a higher majority or stipulates **additional** conditions for adoption of the resolution;
3) by a final court decision determining the nullity of the entry of the company in the commercial register;
4) by accession, merger or division of the company;
5**) in case of bankruptcy.**

(2) The company that does not comply with the obligation stipulated in this Law for submission of the annual account statement to the Central Register for three consecutive years shall be terminated by deletion from the commercial register upon a proposal of the Central Register. The court shall *ex officio* delete the company from the commercial register, upon a notification of the Central Register that maintains the Register of annual account statements in a manner and according to the procedure stipulated in this Law.
(3) The court shall publish its intention to delete the company from the commercial register. The legal representative of the company and any other person having **legal** interest may file an objection within 30 days from the day of publication of the intention for deletion of the company.
(4) The company shall terminate without carrying out a liquidation procedure, unless it is proven within the deadline referred to in paragraph 3 of this Article that the company has assets that should be divided and claims that should be settled. In such case a liquidation or bankruptcy procedure shall be carried out. The liquidators shall be determined by the court, upon a proposal of interested persons.
(5) The company charter may also stipulate other cases and conditions for termination of the company.

Article (450)-Entry of the Resolution on Termination

(1) The management body, or **other** natural person authorized by the general meeting of shareholders that has adopted the resolution on termination of the company, shall file an application to the court for entry of the resolution on termination of the company in the commercial register. If the resolution on termination of the company is reached by the court, the court shall, *ex officio*, enter such decision in the commercial register.
(2) If the resolution referred to in paragraph 1 of this Article is not filed and entered in the manner stipulated in paragraph 1 of this Article, the court shall, upon request of any party having legal interest, put forth a notice to the management body or to the natural person referred to in paragraph 1 of this Article, to file an application form for entry of the resolution on termination in the commercial register within 8 days from receiving of the notification. If the application form is not filed within the stipulated deadline, the court shall repeat the notice, warning the management body or the natural person referred to in paragraph 1 of this Article that following the expiration of the additional deadline, which shall not be longer than 8 days upon receiving the repeated notice, it shall, *ex officio*, enter the resolution on termination of the company in the commercial register, and shall appoint liquidators, pursuant to this Law.
(3) If the management body does not comply with the provisions referred to in paragraph 2 of this Article, the members of the management body shall be personally, jointly and severally liable **without limitations** for the damages caused by the non-fulfilment of their obligation stipulated in paragraph 1 of this Article.

Chapter five - MAJOR TRANSACTIONS AND INTERESTED PARTY TRANSACTIONS

Section One - MAJOR TRANSACTIONS

Article (451) - Definition of a Major Transaction

(1) A **transaction (including, without being limited to:** loan, credit, pledge, guarantee) or interrelated transactions shall be considered as a major transaction, if such transaction or transactions involve direct or indirect acquisition, disposal or potential disposal, of the company's assets in value of more than 20% of the bookkeeping value of the company's assets, as determined according to the company's most recent financial reports, with an exception of the transactions realized within the regular operations of the company, transactions connected to acquisition through subscription of common shares of the company, and transactions connected to convertible bonds. The company charter may stipulate additional transactions that shall be subject to the procedure for approval of major transactions, in the manner stipulated by this Law.

(2) In case of disposal or creating possibility for disposal of assets, the value of such assets determined according to the most recent audited financial reports of the company, and in case of acquiring assets, the price of the assets to be purchased shall be compared with the bookkeeping value of the company's assets.

(3) If the general meeting of shareholders, pursuant to this Law, adopts a resolution on approval of a major transaction, the resolution shall be adopted on the basis of **the appraised value of the assets being acquired or disposed,** determined by the board of directors or supervisory board.

Article (452) - Procedure for Approval of a Major Transaction

(1) According to the value, each major transaction shall be subject to approval by the board of directors, by the supervisory board or by the general meeting of shareholders.

(2) Resolution on approval of any major transaction referring to assets in value of 20% to 50% of the bookkeeping value of the company's assets shall be reached by consent of all members of the board of directors or supervisory board.

(3) If the consent set forth in paragraph 2 of this Article for approval of major transaction is not reached, the board of directors or the supervisory board may decide to submit the major transaction for approval to the general meeting of shareholders. The general meeting of shareholders shall adopt the resolution by a majority vote which can not be lower than the majority of the represented voting shares at the general meeting of shareholders, unless the company charter requires higher majority.

(4) Any major transaction involving assets in value of more than 50% of the bookkeeping value of the company's assets shall be approved by a majority votes that shall not be less than three-fourths of the represented voting shares at the general meeting of shareholders, unless the company charter requires higher majority.

(5) The board of directors or the supervisory board shall submit written information on the major transaction to the general meeting of shareholders, stating that the general meeting of shareholders should review the proposal for the major transaction and their recommendation, including the statement about the shareholders' right not to agree with the major transaction. The written information shall indicate the party (parties) of the transaction, the beneficiary (beneficiaries) of the transaction, the value, the subject, the scope and other financial terms for the transaction.

(6) In case a member of the management body or of the supervisory body has personal interest or is an interested party in its approval, the provisions of this Law pertaining to the interested party transactions shall apply.

(7) A major transaction realized in a manner contrary to the provisions of this Article shall be null and void.

(8) The provisions of this Article shall not apply to companies with single shareholder who is at the same time a manager.

Section Two - INTERESTED PARTY TRANSACTIONS

Article (453) - Transactions of the Company with Interested Parties

(1) Any transaction (including without limitation, loan, credit, pledge or guarantee) in which a member of the managing body or supervisory board or the manager is an interested party, including the officers or a shareholder who together with the affiliated persons holds 20% or more of the company's voting shares, or a person who has the authorization to provide binding instructions to the company, shall be considered as interested party transaction and shall be realized by the company in compliance with the provisions of this Law.
(2) The person referred to in paragraph 1 of this Article shall be deemed as interested party and as having an interest in the realization of the transaction by the company, if such person, his **representative**, his spouse, parents, children, brothers/sisters from both parents or from one parent only, adopting parents, adopted children, and/or any of their affiliates **(hereinafter: interested party)**:
1) is a party to such transaction, a beneficiary thereof, an agent or representative in such transaction; or
2) individually or jointly holds 20% or more of the shares of the legal entity that is a party to the transaction, a beneficiary thereof, an agent or representative in such transaction; or
3) is a member of the managing or of the supervisory body of the legal entity which is a party to the transaction, a beneficiary thereof, an agent or representative in such transaction, or is an officer in such legal entity; or
4) if it is stipulated in the company charter.
(3) Paragraphs 1 and 2 of this Article shall not apply:
1) if the company has a single shareholder who is at the same time a manager;
2) if all shareholders of the company have an interest in the transaction;
3) in the case of exercising the pre-emptive right to purchase shares issued by the company; or
4) in the case of acquisition or buyback of own shares.

Article (454) – Notification for Existence of Interested Party in the Company's Transactions

The persons referred to in Article 453 of this Law shall be obliged to notify the board of directors, or the supervisory board of:
1) the companies, in which they alone or together with affiliated persons possess 20% or more of the voting shares;
2) the companies in which they perform certain managing duties; or
3) current or possible transactions known to them in which they may be considered as interested party.

Article (455) – Procedure for Approval of Interested Party Transaction

(1) Any interested party transaction shall be subject to prior approval by the board of directors or supervisory board or the general meeting of shareholders, in a manner and in accordance with the procedure set forth in this Article.
(2) The resolution on approving an interested party transaction shall be reached by majority votes of members of the board of directors or of the supervisory board considered as not having interest. If all members of the board of directors, or the supervisory board are

interested parties or if the number of disinterested members of the board of directors or the supervisory board is less than the quorum requirement for a meeting of the board of directors or of the supervisory board pursuant to the company charter, such transaction shall be approved by the general meeting of shareholders.
(3) An interested party transaction shall be subject to approval at the general meeting of shareholders by a majority vote of all disinterested shareholders owning voting shares:
1) if the assets involved in such transaction or series of related transactions is valued at 2% or more of the bookkeeping value of the company's assets, based on the company's most recent audited financial reports or compared to the offered price in the case of acquiring assets;
2) if transaction or certain interrelated transactions refer to issuance, through subscription or sale, of shares that represent more than 2% of the company's common shares outstanding in that period and of the common shares into which securities previously issued in series and convertible into shares can be converted; or
3) if transaction or certain interrelated transactions refer to issuance, through subscription, of convertible bonds, which can be converted into common shares representing more than 2% of the company's issued common shares and if in the same time the common shares previously issued in series are convertible into shares.
(4) The resolution on approving an interested party transaction shall specify the person which is a party to the transaction or the beneficiary (beneficiaries) thereof, and the value, subject matter and other material terms of the transaction.
(5) The general meeting of shareholders can approve an interested party transaction that can be realized by the company in the future, in the ordinary course of the company's activities. The resolution adopted by the general meeting of shareholders shall specify, among other issues, the maximum value of such transaction.
(6) In the procedure for approving an interested party transaction, the price of the assets or the services sold or purchased with the transaction shall be determined by the board of directors or the supervisory board.
(7) An interested party transaction realized in a manner contrary to the provisions of this Law shall be null and void.
(8) Any interested party shall be liable to the company for the losses caused to the company. If several parties are liable, their liability to the company shall be joint and several.

Chapter Six – LIMITED PARTNERSHIP BY SHARES

Article (456) - Definition

(1) A limited partnership by shares, the core capital of which is divided into shares, shall be founded by one or more general partners that are jointly and severally liable for the liabilities of the company with their entire assets (hereinafter: general partners) and by limited partners that have the status of shareholders and are not liable for the liabilities of the company.
(2) The number of the limited partners may not be lower than three.
(3) The legal relations among the general partners, between them and the limited partners, as well as towards third parties, and the right of the general partners to manage and represent the limited partnership by shares, shall be governed by the provisions of this Law pertaining to a limited partnership.
(4) The provisions of this Law pertaining to a joint-stock company, with exception of the provisions pertaining to the managing of a joint-stock company, shall apply to limited partnerships by shares unless otherwise provided by this Law.

(5) The business name of a limited partnership by shares shall contain the words: "*Komanditno drustvo so akcii*" [Limited Partnership by Stocks] or the abbreviation "KDA".

Article (457) -Agreement for the Limited Partnership by Shares

(1) The Agreement for a limited partnership by shares (hereinafter: company agreement) shall be concluded by all partners by having the agreement signatures certified by a notary.

(2) General partners shall participate in the conclusion of the company agreement. The persons having the status of shareholders, who take over the shares for the made contributions, shall participate in the conclusion as well.

Article (458) - Data Contained in the Company Agreement

(1) In addition to the data pertaining to Article 151 of this Law, the Company Agreement shall contain the full name, ID number, passport number or the ID card number if the general partner is a foreign person and his/her citizenship, the occupation and place of residence and address, or the business name, the registered office and address of each general partner or the register number if he/she is a legal person.

(2) The contributions in assets of the general partners shall be determined in the Agreement according to the amount and the type.

(3) The contributions of the general partners shall not be lower than 10% of the core capital.

Article (459) - Entry of a Limited Partnership by Shares

In the procedure for entry of the limited partnership by shares into the commercial register, the general partners shall be stated. If the Agreement contains special provisions for authorizations of the general partners to represent the limited partnership by shares, such provisions shall be entered into the Commercial Register.

Article (460) - Restrictions for General Partners in the Decision-Making Process

(1) General partners shall have a right to vote at the general meeting of the limited partnership by shares, in proportion to their participation in the core capital.

(2) As an exception to paragraph 1 of this Article, general partners may not exercise their voting right neither for themselves nor on behalf of another person, in deciding upon:

1) the election and the dismissal the members of the supervisory board;
2) approving the work of the general partners and the supervisory board;
3) the election of separate controllers;
4) requesting remuneration or waving the right to remuneration; and
5) appointing authorized auditors for the annual account statements.

(3) General partners' consent shall be necessary for the resolutions of the general meeting if such resolutions pertain to matters for which consent of both the general and the limited partners in the limited partnership by shares is required. Resolutions of the general meeting of the limited partnership by shares, which require consent of the general partners, shall be submitted for entry in the Commercial Register only after the consent is given.

Article (461) - Managing a Limited Partnership by Shares

(1) General partners shall manage the limited partnership by shares.

(2) General partners can entrust the management of the limited partnership by shares to one or more managers.

Article (462) -Supervisory Board

(1) The general meeting of the limited partnership by shares shall elect, under the conditions and in the manner stipulated in the Agreement of a limited partnership by shares, a supervisory board consisted of at least three shareholders. A general partner may not be elected as a member of the supervisory board. General Partners shall not participate in the election of the members of the supervisory board.

(2) The supervisory board shall control the management of the limited partnership by shares. The supervisory board shall submit to the general meeting of the limited partnership by shares a regular annual report which indicates any irregularities or inaccurateness, especially in the annual account statements. The supervisory board may call the general meeting of the limited partnership by shares.

(3) In the legal disputes initiated by all limited partners against the general partners, or initiated by the general partners against all limited partners, limited partners shall be represented by the members of the supervisory board, in the manner stipulated in the company charter, unless the general meeting has already elected special representatives. The limited partnership by shares shall bear the costs incurred by the dispute, which have to be paid by the limited partners, regardless of the right to reimbursement of the limited partnership by shares to the limited partners.

Article (463) - Liability of the Members of the Supervisory Board

(1) The members of the supervisory board shall not be liable for the activities undertaken in the process of managing of the limited partnership by shares and for the results of such activities.

(2) The members of the supervisory board shall not be liable for the omissions of the general partners or the managers in the course of fulfillment of their duties or for any intentional wrongdoing, unless they were aware of such omission, negligence or wrongdoing and did not respectively inform the general meeting of the limited partnership by shares.

Section Seven - Commercial Books and Annual Account Statements

Section One - Accounting

Article (464) - Accounting Obligation and Entities Subject to Application of the Provisions Pertaining to this Section

(1) Each commercial entity shall be obliged to **compile and submit its annual financial report (hereinafter referred to as: annual account statement) in a manner determined in this Law**, and conduct its accounting in compliance with the tax regulations in the Republic of Macedonia.

(2) Each large and **medium size** commercial entity, commercial entities specified by a Law, as well as commercial entities performing banking activities, insurance activities, commercial entities listed on the Macedonian Stock Exchange and commercial entities the financial reports of which are included in the consolidated financial reports of the above mentioned commercial entities, **shall be obliged** to keep accounting and submit **annual account statement which includes other** financial reports in compliance with the adopted International Accounting Standards, published in the "Official Gazette of Republic of

Macedonia", **harmonization** with the current standards, **or according to** the modifications adopted by the International Accounting Standards Board.

(3) Other commercial entities may keep accounting and submit **annual account statement and other** financial reports in compliance with **the International Accounting Standards, pertaining to paragraph 2 of this Article**, if it is **stipulated** by law or other regulation pursuant to law, as well as when they themselves decide thereof.

(4) The provisions of this Law related to keeping accounting, classification of commercial entities, commercial books, annual account statements **and other financial reports,** shall respectively apply to legal entities with registered office in Republic of Macedonia, performing activity **set forth** in the Law on National Classification of Activities, that are not considered as commercial entities under this Law and other regulations, provided they are engaged in business activity.

(5) Provisions pertaining to the Law on Personal Income Tax, shall apply to sole proprietor and other individuals performing independent activity, with regards to keeping accounting, commercial books and annual account statement.

Article (465) - Classification of Commercial Entities

(1) Commercial entities shall be classified as large, medium, small or micro-size commercial entities, depending on the number of employees, the annual revenues and the average value of the total assets on the basis of the annual account statements in the last two years (accounting years).

(2) In the first year of operations, the commercial entity shall be classified according to the assessed volume of its operation and, in the second year, according to the data from the previous year of operations.

(3) Pursuant to paragraph (1) of this Article, change in the classification of the commercial entity shall be prohibited during the year.

(4) A micro size commercial entity shall be a commercial entity that, in each of the last two accounting years, or in the first year of its operations, has met the first criterion and at least one of the second and the third of the following criteria:

1) the average number of employees, based on working hours, is up to 10 employees, and

2) the annual income is less than **EUR 500.000** in Denar equivalent, the total turnover is less than **EUR 500.000** in Denar equivalent, or

3) the average value (at the beginning and at the end of the accounting year) of the total assets is less than **EUR 500.000** in Denar equivalent.

(5) Small size commercial entity shall be a commercial entity that, in each of the last two accounting years, or in the first year of its operation, has met the first criterion and at least one of the second and the third of the following criteria:

1) the average number of employees, based on working hours, is up to 50 employees, and

2) the annual income is less than **EUR 2.000.000** in Denar equivalent, and the total turnover is less than **EUR 2.000.000** in Denar equivalent, or

3) the average value (at the beginning and at the end of the accounting year) of the total assets is less than **EUR 2.000.000** in Denar equivalent.

(6) Medium size commercial entity shall be a commercial entity that, in each of the last two accounting years, or in the first year of operations, has met the first criterion and at least one of the second and third of the following criteria:

1) the average number of employees, based on working hours, is up to 250 employees, and

2) the annual income is less than **EUR 10.000.000** in Denar equivalent;

3) the average value (at the beginning and at the end of the accounting year) of the total assets is less than **EUR 11.000.000** in Denar equivalent.

(7) Commercial entities not classified as micro, small or medium-size commercial entities shall acquire the status of large commercial entities.

(8) If, over the last two accounting years, different data is determined with respect to the classification of the commercial entity, the commercial entity shall retain the classification from the last year.

(9) The Registry of annual account statements within the Central Registry, to which the annual account statements are submitted and which performs supervision, shall within 60 days from the stipulated deadline for submission of the last annual account statement on the basis of which the commercial entity is classified, pursuant to the provisions referred to in paragraph (1) of this Article, inform the commercial entity on the classification thereof.

(10) **B**anks, insurance companies and other financial institutions and commercial entities that compile consolidated annual account statements shall be classified pursuant to the provisions of this Article related to large commercial entities.

Section Two - Commercial Books

Article (466) - Obligation to Keep Commercial Books

(1) Each commercial entity, in accordance with the principles of proper keeping of accounting, shall keep its commercial books in a manner that visibly reflects all business and legal operations, the condition of the assets, liabilities, equity, revenues and expenditures. The commercial books shall be kept in a manner that enables any third party - expert when

reviewing the commercial books to gain general review and insight into the operations of the commercial entity, as well as the financial condition and financial result of the company. The commercial books shall clearly present how all of the business transactions of the commercial entity have been commenced, conducted and completed.

(2) The commercial entity shall be obligated to save one copy of each business letter sent. The saved copy shall be identical to the forwarded original.

(3) The commercial books shall be kept according to the double entry accounting system.

(4) The commercial books, kept in accordance with the double entry accounting system, shall include the record book, the Ledger and the analytical records.

Article (467) - Keeping Commercial Books

(1) The commercial entity shall keep the commercial books in the Macedonian language, using Arabic digits and values expressed in Denars. If abbreviations, codes, signs or symbols are to be used, the commercial entity shall clearly define their meaning.

(2) The commercial entity with registered office in a local self-government unit, where at least 20% of the population uses official language other than the Macedonian language, shall keep its commercial books in Macedonian language and may keep them also in the other language.

(3) All data registered in the commercial books shall be full and complete, timely, up-dated and presented chronologically, or accurately reflect the time sequence of their occurrence.

(4) The commercial books shall be kept on the basis of reliable accounting documents.

(5) Record registered in the commercial books shall not be changed in a manner that will later disable determination of the originally registered contents. Making changes or modifications in a manner that prevents to distinguish the original and initially registered contents from the later addition or change shall be contrary to this Law.

(6) The commercial books can be kept in hard copy (in separate or bind sheets) or in electronic form, thereby adhering to the principles of proper keeping of accounting. The commercial entity shall be obliged, regardless of the method of keeping and storing the commercial books, to provide, at any time and within a reasonable period, access to the commercial books, to keep and protect them during the stipulated period, and to guarantee that they can be presented at any time.

(7) The commercial books kept under the double entry accounting system shall be kept by applying single accounts as stipulated in the Chart of Accounts.

(8) The commercial entity shall, according to its needs, break down the accounts from the Chart of Accounts into analytical accounts (in its Analytical Chart of Accounts).

(9) The Minister of Finance shall stipulate the Chart of Accounts referred to in paragraph (7) of this Article **in compliance with this Law. Obligations that are compulsory for all companies shall be determined with the Chart of Accounts.**

Article (468) - Inventory and Reconciliation

(1) Each commercial entity shall compile accurate inventory of all its property. The inventory shall separately present the immovables, facilities, equipment, stock, intangible assets (patents and licenses), cash and cash equivalents and all current assets by stating the value for each part of the property separately.

(2) The condition of assets and liabilities in the accounting shall be reconciled, at least once a year, with the actual condition determined with the inventory on December 31.

(3) The commercial entity shall make the inventory every business year that lasts one calendar year.

(4) All entities considered to be commercial entities according to their form, as well as the sole proprietors, shall be obliged to make inventory.

(5) Parts of the property of the same or similar type may be presented together as a group with their total value.

(6) The commercial entity shall make inventory **in the event of** initiation of regular liquidation and bankruptcy proceedings and in other cases stipulated by law.

Article (469)-Keeping of Commercial Books, Accounting Documents, Annual Account Statements and Financial Reports

(1) The commercial entity shall permanently keep the annual account statements and **other** financial reports.

(2) The commercial books shall be kept at least **10** years from the end of the year to which they refer.

(3) The accounting documentation shall be kept for at least five years from the end of the year when the documentation was used for compiling the commercial books, except for the documentation related to the calculation of salaries, which shall be kept permanently.

(4) The annual account statements, **and other** financial reports, the commercial books and the accounting documentation shall be kept in original or shall be transferred to an electronic form or micrographic data processing media.

Article (470) -Presentation in Court Proceedings

(1) During court proceedings, the court can, upon proposal or ex-officio, order one or the other party or both parties to submit their commercial books to the court for inspection.

(2) The obligation referred to in the paragraph (1) of this Article shall not alter the regulations of trial procedure according to which the opposing legal party is obligated to submit documents and evidence.

(3) If the commercial books have been submitted for inspection in court dispute, their contents shall be reviewed in the presence of the parties to the extent to which the contents refer to the concerned dispute, and extracts shall be made whenever needed. Other contents of the commercial books shall be submitted to the court for inspection to the extent required for the court to assess whether the commercial books have been kept in a correct, accurate and legal manner.

Section Three - Annual Account Statement and Financial Statements

Article (471) - Obligation for Preparation of an Annual Account Statement and Financial Statements

(1) Each commercial entity **pertaining to paragraph 1 of Article 464 and branch office of a foreign company** shall prepare an annual account statement upon the expiration of the business year.

(2) **Commercial entities pertaining to paragraphs 2 and 3 of Article 464 shall also prepare other financial reports**.

(3) For the purposes of preparing annual account statement and other financials reports, the business year shall be the calendar year.

(4) **The annual account** statement shall include balance sheet **and** income statement. **Other financial reports shall include the following parts: The report that indicates either all changes in the property or changes in the charter capital, except for those resulting from capital transactions with owners and distribution to owners, the report of cash flows and the applied accounting policies as well as other explanatory remarks.**

(5) The commercial entity **in compliance with paragraphs (1) and (2)** of this Article shall also prepare the annual account statement or financial statements in shorter periods than the periods set forth in paragraph (3) of this Article in the event of a reorganization (division, merger, accession, bankruptcy, liquidation and similar).

(6) The annual account statement and **other** financial reports shall be signed by the **executive member of the board of directors or the president of the managing board or the manager** thereby indicating the date when **they were prepared and signed.**

(7) The Minister of Finance shall prescribe the form and the contents of the annual account statement and other financial statements, which may not be altered during one fiscal year.

Article (472) -Preparation and Submission of Annual Account Statements and Financial Reports

(1) **The management body of the company shall, in addition to the annual account statement for commercial entities pertaining to paragraph (1) of Article 464, or commercial entities pertaining to paragraphs (2) and (3) of Article 464 that prepare other financial reports, be obligated**, upon the end of each business year, to prepare report on the operations of the company for the previous business year which shall objectively present and explain the key factors and influences that determined the operations, including the changes in the surrounding within which the company operates, the response of the company to such changes and their influence, the investment policy on maintaining and supporting the success of the operations of the company, including the dividend policies, sources of funds of the company, the policy regarding the long-term debt to equity ratio and the risk management policy, **major transactions and interested party transactions** as well as the sources of the company, the value of which has not been reflected in the balance sheet in accordance with the **international accounting standards**, the probable future development of the business undertaking, the activities within the sphere of research and development and the information regarding purchase of own parts or shares **depending on the relevant circumstances .**

(2) The deadline for preparing the annual account statement referred to in paragraph (1) of **Article 471 and financial statements referred to in paragraph (2) of Article 471** shall not be more than two months after the end of the business year, unless the competent state body provides an extension to three months.

(3) Notwithstanding the provisions referred to in paragraphs (1) of this Article, the commercial entities of seasonal nature can prepare the annual account statement and **other financial statements** for the business year other than the calendar year, for which the Minister of Finance shall issue a decision at a special request of the commercial entity.

(4) The company agreement and the company charter may stipulate, in addition to the preparation of annual account statement and **other financial reports** referred to in paragraph (1) of this Article, preparation of account statements for terms shorter than the business year.

(5) The annual account statement shall be submitted to the Public Revenue Office by the end of February of the following year, or within 60 days from the date of initiating regular liquidation or bankruptcy proceeding or from the date of a reorganization, and the account statements prepared for shorter periods than the periods referred to in paragraphs (1) and (2) of this Article shall be submitted by the end of the month after the end of the last month of the accounting period.

Article (473) - Audit of the Annual Account Statement and Financial Reports

(1) **Following commercial entities** shall be subject to an audit:

1) large and medium size commercial entities registered as joint-stock companies;
2) companies that pursuant to the provisions in this Law are obligated to prepare consolidated financial reports;
3) companies the shares of which are listed on the Stock Exchange;

4) large and medium size commercial entities registered as limited liability companies.

(2) With regards to the commercial entities referred to in paragraph (1) of this Article:

1) only the financial reports of those that are to prepare financial reports in accordance with the **international accounting standards**, shall be subject to an audit;

2) only the annual account statement of those that are not obliged to prepare their financial reports in accordance with the **international accounting standards**, shall be subject to an audit.

(3) **The annual account statements and other financial reports** of the company shall be audited one month at the latest, prior to **the members meeting**, **or general meeting of shareholders**.

Article (474) – Selection of an Auditing Company

(1) The annual account statements **and other** financial reports, which pursuant to Article **(464)** are subject to audit, shall not be approved if they have not been audited **by an authorized auditing company.**

(2) The general meeting of the shareholders, or members meeting shall select the auditing company.

(3) The auditing company shall be selected before the end of the business year that is subject to audit.

(4) The executive **members of the** board of directors, or **the managing board**, or manager of the company, shall be obligated to make available to the auditors all the documentation for inspection, including what is considered to be a business secret.

(5) The auditors of the annual account statements and **other** financial reports may require **from persons referred to in paragraph (4) of this Article** explanations and proof needed for proper review.

(6) The auditors of the annual account statements and other financial reports shall submit report on the audit performed, in accordance with the International Accounting Standards **(IAS) published in the "Official Gazette of Republic of Macedonia" updated annually, or harmonized with the current standards of International Federation of Accountants (IFAC).**

Article (475) - Obligation to Submit the Audit Report

(1) The executive members of the board of directors, or **members of** the managing board, or the manager shall, immediately after receiving the audit report, **together with the annual account statement and/or other financial reports and the annual report on company's operations** submit to the board of directors, or the supervisory board, **or to the controller.** At the same time, the board of directors, the supervisory board **or the controller** shall be also submitted the proposal of the resolution for distribution of the realized profit, if such

resolution is to be submitted to the general meeting of shareholders, or the members meeting for consideration.

(2) The board of directors, the supervisory board, **or controller** shall be obligated to review the annual account statements **and other** financial statements, and the proposal of the resolution for distribution of the profit. Upon request by the board of directors, or the supervisory board, the auditors shall be obligated to attend and participate in the work of the board of directors, or the supervisory board.

(3) The board of directors, or the supervisory board or the manager, shall submit to **the general meeting of the shareholders,** or to members meeting, a written report on the results of the supervision. The report shall state the manner of supervision and the scope of supervision over the company management and governance during the previous business year. The report shall also state the opinion regarding the results of the audit made by the auditors over the annual account statements and **other** financial reports, as well as the remarks by the auditors to the compiled annual account statements and other financial reports, and shall propose whether they to be adopted or not.

Section Four - Financial Results and Distribution of Profit

Sub-section One - Financial results

Article (476) - Determining Financial Results

(1) For the purposes of distribution of the profit, commercial entities that are keeping their accounting according to paragraphs (2) and (3) of Article 464 of this Law, shall determine their financial result in compliance with the international accounting standards.

(2) For the purposes of distributing the profit, commercial entities that are keeping their accounting according to paragraph (1) of Article 464 of this Law, shall determine their financial result in compliance with the tax regulations of Republic of Macedonia.

Article (477) -Disclosing the Approved Annual Account Statements and the Financial Reports

(1) Transcript of the **approved annual account statement and other financial reports, together with the annual report on the operation of the company**, shall be submitted to the Register of the Annual Account Statements at the Central Register within 30 days from the date they were approved, by the managing body, and shall be put in the business or other premises for inspection. Each shareholder or member shall have right to inspect these documents.

(2) The Central Register may also allow inspection by third parties.

(3) The company the scope of operations of which is banking and other crediting activities and insurance activities shall, within 15 days from the date of holding the general meeting of

shareholders, disclose the forms **stipulated by** this Law, without the remarks on the applied accounting policies in a manner stipulated by this Law, and shall be mandatory published in the "Official Gazette of the Republic of Macedonia".

(4) The obligation to disclosure referred to in the paragraph (3) of this Article shall also apply to other large size companies**, and companies that are listed on the Stock Exchange.**

(5) When a company **publishes** its annual account statements **and other** financial reports **in a newspaper**, **although** not obliged, it shall disclose them as approved **by the general meeting of shareholders**, or members meeting, fully and without any changes and additions, **including the report of authorized auditors.**

Sub-section Two - Distribution of Profit

Article (478) - Resolution on Distribution of Profit

(1) The general meeting of shareholders, or the members meeting shall decide upon the distribution of the profit.

(2) The resolution on distribution of the profit shall state each separate purpose of the profit, particularly the following:

1) the amount of the profit to cover losses from the past years (if any) ;
2) the amounts to be entered into the **lawful** and statutory reserves of the company;
3) the amount to be paid as dividends;
4) the additional expenses based on the resolution;
5) the possible transfer of the profit into the next year **(accumulated profit);**
6) the amount of the profit to be used to increase the charter (core) capital of the company and the amount of the profit for investments.

(3) No changes in the realized profit of the company shall be made by the resolution referred to in paragraph (1) of this Article.

Article (479) - Loss Coverage

(1) **The general meeting of shareholders**, or the members meeting shall decide upon loss coverage.

(2) The resolution on loss coverage shall list the sources for loss coverage, in particular the following:

1) from grants;
2) by writing off the claims of the creditors;
3) at the expense of the mandatory general reserve;
4) at the expense of the special reserves for loss coverage;
5) by reducing the charter or core capital.

(3) The resolution referred to in paragraph (1) of this Article shall not change the level of losses of company.

Article (480) - General Reserve Requirement (General Reserve Fund)

(1) The company shall have general reserve requirement as a general reserve fund established by retaining funds from the net profit. This reserve shall be calculated and allocated as percentage **determined** in the company agreement, or the company charter, and shall not be less than 15% of the profit until the reserve of the company reaches an amount equal to one fifth of the charter or core capital. If the generated reserve decreases, it shall be supplemented in the same manner.

(2) As long as the general reserve does not exceed the determined minimum amount stipulated in the Law, the company agreement, or the company charter, it can be used only for loss coverage.

(3) If the general reserve exceeds the minimum amount after the loss coverage, the excess can, with a resolution by **the general meeting of shareholders**, or the members meeting, be used for supplementing the dividend, if the dividend for the business year has not reached the minimum amount stipulated by the Law, the company agreement, or company charter.

(4) The amount entered in the reserve on the basis of additional payments by the members, **or shareholders**, shall not be used to supplement the dividend.

Article (481) - Special Reserves for Loss Coverage or Coverage of Other Expenses

(1) The company agreement, or the company charter can envisage for generating special reserves intended for the purpose of covering certain loss or other expenses. The purpose, the structure and the manner of utilization of the reserves shall be precisely defined by the company agreement, or the company charter, and can only be changed by amending the company agreement, or the company charter.

(2) If the company agreement, or the company charter envisage reserves for pension insurance, risk insurance or charity purposes by the employees in the company, their purpose, the manner of their generating and investing, the structure and the manner of utilization shall be clearly defined.

(3) The reserves referred to in paragraph (2) of this Article shall be separated from the assets of the company, they shall be managed separately and their accounts shall also be kept separately from the other accounts of the company. Representatives of the persons to whom the reserves refer shall participate in the management. During the existence of the company, these reserves shall not be used for repayment of debts, nor for any other purpose, except the purposes specified in the company agreement, or the company charter.

Sub-section Three - Dividend

Article (482) - Distribution of Dividend

(1) Upon approval of the annual account statement **and other** financial reports and upon determination of existence of profit for distribution, the general meeting of shareholders, or the members meeting, shall designate the portion of the profit to be distributed to the members, or the shareholders in a form of dividend in compliance with **the rights attached to the part or type and class of shares.** The manners of payment of the dividend shall be determined by the general meeting of shareholders, or the members meeting, and if there is no such body established, the manner of payment shall be **determined by the managing body, provided that it is allowed with this Law**.

(2) The dividend shall be paid not later than nine months after the end of the business year. The members, or the shareholders, during the business year, can be paid the dividend in advance, out of the anticipated part of the dividend.

(3) For safety reasons for the company or for the purpose of a more equitable dividend, prior to determining the amount of the dividend, members **or shareholders**, may by the company agreement, or the company charter decide **to set up** a special reserve.

Article (483) -Dividend in Cash or Shares or Parts

(1) With respect to the part of the dividend to be distributed or the advance payment of dividend, the company agreement, or the company charter of the limited liability companies and **the joint stock companies** may envisage a possibility for the member, or the shareholder to receive the dividend to be distributed, or the advance payment of the dividend in cash, or in parts, or shares.

(2) The offer for payment of the dividend or advance payment on dividend in parts, or shares shall have to be made to all members, or shareholders at the same time, in **accordance with the type and class of shares**.

Article (484) - Advanced Payment of Dividend out of the Net Profit

(1) **The company agreement or company charter** may authorize managing body of the company to make advanced payment of dividend to members or shareholders, during the business year **based on the periodical financial report (balance sheet and income statement) for the three, six or nine months, confirmed by the auditors authorized by the company.**

(2) Managing body may make the advanced payment of dividend **only in amount not exceeding the amount of the profit gained in the previous year approved with the annual account statement, increased with transferred but not distributed profit from previous years allocated to reserves, decreased by amounts that are to be allocated for statutory and reserves determined with the company agreement or charter, or the statutory reserves, for the period for which the advanced payment of dividend is calculated, as well as for the loses from previous year that have not been covered, if they have not been covered with the latest approved annual account statement.**

(3) For the purposes of making the advanced payment **of dividend**, non-executive members of the board of directors, supervisory board **or controller** should give their consent thereto.

Article (485)- Contents of the Resolution on Payment of Dividend

(1) The resolution of the general meeting of shareholders approving the payment of dividend **shall set forth** the following:

1) The amount of the dividend;
2) The record date, used to determine the list of shareholders entitled to dividend; and
3) The dividend distribution schedule and date of payment of the dividend (date of payment), and the manner in which the company informs the persons entitled to dividend in accordance with the resolution reached.

(2) If after the record date and prior to the date of payment, the member, or the shareholder transfers his/her parts, or shares which entitled him/her to dividend, this right to dividend shall be transferred to the transferee, unless the transferee and transferor agreed otherwise.

Section Eight
Equity Holding in Other Companies (Related Companies)

Article (486) - Types of Equity Holdings and Establishment of Relationship Between Companies

Independent companies may affiliate and establish mutual relationships, as:

1) A company which has participation, significant **participation** or majority participation or a majority right in decision making, or shared participation in another company; and

2) A controlling company, controlled company or companies that operate jointly.

Subsection One - Company With Significant Participation [Equity Holding], Majority Participation or Shared Participation

Article (487) - Definition of Participation (Equity Holding) in Another Company

The company that acquired parts or shares, which represent at least 10% **but not more than 20%** of the charter (core) capital in another **company**, shall be deemed as a company that has a participation in another company**.** (equity holding)

Article (488) - Company with Significant Participation

Company participation **in another company** shall be considered significant if a company acquires part or shares in another company that represents more than **20 % but not more than 50%** of the latter's core or charter capital, or if the company exercises more than **20% but not more than 50% of all votes at the General Meeting of Shareholders or Members Meeting.**

Article (489) - Company with Majority Participation and Right to Make Decisions in Another Company

(1) Company participation in **another company** shall be considered as majority participation if that company acquires parts or shares in another company, which represent more than **50%** of the latter's core or charter capital, or holds more than **50%** of all votes at the General Meeting of Shareholders or Members Meeting.

(2) A company that holds the majority part or shares, or majority votes in another company shall be considered as a company with majority participation, while the other company shall be considered as a company in majority ownership, in the context of this Law.

(3) The parts or the shares held by liability company, joint-stock company or limited partnership by stock pertaining to **Article 490 and paragraph 1 of this Article**, shall be determined on the basis of the ratio between the total nominal value of the parts or the shares, and the nominal value of the company's core or charter capital, **decreased** with the treasury parts or shares **held by the com**pany. The parts or shares belonging to another company on behalf of the company shall be treated in the same way as the treasury parts, or as the shares of the company.

Article (490) - Companies with Shared Participation

(1) If two companies acquire parts or shares of each other, so that the acquired parts or shares of each of the companies participate with more than **20%** of the core or charter capital of the other company respectively, or if each of the companies holds more than **20%** of the votes at the General Meeting of Shareholders, or Members Meeting, then it shall be considered that these companies have shared participation. The provisions set forth in **Article 489 paragraph 3 of this Law**, shall apply in determining whether one company holds part or shares that participate with more **than 20%** of the core or charter capital of the other company.

(2) If one of the companies with shared participation, participates with majority of the parts, or participates with more than one-half of the total number of shares in another company, or should one company have direct or indirect controlling influence over another company, the first company shall be deemed as the controlling company and the other shall be the controlled company.

Subsection Two – Controlled, Controlling Company, and Companies that are Operating Jointly

Article (491) - Definition of Controlled Company

A controlled company is a legal company over which another company (the controlling company) has direct or indirect control.

Article (492) - Exercising the Controlling influence

(1) It shall be deemed that a company exercises controlling influence over another company if that company:

1) holds a part or shares directly or indirectly, as part of the core or charter capital which provides the company with majority votes at the General Meeting of Shareholders, or Members Meeting**;**
2) disposes with majority votes in another company based on agreement concluded with the other members or shareholders; or
3) effectively decides which and what kind of resolutions will be adopted by the General Meeting of Shareholders or Members Meeting, using the votes it possesses.

(2) It shall be deemed that a company exercises controlling influence over another company if that company holds, directly or indirectly, number of votes greater than **40%** of the total number of votes that can be cast at the Members Meeting or General Meeting of Shareholders, **and if none of the shareholders or members holds directly or indirectly number of votes which is greater than the votes held by the company.**

(3) The Securities Exchange Committee shall be authorized to submit a petition to the court for determination on the existence of controlling influence over one or more companies, in event of discrepancy on whether a company exercises controlling influence over another company, under paragraphs 1 and 2 of this Article.

Article (493) - Restrictions on Cross Holdings of Majority Among Companies

(1) A controlling company shall not hold part or shares in a controlled company it owns, unless otherwise provided with this Law.

(2) If a controlled company, prior to its becoming a controlled company, holds parts or shares in the controlling company, the controlled company shall have an obligation to dispose of the part or the shares in the controlling company, not later than 5 years from the day it became controlled company.

(3) Parts or shares held by a controlled company in a company that has the control over it, shall not give the right to vote.

Article (494) - Companies Acting Jointly

1) **Companies** that have concluded an **Agreement** for the purpose of acquisition or assignment of voting rights, or for exercise of voting rights with the purpose of having a joint policy towards third company, shall be considered companies acting jointly. The existence of such an **agreement** shall be assumed:

1) between the company, the president of the board of directors or executive members of the board, as well as the president of the managing board and its members or managers;
2) between the company and companies over which it has a controlling influence under this law; and
3) between the companies over which one or more persons have controlling influence.

2) **Companies** acting jointly shall be jointly and severely liable for their obligations derived from the Law.

(3) Provisions pertaining to Article 492 of this Law shall respectively apply to companies acting jointly.

Subsection Three - Notification and Reporting Related to Participation in Other Companies

Article (495) – Notification on Acquired Part or Shares in another Company

(1) **If a company acquires part or shares in another independent company**, which represent **more than 10%** of the core or charter capital **of the independent company, the company shall immediately with no delay notify in writing the latter, as of the day of exceeding of the participation threshold of 10%. The company that acquired a part or shares shall include in the written notification the size of the part and on the number of shares it acquired in the company,**

(2) Parts or shares with a voting right that are owned by **the company** that has the obligation for notification **pursuant to paragraph 1 of this Article**, shall be considered equivalent **to the parts or shares** with a voting right held by:

1) Other **companies** on behalf of that company;
2) Companies having controlling influence over that company **according to this Law;**
3) **Company** that operates jointly with that company; or
4) **Companies** pertaining to items 1 and 2 of this Article, that are entitled to acquire based on an agreement or other legal grounds.

(3) If the participation level, for which there is an obligation for notification pursuant to paragraphs 1 of this Article, is reduced, the entity pertaining to paragraph 1 of this Article shall, without any delay, notify in writing the other company thereof. **The notification shall include the data on the size of the part or number and class of shares of the reduction.**

(4) **The company that has acquired majority participation is obliged to announce this information in the "Official Gazette of the Republic of Macedonia".**

(5) **If the company** fails to make notification in accordance with the paragraph 1 of this Article, it shall not be able to exercise the voting rights deriving from the parts or shares held by it, and resolutions reached with this votes shall be considered null. **The annulment of the decisions shall not be disclosed to third parties who know nothing of or considering all circumstances could not know of the restriction of the voting right.**

(6) **If a company**, acquires parts or shares, or **at least 10%** of all votes at the general meeting of shareholders or members meeting during the business year, **under paragraph 1 of this Article,** managing body **shall be obliged to notify members or shareholders thereto with the annual report on company's operations**, as well as about the companies in which that company has significant, majority or shared participation.

(7) **The annual report on company's operation pertaining to paragraph 5 of this Article,** shall state the identity of the individuals or legal entities that are directly or indirectly holding more than 5% participation in the core or charter capital or more **than 5%** of the votes at the general meeting of shareholders or members meeting. The report shall also state the changes that occurred during the period of one year, if any.

Subsection Four - Management and Liabilities of a Company with Majority Participation

Article (496) - Extent of Influence of a Company with Majority Influence

(1) A company with majority participation shall not be allowed to use its influence in order to make the controlled company undertake legal affairs harmful to the latter, or undertake or fail to undertake actions, unless the company with majority participation assumes the obligation to compensate for any damages **caused to the controlled company.**

(2) The managing body of a controlled company is obliged to prepare a report on the relations with the company with majority participation, **for the previous business year, which is submitted as an integral part of the annual report on company's operation.** All legal transactions undertaken in the previous business year by the controlled company related to the company with majority participation or to a company related to the latter, on the basis of a request or in the interest of these companies, as well as all other actions that the company has, on the basis of a request or in the interest of these companies, undertaken or failed to undertake during the previous business year, shall be included in the report. The information on legal transactions shall include the payments and counter-payments, while the information on the other actions shall include the reasons for their undertaking, as well as the benefit or the damage caused to the company. When compensating the damage, it shall be separately stated the method of compensation during the business year, and whether the company was entitled to special advantages and what was the kind of advantages.

(3) The report shall be prepared in accordance with the principles of due care and accuracy.

(4) The managing body of the **controlled** company shall explain in the report whether the company in the circumstances that were known at the moment the legal action was undertaken or if and when the action failed to be undertaken, for which an adequate compensation has been received and whether by undertaking or failure to undertake an action **resulted in any damage**. If the company suffered damages, the managing body of the **controlled** company has to state whether the damage has been compensated. The explanation and the statement shall be included in the report on the **controlled** company's operations.

(5) If the audit of the annual **account statement and other financial** reports is conducted by an authorized auditor, s/he shall be given, together with the reports, the report on the relations between the controlled company and the company with majority participation.

(6) Upon a request by a **member** or shareholder, the court may assign an authorized

auditor to examine the business relations between the company with majority

participation and some of the controlled companies.

Article (497) - Liabilities of the Bodies of a Controlled Company

1) The members of a managing body of a controlled company, as well as **all other** persons liable for compensation of the damage as provided by this Law, shall be liable as joint debtors for the damage if, by failing to fulfill their obligations, omitted to state in the report on the relations between the controlled company and company with majority participation and companies controlled by the latter the harmful legal transaction or the harmful action, or fail to state that the company has suffered damage from such legal transactions or actions and the damage has not been compensated. In case of dispute they shall be obliged to prove that they have acted with due care and consideration, as it is expected from them.

2) The members of the Supervisory Board, **or the controller** of the controlled company shall be liable as joint debtors, with regards to the legal transaction or the harmful action **they have failed to fulfill** their obligation to review the report **stipulated in paragraph 2 of Article 496 of this Law,** and failed to state the harmful legal transaction or the harmful action with the company with majority participation and companies controlled by it, and failed to submit the results of the evaluation to the General Meeting of Shareholders or Members Meeting..

3) There is no liability for compensation of damages if the undertaken activity is based on a resolution made at the General Meeting of Shareholders or at the Members Meeting that is in compliance with this Law.

Article (498) - Liabilities of a Company with Majority Participation and its Legally Authorized Representatives

1) If a company with majority participation misleads a controlled company into undertaking certain legal affairs or action, or into failing to undertake such affair or action **by which damage is caused to the controlled company or to a third party**, and if it fails to compensate for the damages by the end of the business year, and fails to compensate for the damage until the end of the business year, the company with majority participation shall compensate the controlled company for the entire damages caused, and with regards to **the third party it shall be jointly and severally liable with the controlled company.** The claim (request) for compensation can be submitted, on behalf and account of the controlled company or individually, by the members or shareholders, regardless of the damage caused to them personally resulting from the damage caused to the company.
2) **If the company with majority participation does not compensate for the damage it caused to the controlled company in compliance with paragraph 1 of this Article, it shall prepare a report which shall state the time and the manner of compensation of the damage. The report shall be submitted to the controlled company within 30 days from the day of expiration of the business year in which the damage has been caused.**

3) If the company with majority participation misleads controlled company to undertake or failure to undertake legal affair or action, thereby causing irreparable damage to the controlled company, or misleads the controlled company to actions or failure to act which resulted in meeting one of the grounds for bankruptcy over the controlled company, the company with majority participation shall be jointly and severally liable for the claims that can not be collected from the company in bankruptcy.

4) If the company with majority participation leads the controlled company to undertake a legal affair or action, or to failure to undertake such an action or affair thereby causing damage to a shareholder of a controlled company, the company with majority participation and the controlled company shall be jointly and severally liable with regards to shareholder's claims.

5) In addition to the company with majority participation **legally** authorized representatives of the controlled company shall be jointly and severally liable for the damage, caused by the legal actions or affairs that they should have undertaken or have failed to undertake**.**

6) There shall be no liability for compensation if the diligent and prudent trader of the independent company would have undertaken the legal affair **or would undertake** or fail to undertake equivalent legal action or affair.

Section Five - Consolidated Annual Account Statement and Consolidated Financial Statements

Article (499) - Consolidated Annual Account and Consolidated Financial Statements on Management and Operation of a Group of Companies

(1) The company shall prepare and publish each year a consolidated annual account **and, if the company decides, other** consolidated financial statements, if it has controlling influence over one or more companies.

(2) **Consolidated annual account statement and other** consolidated financial reports shall be prepared in accordance with the adopted International Accounting Standards, **determined with this law.**

(3) Consolidated annual account statement and other consolidated financial reports shall be prepared on the same date when the annual account statement and other financial reports of the company with controlling influence were prepared.

Article (500) - Composition of the Consolidated Annual Account Statements and Consolidated Financial Statements

(1) The consolidated annual account statement shall consist of a consolidated balance sheet and consolidated profit and loss statement.

(2) **Other** consolidated financial statement shall in addition to the consolidated balance sheet and consolidated profit and loss statement, consist of consolidated cash flow report, consolidated report about changes of the capital, and notes attached to the consolidated statements about the applied accounting policies and other explanatory notes.

(3) The consolidated annual account statements and consolidated financial statements shall be developed in the manner **determined with this Law.**

Article (501) - Audit of the Consolidated Annual Account Statements and Other Consolidated Financial Statements

(1) The consolidated annual account statement and **other consolidated** financial reports shall not be approved without conducting an audit.

(2) The company shall submit its consolidated annual account statement and **other** consolidated financial statements for an audit to an authorized auditing company.

(3) The company authorized to conduct an audit shall confirm whether the annual report on operation **of the company** is **in compliance with the consolidated** annual account statements or other consolidated financial reports for the corresponding business year.

(4) The company is obliged to submit its consolidated account statement **or other** consolidated financial reports together with the report on operations for the current business year to the bodies **set forth in Article 472 paragraph 5 of this Law**, not later than March 31 of the following year.

(5) The approved consolidated accounts and consolidated financial reports, provided that the company decided to compile, together with the report on operations and the report on the audit, approved by the Meeting of Members or the General Meeting of Shareholders shall be disclosed in the same manner and under the same conditions as the disclosure of the company's annual account statements.

Chapter Nine

TRANSFORMATION OF A COMPANY FROM ONE INTO

ANOTHER FORM OF A COMPANY

Section One - GENERAL PROVISIONS

Article (502) - Definition

(1) Any company may be transformed, on the basis of members' or shareholders' resolution adopted in the manner and under conditions stipulated by this Law, Company Agreement or Charter, into another form of a company and continue its operations as successor company (hereinafter: transformation from one into another form of a company)
(2) The provisions of this Law pertaining to founding of a successor company shall respectively apply to the transformation of one type of company into another unless otherwise prescribed by this chapter of the Law.

Article (503) - Exclusion (non application) of liquidation

(1) The liquidation procedure shall not be conducted in the course of transformation of the company from one into another form of a company**.**

(2) A company in liquidation procedure may be transformed from one into another form of a company up to the commencement of the distribution and payment of the remainder of the liquidation estate upon settling the creditor's claims.

(3) A company in bankruptcy procedure may not be transformed from one into another form of a company, unless the transformation is included in the adopted reorganization plan of the bankruptcy debtor pursuant to the Law on Bankruptcy.

Article (504) - Continuity of a Legal Person

(1) Upon the conducted transformation of the company from one into another form, the company shall continue to operate as a legal person in another form of a company with all rights and liabilities of the predecessor company, except the rights and liabilities of the members or shareholders which were amended by the company agreement or the charter of the company in the transformation procedure.

(2) Partners of the general partnership or general partners in the limited partnership or limited partnership by shares shall be jointly and severally liable to the creditors of the predecessor company for all liabilities that arose prior to the transformation.

Section Two - TRANSFORMATION OF A COMPANY INTO ANOTHER FORM OF A COMPANY

Article (505) - Resolution for Transformation of a company into another form of a company

(1) Transformation of a company from one form into another form of a company shall be conducted on the basis of a resolution reached by the Members' Meeting or the General Meeting of Shareholders.

(2) The resolution pertaining to paragraph 1 of this Article shall be reached by the Members' Meeting or the General Meeting of Shareholders with majority of votes which may not be less than three quarters of the represented parts, or voting shares unless the charter requires a higher majority.

(3) The resolution for transformation of a General partnership, or limited partnership into another type of a company shall be adopted with the consent of all partners, or general partners. The resolution for transformation of a limited partnership by shares into another type of a company shall be adopted with the consent of the general meeting of shareholders at which the general partners give their consent.

(4) The resolution for transformation of a Limited Liability Company or Joint Stock Company into a General Partnership shall be carried out with the consent of all members or shareholders.

(5) At the Members' Meeting or the General Meeting of Shareholders at which the resolution on transformation is adopted, the annual account statement up to the day when the transformation of the company is decided upon shall be adopted, along with the report of authorized auditors.

(6) The management body or members authorised to manage the company shall prepare a written notification, stating therein the reasons, legal and business issues significant for the transformation and shall make them available to all members or shareholders. The written notification shall be submitted as part of the materials which are submitted to members (partners) or shareholders for the Members' Meeting or the General Meeting of shareholders at which the transformation is decided upon.

Article (506) - Content of the Resolution on Transformation

(1) The resolution on transformation of a company from one form into another form of a company shall contain the following data:

1) the business name of the predecessor company and the business name of the successor company;

2) full name of each member or shareholder, place of residence and address, and the ID number, or the passport number for a foreign natural person, or his ID card number and citizenship, or the business name, registered office and address and the registration number if the member or shareholder is a legal person, indicating the volume of the part or shares that each member or shareholder shall possess in the successor company;

3) reference to the Company Agreement or charter which is enclosed with the resolution on transformation and is considered as its constituent part;

4) reference to the decision for election of a management body or supervisory body; and

5) reference to the adopted annual account statement

(2) The provisions of this law which regulate the content of the company agreement or charter when founding the successor company shall respectively apply to the content of the company agreement or charter.

(3) If the transformation of parts of the predecessor company is conditioned by the consent of members who have other liabilities towards the company apart from making the contributions, their consent shall be required for validity of the resolution for transformation.

Article (507) - Conditions for Transformation

(1) The company may be transformed from one into another form of a company under the following conditions:

1) upon the adoption of the resolution on transformation of the company from one into another form of a company, all members, partners or shareholders should be allowed to express their opinion whether they want to participate with their part or shares with parts or shares in the successor company;

2) The member, partner or shareholder should participate in the successor company with the part or shares in proportion to the nominal value of his part or shares with which he participated as a member, partner or shareholder in the core (charter) capital of the predecessor company;

3) the member, partner or shareholder should independently decide on the volume of his part or the number of shares in the successor company; and

4) to ensure participation of such a number of members, partners or shareholders in the successor company, so that the nominal value of their parts or shares is at least three quarters of the core (charter) capital of the successor company.

(2) If the core (charter) capital is not fully covered by the participation as referred to in item (4), paragraph 1 of this Article, the core (charter) capital may be complemented with contributions taken over by persons other than members, partners or shareholders, that may be only paid fully and in cash, prior to the entry of the resolution on transformation in the Commercial Register, or the members, partners or shareholders shall be obliged to pay the difference in value proportionally to their participation with contributions in the core/charter capital of the successor company.

(3) The value of each part or each share shall be calculated on the basis of the balance sheet prepared for that purpose, which is a constituent part of the resolution on transformation.

Article (508) – Takeover of Contributions

(1) The parts shall be taken over by way of statements certified by a notary, whereas shares shall be taken over by way of a registration form.

(2) If the resolution for transformation, the constituent part of which is the Company Agreement, or Charter is adopted at the Members' Meeting or General Meeting of Shareholders at which its transformation into another type of company is decided upon, members or shareholders who participated in the operation of the members' meeting or general meeting of shareholders, may, upon request of the majority, give statements at the members' meeting or the general meeting of shareholders itself for taking over the parts or shares which shall be entered in the minutes of the members' meeting, or general meeting of shareholders provided that the minutes are kept by a notary and their content is in compliance with the provisions of this Law.

(3) Members, or shareholders who did not participate at the members' meeting or general meeting of shareholders shall be called by a public notice within three days after the convened members' meeting, or general meeting of shareholders within a period that may not be less than one month, but not more than two months as of the date of announcement of the public notice, to give a statement whether they agree to take over parts, or shares of the successor company. The public notice shall be published in at least one daily newspaper. Members, or shareholders may give the statement for take-over of a contribution, or shares certified by a notary, not later than the term specified in the public notice.

(4) All members, or shareholders who agreed to become members in the Limited Liability Company, partners such as limited partners, or general partners in a Limited Partnership, Limited Partnership by shares or partners in a general partnership shall submit a written notification stating that they accept the company agreement. The signature on the statement shall be certified by a notary.

(5) All members who agreed to be shareholders in the successor company shall sign a registration form for the shares that they are taking over.

(6) When a limited liability company, or joint stock company is transformed into a general partnership, members or shareholders who failed to attend the members' meeting or the general meeting of shareholders, may provide the statement referred to in paragraph 4 of this Article within a term not later than thirty days as of the date when the Members' Meeting or the General Meeting of shareholders was convened.

(7) Provisions of this Law pertaining to the core/charter capital, the contributions in the company, the parts, or shares shall respectively apply in case of transformation of a company into another type of a company.

Article (509) - Entry of the Transformation into the Commercial Register

(1) The transformation of one into another type of company shall be recorded in the commercial register. Only attachments set forth in this chapter of this law shall be enclosed with the application form for entry in the commercial register.

(2) Upon the adoption of the resolution for transformation of the company into another form of a company, an application form for entry shall be submitted in the Commercial Register. The application form shall be signed by the members of the management body and the president of the supervisory board, or manager, or the authorized member and the president of the management body and the president of the supervisory board, or manager or the authorized member of the company, appointed by the company agreement, or charter.

(3) Originals, transcriptions or copies certified by a notary of the following documents shall be enclosed with the application form for entry of the resolution for transformation into the Commercial Register:

1) the minutes of the Members' Meeting or General Meeting of Shareholders, at which the resolution for transformation of a company into another type of a company was reached, certified by a notary;

2) the statement by all members of the management body and supervisory board, or manager, or partners in a general partnership and general partners that the requirements for transformation of the company into another type of a company stipulated in this Law are met;

3) the resolution for transformation of the company into another type of a company along with the enclosures **determined** by this Law;

4) list of the full name of each member, or shareholder, place of residence and address and the ID number of the citizen, or passport number of a foreign natural person, or his ID card number and citizenship, or the business name, registered office and address and the registration number, if the member, or shareholder is a legal person, indicating therein the size of the part, or number of shares that each member, or shareholder takes over in proportion to the nominal value of the part held by the member, or the nominal value of shares of each shareholder that they own in the core/charter capital of the successor company;

5) a list indicating individually the names of the members, or shareholders who voted in favor of adoption of the resolution for transformation of the company;

6) the resolution for election of the management body, supervisory board, or resolution to appoint members, or persons authorized as representatives by the company agreement, which is enclosed with the resolution on transformation and is its constituent part;

7) statements of members, on take-over of parts and adoption of the company agreement, regardless whether they have been entered in the minutes, or provided in another manner determined by this Law, or registration forms for take-over of shares**;**

8) the annual account statement of the company up to the day when the resolution for transformation is made, along with the report of the authorized auditors; and

9) the statement in accordance with Article 30 of this law.

(4) Upon entry of the resolution for transformation in the commercial register, the company shall continue to operate as a successor company.

(5) If the application form under paragraph 1 of this Article is not submitted within ninety days as of the day when the general meeting of shareholders adopted the resolution for transformation, it shall be deemed that the resolution has not been reached.

Article (510) - Transforming Parts into Shares, or Shares into Parts

(1) Upon the entry of the transformation in the commercial register, on the basis of statements on take-over of parts, or registration forms for take-over of shares, or the certificate for the parts or shares acquired in the successor company, the parts or shares shall be entered into the Book of Parts or Shareholders List.

(2) The certificate pertaining to paragraph 1 of this Article shall be issued by the management body, or a member authorized to manage the company under transformation.

(3) The President of the Board of Directors or the President of the Management Board shall submit the Shareholders List to the Central Securities Depository not later than eight days as of the day of entry of the transformation in the commercial register.

(4) The rights of third parties over parts or shares of the predecessor company shall be regulated as rights of third parties over parts, or shares in the successor company.

Article (511) - Rights of a Member, or Shareholder Upon the Entry of the Transformation in the Commercial Register

(1) A company shall buy back the part, or shares at a price appropriate to the adopted balance sheet determined in the resolution for transformation of a company (offered price) from a member, or shareholder, who by way of a written statement dissents with the transformation of the company in another type of a company.

(2) The company or the member, or shareholder who did not accept the offered price pertaining to paragraph 1 of this Article, may submit a proposal to the court to determine the value of the part, or shares to which the member, or shareholder dissents not later than thirty days as of the date of the refusal of the offer. The member or shareholder shall lose all rights over parts or shares except the right to compensation for his part or shares.

(3) A member, or shareholder of a company under transformation may submit the proposal pertaining to paragraph 2 of this Article solely through a special representative, appointed by them. The special representative is entitled to a reimbursement of expenses, as well as to a bonus for his work. If the member, or shareholder fails to determine the expenses and the bonus himself, the court shall determined them according to the circumstances of each particular case and it shall determine the extent to which the affected former members, or shareholders should be reimbursed. On the basis of a final court decision, a compulsory execution for the purpose of payment may be requested.

(4) The court shall determine the value of the part, or shares of the dissenting members, or shareholders according to the appraisal report, prepared by authorized appraiser appointed by the court. The costs shall be covered by the company, and if the appraiser determines that the price of the part, or shares determined by the company is equal or lower than the one determined by the company, the costs for appraisal shall be covered by the member, or shareholder who submitted the request. If the member, or shareholder requested interest with the proposal, the court may also determine a default interest to be paid by the successor company as of the date of registration of the transformation in the Commercial Register up to the day when the court decision takes effect**.**

(5) Once the court decision pertaining to paragraph 4 of this Article takes effect, the successor company shall set a term for collecting the payment which may not be less than one month. Upon expiry of this term the money shall be deposited with the court.

(6) Members, or shareholders of the company that is being transformed shall not have other claims on the assets of the successor company**.**

Chapter Ten - ACCESSION, MERGER AND DIVISION OF COMPANIES

Section One - General Provisions for Accession, Merger and Division of Companies

Article (512) - Accession, Merger and Division of Companies

(1) One or more companies may access (company subject to accession) to another company (acquiring company) by transferring the entire assets and liabilities of the company subject to accession without conducting the procedure for liquidation, in exchange for parts, or shares of the acquiring company.

(2) Two or more companies may merge without conducting a liquidation procedure, by founding of one or more new companies – beneficiaries to which the entire assets and liabilities of the merging companies are transferred, in exchange for parts or shares of the new company, or the new companies-beneficiaries.

(3) A company may, by way of division, simultaneously transfer its entire assets and liabilities to two or more new companies (hereinafter: separation with founding) or to two or more existing companies (hereinafter: separation with takeover), whereby the company subject to division ceases to exist without conducting liquidation. A company may, by way of division, transfer a part of its assets and liabilities to one or more new companies – beneficiaries (hereinafter: spin – off with founding) or to one or more existing companies - beneficiaries (hereinafter: spin-off with takeover) whereby the company shall not cease to exist.

(4) The division may be carried out by simultaneous transfer of all or part of the assets and liabilities of the company subject to division to new companies and existing companies (combined division by separation with founding and separation with takeover, spin – off with founding and spin-off with takeover).

(5) Members or shareholders of the companies, within the activities set forth in paragraphs (1), (2), (3) and (4) of this Article, shall receive parts or shares from the company or companies – beneficiaries and, if necessary, the difference in value expressed in cash the amount of which shall not exceed 10% of the nominal value of the received parts or shares.

(6) The accession, merger or division referred to in paragraphs (1), (2), (3) and (4) of this Article may also be carried out when the resolution on termination of the company by way of liquidation is reached, provided that the members or shareholders did not commence the distribution of its assets and liabilities, or when the initiated bankruptcy procedure is stopped for the purpose of reorganization of the bankruptcy debtor or when it is set forth in the reorganization plan of the bankruptcy debtor.

(7) Actions referred to in this Article may also carried out between companies of different types.

Article (513) – Resolutions on Reorganization

(1) The resolution on accession shall be made by the company in accession and the acquiring company (company – beneficiary);

(2) The resolution on merger shall be made by companies being merged;

(3) In the event of division of the company by separation with founding and spin-off with founding of new companies, the resolution for dividing the company shall be made by the company subject to division; when the division of the company is carried out by

separation with takeover and spin-off with takeover the resolution shall be made by the company subject to division and companies to which the assets and liabilities are transferred from the part of the company subject to division (acquiring company).

(4) Resolutions on accession, merger and division of the companies shall be made by the Members' Meeting or the General Meeting of Shareholders in accordance with the terms and conditions and the manner of amending the company's Agreement or Charter, as specified by this law.

(5) If a new company is founded by a merger or division, the founding shall be carried out in accordance with provisions pertaining to the founding of the respective type of company, unless otherwise provided by the provisions of this Chapter.

(6) If due to the accession, merger or division, the liabilities of the members or the shareholders of one or more companies increase, the resolution on accession, merger or division shall be made with the consent of all members or shareholders.

Article (514) – General Transfer of a Part of the Assets, the Entire Assets or Liabilities

(1) In case of accession, merger or division of the company by separation with founding and separation with takeover, the company shall terminate without liquidation and a general transfer of its entire assets and liabilities shall be made to the companies - beneficiaries, as of the date stipulated by the Agreement on accession, or merger, or by the resolution on division of the company.

(2) Joint debtors to the creditors of companies subject to accession, merger or division shall be companies that were established with the merger, accession or division.

(3) The companies – beneficiaries of the division may agree to regulate the liabilities of the divided company which shall fall upon them without joint liability, or to be assumed by the company-beneficiary. In this case, also, the companies - beneficiaries and the company that was divided by spin-off with founding and spin-off with takeover shall be subsidiary joint debtors to the creditors of the divided company.

(4) Withdrawal, issuance of shares, or withdrawal and giving parts shall be carried out in accordance with the agreement on accession, merger, division, or the plan on division.

Article (515) - Agreement on Accession, Merger or Division

(1) The management body of the company in accession and the management body of the acquiring company, the management bodies of companies subject to merger, or the management body of the company subject to division by separation with takeover or spin-off with takeover and the management body of the acquiring company shall conclude an Agreement on accession, merger or division (hereinafter: Agreement on accession, merger or division). The Agreement shall be in writing in a form of a notary act.

(2) The Agreement pertaining to paragraph (1) of this Article shall contain the following:

1) the form, the business name and the registered office of a company in accession and the acquiring company, or of companies subject to merger or division by separation with takeover and spin-off with takeover;

2) the manner of transfer of the assets and liabilities of the company in accession, to the acquiring companies, the companies subject to merger, or companies that acquire parts of the company subject to division by separation with takeover or spin-off with takeover in exchange for parts or shares of the acquiring company;

3) the purpose and the terms and conditions of the accession, merger or division by separation with takeover and spin-off with takeover;

4) value of the assets and liabilities that are being transferred from the company subject to accession to the acquiring company and detailed description of the distribution of the assets and liabilities transferred, or assumed (divestiture balance sheet), from the companies subject to merger to the new company – beneficiary, or from the company subject to division by separation with takeover or spin-off with takeover to the acquiring company;

5) exchange ratio according to which exchange of parts or shares shall be carried out, and if necessary, the amount of the additional payment in cash, or the parts or shares that are to be acquired from the increased core /charter capital of the acquiring company, or the company – beneficiary and the rights and liabilities they confer;

6) the rights recognized to each member or shareholder, as well as the special rights they have acquired, or were conferred to them by the parts or shares;

7) the manner of taking over parts or shares and the date when the acquired parts or shares confer the right of participation to the members or shareholders in the distribution of profit of the acquiring company, or company-beneficiary and all details relevant for exercising such right;

8) the date when the business activities shall cease and rights and liabilities of the companies – beneficiaries, or acquiring companies shall be assumed for the purpose of carrying out the accession, merger, or the division by separation with takeover and spin-off with takeover;

9) the date when the transactions of the company in accession or companies subject to the merger or existing companies which take over parts of the company subject to division by separation with takeover or spin-off with takeover shall be regarded, from an accounting perspective, as transactions undertaken on behalf of the acquiring company or company - beneficiary;

10) each special privilege granted to a member of the management body or supervisory board of the companies participating in the accession, merger or division by separation with takeover and spin-off with takeover**;**

11) terms and conditions under which the employment of the employees of the acquiring companies or companies-beneficiaries shall be extended;

12) the deadline for preparation of the annual account statements; and

13) other issues the companies consider to be of mutual interest for carrying out the accession, merger or division by separation with takeover and spin-off with takeover.

(3) A constituent part of the agreement referred to in paragraph (2) of this Article shall be the draft resolution on amending the company's Agreement or the Charter of the acquiring company in the case of accession or division by separation with takeover or spin-off with takeover; while in the case of merger it shall be the draft company Agreement, or the draft Charter of the company-beneficiary.

(4) The Agreement referred to in paragraph (1) of this Article shall be concluded by the management bodies, or managers of the companies which participate in accession, merger, or division by separation with takeover or spin-off with takeover.

(5) The draft Agreement on accession, merger or division by separation with takeover and spin-off with takeover and any attachments deemed as a constituent part thereof, shall determine:

1) the members or shareholders of the company in accession or companies subject to merger or division by separation with takeover or spin-off with takeover, the nominal value of the existing parts or shares of the company - beneficiary, as well as parts or shares that are to be acquired by members or shareholders in the acquiring companies or companies-beneficiaries; and

2) list of employees that extend their employment contracts in the acquiring companies or companies – beneficiaries.

Article (516) –Plan on Division

(1) In the event of division by separation with founding or spin-off with founding of new companies, the management body of the company subject to division shall adopt a plan on division of the company by separation with founding or spin-off with founding for the purpose of founding new companies (hereinafter: plan on division). The plan on division with all enclosures thereof shall be prepared in a form of a notary act.

(2) The plan on division referred to in paragraph 1 of this Article shall contain the following data:

1) the form, the business name and the registered office of the company subject to division by separation with founding and spin-off with founding;

2) manner of transfer of the assets and the liabilities to companies in founding in exchange for parts or shares in the newly founded companies-beneficiaries;

3) the purpose and the terms and conditions of the division by separation with founding and spin-off with founding;

4) value of the assets and liabilities that are being transferred (divestiture balance sheet) from the company subject to division by separation with founding or spin-off with founding to the newly founded companies-beneficiaries and detailed description of the distribution of assets, rights and liabilities.

5) exchange ratio according to which exchange of parts or shares shall be carried out, and if needed the amount of the additional payment in cash, or the parts or shares that are to be acquired in the newly founded companies– beneficiaries and the rights and liabilities they confer;

6) the rights recognized to members or shareholders, as well as the special rights they have acquired, or were conferred to them by the parts or shares;

7) the manner of taking over parts or shares and the date as of which the parts or shares confer the right of participation to the members or shareholders in the newly founded companies-beneficiaries and all details relevant for exercising such right;

8) the date when the business activities of the company subject to division shall cease;

9) the date when the transactions of the company subject to division by separation with founding or spin-off with founding shall be regarded, from an accounting perspective, as transactions undertaken on behalf of the newly founded companies - beneficiaries;

10) each special privilege granted to a member of the management body or supervisory board of the company subject to division by separation with founding and spin-off with founding**;**

11) terms and conditions under which the employment of the employees of the newly founded companies-beneficiaries shall be extended;

12) the deadline for preparation of the annual account statements; and

13) other issues the company considers to be of mutual interest for carrying out the

division by separation with founding and spin-off with founding.

(3) A constituent part of the division plan referred to in paragraph (2) of this Article shall be the draft Agreement or Charter of the newly founded companies-beneficiaries.

(4) The **plan on** division by separation with founding and spin-off with founding and any attachments deemed as a constituent part thereof, shall determine:

1) the members or shareholders of the company subject to division by separation with founding or spin-off with founding, the nominal value of parts or shares that are to be acquired by members or shareholders in the newly founded companies-beneficiaries; and

2) list of employees that extend their employment contracts in the newly founded companies – beneficiaries.

Article (517) – Requirement for Publishing a Notification on the Concluded Draft Agreement

(1) Not later than one month prior to the convening of the Members' Meeting or the General Meeting of Shareholders at which a resolution on the adoption of the draft Agreement on accession, merger or division or the plan on division shall be made, the management bodies of the company that concluded the Agreement on accession, merger or division by separation with takeover or spin-off with takeover or the management body, or manager of the company subject to division by separation with founding and spin-off with founding, or the plan on division shall jointly publish a notification on the concluded agreement, or the adopted plan on division in the "Official Gazette of the Republic of Macedonia" and in at least one daily newspaper. The notification shall include the following data:

1) The form, business name and registered office of all companies participating in the accession, merger, or division;

2) The reasons, purpose, goal and the terms and conditions for the accession, merger, or division;

3) The value of assets and liabilities to be transferred**,** or taken over;

4) exchange ratio according to which exchange of parts or shares shall be carried out, and if necessary, the amount of the additional payment in cash, or the parts or shares that are to be acquired from the increased core/charter capital of the company-beneficiary and the rights and liabilities they confer;

5) the rights granted to each member or shareholder as well as the special rights that arise from the parts, or shares or special rights they acquired, or were conferred to them by the parts or shares; and

6) the manner of taking over parts or shares and the date when the acquired parts or shares confer the right of participation to members or shareholders in the profit and all details relevant for exercising such right;

7) the date when the business activities of assuming the rights and liabilities of the acquiring companies or companies – beneficiaries, shall cease for the purpose of carrying out the accession, merger, or the division;

8) each special privilege granted to a member of the management body or the supervisory board of the companies participating in the accession, merger or division; and

9) terms and conditions under which the employment of the employees of the acquiring companies or companies-beneficiaries shall be extended.

(2) The agreement or the plan on division, and all attachments deemed as constituent parts thereof shall be made available to all members or shareholders in the registered office of companies participating in the accession, merger, or division. The notification referred to in paragraph (1) of this Article shall specify the time and other details significant for each member or shareholder as regards the inspection.

(3) Known creditors whose claims exceed Euro 10,000 in denar equivalents shall be notified in writing individually on the address of the creditor recorded in the Commercial Register.

(4) Creditors that are not entitled to request settlement of undue claims from the companies subject to the accession, merger or division, and who believe that the accession, merger, or division shall endanger the settlement of their claims, shall file a request to companies - beneficiaries within 30 days as of the day of disclosing the draft agreement. If companies-beneficiaries fail to respond to the creditor's request within 15 days as of the day of the submitted request or fail to provide the required guarantee, the creditor may, in the next 8 days, file a request with the court for termination of the procedure for accession, merger, or division. If the court determines that the procedure for accession, merger or division endangers the settlement of their claims it shall suspend the procedure, until the company-beneficiary submits a proof to the court that claims of all creditors have been secured.

(5) Creditors in a bankruptcy procedure entitled to a prior settlement from the bankruptcy estate shall not have the right to request a guarantee.

Article (518) – Balance Sheet Prior to the Accession, Merger or Division

(1) Prior to the accession, merger or division, the company shall prepare an **annual account statement, within the period specified in the Agreement on accession, merger or division by separation with takeover or spin-off with takeover, or the plan on division by separation with founding and spin-off with founding.**

(2) **The figures presented in the annual account statement of the company in accession, merging companies or company subject to division, shall be presented in accordance with the balance sheets of the companies – beneficiaries.**

Article (519) - Audit of the Accession, Merger or Division

(1) **The agreement on accession, merger, division, or the plan on division shall be examined by one or more authorized auditors. Authorized auditors shall be appointed by the management bodies of companies that participate in the accession, merger or division. Those auditors shall conduct audit on all companies participating in the accession, merger or division, if appointed by the court at their joint request.**

(2) The report on audit shall contain data for the justification of the proposal on exchange of parts, or shares, with the following sections:

1) the methods of conversion and the primary method used;
2) the ratio of conversion that would be obtained by using different methods; and
3) the difficulties that occurred during the assessment and **audit, if any.**

(3) Each auditor shall be authorized by the company to obtain all documents and data necessary for the audit and if needed, to conduct a separate inspection.

(4) The provisions of this Law and other regulations pertaining to audit shall apply to the accountability of auditors.

Article (520) - Report on the Accession, Merger, or Division

The management bodies **that adopted the Agreement on** accession, merger or division, or the plan on division shall prepare a written report, explaining the following in detail:

1) the reasons, or the purpose that is to be achieved with the accession, merger and division;

2) the legal and business issues, as well as the proposed legal and economic grounds for the accession, merger and division;

3) the criteria and methods determining the conversion ratio of the parts or shares and the criteria for their distribution;

4) the contents of the documents and the draft acts for accession, merger and division;

5) the difficulties that have emerged **in the course of the procedure** for appraising **the assets and liabilities**;

6) state the non-monetary contributions, **as well as any problems that arose from the appraisal carried out in accordance with Article 33 of this Law;**

7) any change in the assets **and liabilities** made until the day the members **made a statement**, or until the day of convening **the General Meeting of Shareholders**, on which the issue of the accession, merger or division **shall** be decided upon**; and**

8) **any change made in the Agreement on accession, merger or division, or the plan on division due to their obligation to act in accordance with the recommendations of the authorized auditor.**

Article (521) – Preparation and Conducting the Members' Meeting, or General Meeting of Shareholders

(1) The agreement on accession, merger and division, or the plan on division shall be submitted to the court prior to calling the members' meeting, or the general meeting of shareholders at which the agreement or plan on division is decided upon. The court shall announce that the agreement, or plan on division is submitted to the court and that inspection is permitted.

(2) The members or shareholders shall be enabled, at least one month prior to the day on which the Members' Meeting or the General Meeting of Shareholders decide upon the adoption of the agreement or plan on accession, merger or division, to review the documents **relevant** to the accession, merger or division and in particular:

1) the Agreement on accession, merger or division, or the plan on division, including all attachments thereto;
2) **the annual account statement and the annual report on the operations of the companies participating in the accession, merger or division for the three preceding years, or for each year of existence of the companies in case they existed for less than three years;**
3) **the report on the accession, merger or division prepared by the management body; and**

4) the report of the authorized auditor; and

(3) The financial reports referred to in paragraph 2 of this Article shall be prepared in accordance with the regulations valid at the time the last annual account statements were prepared.

(4) Any member, or shareholder shall be enabled, upon his request, to access the documents pertaining to paragraph 2 of this Article, and also other significant data and notifications relevant to the accession, merger, or division.

Article (522) – Resolutions for Consent on Accession, Merger or Division

(1) The agreement on accession, merger, or division as well as the plan on division shall become effective upon confirmation on the part of the members' meeting or the general meeting of shareholders of companies in accession, merger, the members' meeting or general meeting of shareholders of the acquiring company and the company subject to division by separation with takeover and spin-off with takeover, or the members' meeting or general meeting of shareholders subject to division by separation with founding and spin-off with founding.
(2) The resolution for confirming the agreement on accession, merger, or division by separation with takeover and spin-off with takeover, or the plan on division by separation with founding and spin-off with founding shall be reached in the manner prescribed by this law, company agreement, or charter regarding the adoption of a resolution to amend the company agreement or charter. The company agreement, or charter may foresee a higher majority to adopt a resolution, and it may also require fulfillment of additional requirements.
(3) Once the agreement, or the plan on division referred to in paragraph 1 of this Article is confirmed, the resolution on accession, merger, or division shall be deemed adopted.
(4) The members' meeting, or general meeting of shareholders shall adopt the company agreements, or charters of the newly founded companies-beneficiaries simultaneously with the resolution on accession, merger, or division by separation with takeover and spin-off with takeover and the resolution to amend the company agreement, or charter, or the resolution on division by separation with founding and spin-off with founding.
(5) The resolution on accession, merger, or division shall be in a form of a notary document. The request shall be considered as met if the minutes of the members' meeting, or general meeting of shareholders referred to in paragraph 2 of this Article were taken by a notary. The agreement, or plan on division shall be enclosed with the minutes of the convened members' meeting or general meeting of shareholders, as a constituent part thereof.

Article (523) - Liability for Damage of Members of the Bodies of a Company in Accession, or Companies Subject to Merger or Division

(1) Members of the management body and members of the supervisory board, if elected, of the company in accession, merging companies or company subject to division, acting as joint debtors, shall cover the damage that arose from the accession, merger or division which was suffered by the companies subject to accession, merger or division by

separation with takeover or spin-off with takeover, to members or shareholders. Members of the management body, or those members of the supervisory board if any, that acted with due diligence during the audit of the company's assets and while concluding the Agreement on accession, merger or division by separation with takeover or division by spin-off with takeover, shall not be held liable for damages.

(2) For the purposes of settling the claims for compensation of damage pertaining to paragraph (1) of this Article as well as all other claims raised in favour and against the company in accession, or merging company, it shall be deemed that such company still exists.

(3) Complaint against the claims pursuant to paragraphs (1) and (2) of this Article **may be filed within** 5 years as of the date of entry of the accession, merger **or division** in the commercial register.

Article (524) - Exercising the Right to Compensation for Damage

(1) Claims for compensation of damage pertaining to Article **523**, of this law, may be exercised only through a special representative, appointed by the competent court according to the registered office of the company, upon a proposal of a member or shareholder or creditor of the company in accession, merger or **division**.

(2) The representative, stating the purpose of his appointment, shall call **the former** members**,** or shareholders and the creditors of the company in accession, or companies subject to merger, **or company subject to division** within a period of at least thirty days and not more than sixty, to file their claims referred to in Article **523** of this Law. The notice shall be published in the "Official Gazette of the Republic of Macedonia" **and in at least one daily newspaper.**

(3) The special representative shall be entitled to reimbursement of the expenses as well as to a bonus for his work**. If members, shareholders or creditors fail to determine the expenses** and the bonus they shall be determined by the court upon its discretion, taking into account the circumstances for each case and it shall also determine the extent to which the affected **former** members, shareholders and creditors shall be reimbursed. Based on the final court decision, a compulsory execution of the payment may be requested.

Article (525) - Court Examination of the Exchange Ratio for Exchange of Parts

(1) The resolution reached by the Members' Meeting or General Meeting of Shareholders of the company in accession**,** company subject to **merger, or division,** approving the Agreement on accession, merger or division **shall** not be contested, due to the fact that the scope of conversion of parts or shares has been determined too low. If it has been determined too low, the court, upon proposal of members or shareholders, may order additional payment that shall not exceed **10% of** the nominal amount of the given parts or shares.

(2) The proposal referred to in paragraph 1 of this Article may be filed within thirty days as of the day when the member, or shareholder did not accept the offered exchange ratio referred to in paragraph 1 of this Article. The company may, upon a court decision **pay an increased payment to all members, or shareholders that hold**

parts, or shares of the same type and class in the amount paid on the basis of a court decision.

Article (526) – Accession, Merger or Division in Special Instances

(1) If the acquiring company owns at least **90%** of parts, or shares represented in the charter capital of the company in accession, **the merged** company **or part of the company subject to division by separation with takeover or spin-off with takeover, the consent of the members' meeting or general meeting of shareholders of the acquiring company shall not be required unless the members or shareholders of the acquiring company whose parts or shares represent 10% in the core/charter capital, request for a members' meeting or general meeting of shareholders to be called at which the accession shall be confirmed. The core/charter capital shall not comprise the treasury parts, or shares of the company in accession as well as parts or shares owned by another entity, but on behalf of the acquiring company.**

(2) If **the acquiring company owns** all parts or shares in the company **in accession the agreement on accession shall not contain data on the transformation (exchange) of parts, or shares, audit shall not be conducted and the agreement shall not be approved by the members' meeting or general meeting of shareholders of the company in accession and the acquiring company.**

(3) Members, or shareholders of the company in accession referred to in paragraph 1 of this Article who dissented from the accession, shall exercise their rights in accordance with the provisions of this Chapter.

Article (527) - Prohibitions during the Increase of the Charter/Core Capital for the Purposes of Reorganization

(1) The acquiring company shall not increase its charter/core capital while carrying out the accession, **or division by separation with takeover or division by spin-off with takeover** if:

1) it owns the parts or shares in the company in accession **or company subject to division by separation with takeover or spin-off with takeover;**

2) the company in accession or company subject to division by separation with takeover or spin-off with takeover owns treasury part, or treasury shares; or

3) **the company in accession or company subject to division by separation with takeover or spin-off with takeover** owns parts or shares of the acquiring company for which the contributions have not been fully paid in and which should have been paid in.

(2) The acquiring company shall not increase the charter/core capital until it owns the treasury parts or treasury shares or until the company in accession or company subject to division by separation with takeover or spin-off with takeover owns the parts or shares of the acquiring company, for which the basic contributions have not been fully paid in, or the nominal amount or the higher amount at which the shares are issued have not been fully paid in.

(3) The case of owning parts or shares by a company shall be equalized with the case when a third party owns parts or shares on behalf of such company.

(4) If the acquiring company carries out additional payments in cash, those payments shall not exceed 10% of the total nominal amount of the given parts or issued shares of such company.

Article (528)- Increase in the Charter/Core Capital of the Company for the Purposes of Accession or Division

(1) If the acquiring company increases the charter/core capital for the purposes of the accession**, or division by separation with takeover or spin-off with takeover** the provisions of this law, pertaining to the increase of the charter/core capital shall not apply to:

1) the prohibition on increasing the core/charter capital until the subscribed contributions are paid in full;

2) the requirement that the registration form for entry of the decision on increase of the charter capital in the commercial register state which contributions were not fully paid;

3) the requirements for subscribing new contributions, or shares; and

4) the pre-emptive right for buying parts, or shares.

(2) Audit shall be carried out in the event of increase of the core/charter capital by non-monetary contributions, when the court determines that the value of the non-monetary contribution does not reach the nominal amount of the issued parts, or shares as well as in the event of increase of the core/charter capital in accordance with the provisions of this Law pertaining to authorized capital.

Article (529) - Rights of Members, or Shareholders during Reorganization

(1) A company shall buy back the part, or shares of a member, or shareholder who stated that he is not willing to take over parts, or shares for his part, or shares in the acquiring company, in a company that was established by merger (in the company-beneficiary), in a company established by division by separation with founding or spin-off with founding or in a company that took over part of the company divided by separation with takeover, or spin-off with takeover (in the company-beneficiary), at a price determined by the resolution for accession, merger or division.

(2) The member, or shareholder that refused to accept the offered price set forth in paragraph (1) of this Article, may, not later than 30 days as of the day of the refusal of the offer, file a proposal with the court in order to determine the value of the part, or shares to which the member, or shareholder dissents. The member, or shareholder shall lose all rights over the part, or shares, except the right to compensation for his part, or shares.

(3) The court, on the basis of an appraisal report prepared by an authorized appraiser appointed by the court, shall determine the value of the part or shares of the dissenting member, or shareholder. The costs shall be covered by the company, and if the appraiser determines that the price of the part, or shares specified by the company is equal or lower than the one specified by the company, the costs incurred by the appraisal shall be covered by the member, or shareholder who filed the proposal. If the member, or shareholder requested interest as well, the court may determine a default interest that is to be paid by the company as of the day of the entry of the accession,

merger, or division in the commercial register up to the day when the court decision takes effect.

(4) The company may, upon a court decision **pay an increased payment to all members or shareholders that own parts, or shares of the same type and class in the amount paid on the basis of a court decision referred to in paragraph 3 of this Article.**

(5) Once the court decision referred to in paragraph (3) of this Article takes effect, the company in accession, merger or division shall determine the term for collecting the payment which shall not be shorter than one month. Upon the expiration of this period the cash shall be deposited with the court and the parts shall be cancelled, whereas shares shall be declared null, and the Central Securities Depository shall be informed thereof. On the basis of cancelled parts, or the shares declared null the amount deposited for them with the court may be retrieved.

(6) The member, or shareholder of the company in accession, merger, or division shall not be entitled to other claims pertaining to the assets of the company-beneficiary or acquiring company, nor of the company which takes over parts of the company divided by separation with takeover, or spin-off with takeover or separation with founding or spin-off with founding.

(7) The acquiring company, or company-beneficiary shall confer, on the holders of convertible bonds in the accessed, merged or divided company, all the rights they were entitled to in the company in accession, or companies that merged, or company subject to division.

(8) If members, or shareholders of the company in accession, or merged companies or company subject to division had the obligation to pay an additional amount in cash, the accession, merger or division may be entered in the Commercial register, once a proof that the payment was made has been submitted to the court.

Article (530) - Registration Form for Entry of the Reorganization in the Commercial Register

(1) Each company shall file with the court a registration form for entry of the accession or merger or division by separation with takeover or division by spin-off with takeover in the Commercial Register.

(2) When filing the registration forms, the manager, or members of the management body shall give a statement that the resolutions pertaining to accession, merger or division by separation with takeover or division by spin-off with takeover have not been contested within the prescribed period, or that the arguments were denied by the court. The following documents shall be enclosed with the form for entry of the accession, merger or division in the commercial register, in original, transcript or copy certified by a notary:

1) Agreement on accession, merger or resolution on division by separation with takeover or spin-off with takeover;

2) Amendments to the Company's Agreement or Charter of the acquiring company, or division by separation with takeover or spin-off with takeover;

3) resolution for confirmation of the agreement on accession, merger or division by separation with takeover or spin-off with takeover;

4) Minutes from the Members' Meeting or the General Meeting of Shareholders which approved the Agreement on accession, merger or division by separation with takeover or spin-off with takeover or adopted the amendments on the company's Agreement or Charter of the acquiring companies or company agreement or charter of the company established by a merger, which determines the management bodies, or supervisory bodies;

5) **Report of an authorized auditor**;

6) report on accession, merger or division by separation with takeover or spin-off with takeover;

7) List of members or shareholders **taken over by the acquiring company** or company**-beneficiary,** signed by the manager, or members of the management body;

8) Approval by a state body, for the accession, merger **or division by separation with takeover or division by spin-off with takeover if required by a law;** and

9) List of employees transferred to the acquiring companies or companies-beneficiaries;

10) Statement of the bodies of the companies that participate in the accession, merger or division by separation with takeover or spin-off with takeover, in accordance with Article 30 of this law; and

(3) Apart from enclosures set forth in items 5, 7, 8, 9 and 10 the application form for division of the company by separation with founding and spin-off with founding of new companies, shall also contain the following documents, in original or a copy certified by a notary:

1) The plan on division by separation with founding and spin-off with founding

2) the company agreement or charter, of companies established by the division by separation with founding and spin-off with founding;

3) the resolution for confirmation of the plan on division by separation with founding and spin-off with founding;

4) minutes from the members' meeting or general meeting of shareholders at which the resolution for confirmation of the plan on division is reached and the company agreement or charter of companies founded by separation with founding and spin-off with founding is reached;

5) a resolution on election of the manager, the board of directors, or supervisory board of companies established with the division by separation with founding and spin-off with founding, if they are not foreseen in the charter, or the company agreement.

6) the report on division by separation with takeover and spin-off with takeover;

(4) Financial reports that were prepared and adopted not later than **six** months prior to the date of filing the registration form shall be enclosed with the registration form for entry of each company in accession, merger or company divided by separation with takeover or spin-off with takeover in the commercial register. The court may register the accession, merger or division by separation with takeover or division by spin-off with takeover in the Commercial Register, only if the reports were adopted not later than six months prior to the date of filing of the registration form.

(5) Upon the registration in the commercial register, the deficiencies in the procedure for accession, merger, or division shall have no effect upon the validity of the accession, merger or division.

Article (531) – Legal Consequences Arising from the Entry of Reorganization

(1) Legal consequences from the accession, merger or division shall arise as of the day the date of publishing the entry of the accession, merger or division in the Commercial Register.

(2) With the accession, the assets and liabilities of the company in accession shall be transferred to the acquiring company. With the entry of the accession in the commercial register, the company in accession shall be deleted. The members, or shareholders of the company in accession shall become members or shareholders of the acquiring company.

(3) With the merger, the assets and liabilities of the merged companies shall be transferred to the new company-beneficiary. With the entry of the new company the companies that merged shall be deleted. The company agreement or charter of the new company shall specify the special benefits, founding costs and non-monetary contributions. With the entry of the merger in the commercial register, the members or shareholders of companies that merged shall become members or shareholders of the new company.

(4) With the division, the assets and liabilities of the company divided by separation with founding and separation with takeover shall be transferred to the newly established company – beneficiary, or to the acquiring company. With the entry the divided company shall be deleted. Members or shareholders of the company divided by separation with founding and separation with takeover shall become members or shareholders of the new company –beneficiary.

(5) With the division, a part of the assets and a part of the liabilities of the company divided by spin-off with founding and spin-off with takeover shall be transferred to the newly established company – beneficiary, or the acquiring company. The divided company shall not cease to exist. Members or shareholders of the company subject to

division by spin-off with founding or spin-off with takeover shall become members or shareholders or the new company-beneficiary or acquiring company.

(6) When the law prescribes undertaking of special actions related to the transfer of kinds, rights and liabilities by the company established with accession, merger or division, the transfer shall have effect upon third parties upon meeting the prescribed requirements for transfer of kinds, rights and liabilities. These actions shall be executed within a term not longer than 180 days.

Chapter eleven - WINDING-UP OF A COMPANY

Article 532 - Winding-up of a Company

(1) If no bankruptcy procedure has been **initiated** over the company, winding-up shall be **executed** following the adoption of the decision on termination of the company.
(2) Unless otherwise stipulated by the provisions of this Law or required for the purposes of the winding-up, **the provisions of this Law applicable to the companies not being terminated shall apply until the winding-up is completed.**

Article 533 - Liquidators

(1) Winding-up of a public company shall be carried out by all members as liquidators, and with respect to a limited partnership, it shall be carried out by all general partners, unless the members, by way of an agreement, have entrusted it to certain members or to other parties. Two or more successors of a member shall be obliged to appoint a joint representative.
(2) Winding-up of a limited liability company and of a joint stock company shall be carried out by the members of the managing body, or the managers of the company, in the capacity of liquidators. Other physical persons or legal entities may be appointed to act as liquidators by the company agreement , the company charter, or by a resolution reached at the members meeting, or the general meeting of shareholders.

Article 534- Liquidators Appointed by the Court

(1) If the members, or the shareholders **have not** appointed a liquidator, and when this Law stipulates that the Court is to carry out the winding-up of the company, the **liquidator shall be appointed by the Court.**
(2) If there are substantial reasons and if the proposers make the substantial reasons probable and upon a proposal of the members, or the shareholders whose joint part **or share** represents at least 20 percent of the core or charter capital, the court may appoint liquidators from the list of persons proposed by the members, or the shareholders.
(3) The liquidators **appointed** by the court shall be entitled to compensation of expenses and to a bonus for their engagement as liquidators. If the liquidators **appointed** by the court and the company cannot reach an agreement, the court shall determine the amount of the compensation and the bonus.
(4) The liquidators who were not appointed by the court may be dismissed at any time by the members, or the Members Meeting or the General Meeting of Shareholders.

Article 535 - Entry In the Commercial Register

(1) **In the winding-up proceedings**, the initial liquidators, members, managing body **and their authorizations** shall be registered for the purpose of entry in the Commercial Register. Any change for the purposes of entry in the Commercial Register shall be registered by the liquidators themselves. **If representation authorities are set forth for the liquidators, they should be entere**d in the Commercial Register.
(2) Appointment and dismissal of liquidators by the court shall be entered in the Commercial Register *ex officio*.
(3) The liquidators shall file the specimen signatures with the court, unless they have already done that as members of the managing body or as managers.

Article 536 - Rights and Responsibilities of the Liquidators

(1) The liquidators shall be obliged to complete the transactions in progress, to collect the claims of the company, to sell the other assets and to settle the liabilities toward the creditors. If it is so required by the winding-up, they may also enter into new transactions that are in favour of the winding-up proceeding of the company.
(2) The liquidators may, by agreement with the members, or the shareholders and **the creditors**, to transfer certain objects from the liquidation estate to certain shareholders and members, provided that it does not violate the rights of the other members, **shareholders** and **creditors**.
(3) The liquidators, within their scope of operations, shall have the rights and the responsibilities of the managing body. If a company has a supervisory board, the liquidators shall be under its supervision.

Article 537 - Representation of a Company Undergoing Winding-Up

(1) Liquidators shall represent the company.
(2) If more than one liquidator are appointed, they shall represent the company collectively, unless otherwise **provided** by the Company Agreement or the Charter. If there is an obligation to give statement to the company by third parties, it shall be sufficient for **the statement to be given in the presence of one of the liquidators**.
(3) Liquidators authorized for collective representation may authorize a liquidator or certain liquidators to undertake certain activities or certain types of activities.
(4) An individual liquidator may authorize certain persons to undertake certain activities or certain types of activities.
(5) **The representation authorization referred to in paragraphs (3) and (4) of this Article shall not be limited.**
(6) Liquidators shall sign by adding the words “undergoing winding-up” to the business name of the company.

Article 538 - Announcement of the Winding-up

The liquidator shall, following the entry in the Commercial Register, announce without any delay, twice in an interval not shorter than 15 and not longer than 30 days, that the company is undergoing winding-up. The announcement shall be published in the “Official Gazette of the Republic of Macedonia” and in at least one daily newspaper. The announcement shall call

the creditors to report their claims within 60 days from the date of the last announcement. Known creditors shall be notified about the winding-up individually and in writing.

Article 539 - Balance for Initiation of Winding-up Proceedings

(1) The liquidator shall compile a **balance sheet** according to the situation as of the day the initiation of the winding-up proceeding (initial balance on the initiation of the winding-up proceeding) and a report explaining the balance sheet, as well as a report on the operation of the company during the year for which the annual account statement is prepared.
(2) The members, the Members Meeting and the General Meeting of Shareholders shall decide upon the initial balance, the annual account statements and the report on the operation of the company, **and upon approval of the liquidator operations .**

Article 540 - Distribution of Assets Remaining After Settlement of Liabilities Towards Creditors

(1) Assets remaining after the settlement of liabilities toward the creditors shall be distributed among the members, or the shareholders.
(2) The amount shall be distributed in proportion to the nominal amounts of the parts, or the shares, **unless otherwise provided** by the Company Agreement, or the Company Charter, and unless there are shares conferring different rights when distributing the remaining assets of the company.

Article 541- Submission and Keeping of Documentation

(1) Following the completed winding-up, the liquidators shall submit the annual account statements and the report to the members, the Members Meeting or the General Meeting of Shareholders.
(2) The liquidators shall, in addition to the application form for deleting the company from the Commercial Register, submit to the court the approved annual accounts, statements and the reports, as well as the transcript of the resolutions of the members **made at** the Members Meeting and the General Meeting of Shareholders of the company, approving the operation of the liquidators.
(3) Following the deletion of the company, the books and the papers, shall be kept for **ten** years at the Archive of Republic of Macedonia.

Article 542 - Time Period for Distribution of the Assets Remaining After Settlement of Liabilities towards Creditors

(1) The company assets may be distributed upon expiry of six months as of the day the second announcement of the call to the creditors was made.
(2) If one of the known creditors does not respond, the amount owed to him shall be placed at a court deposit.
(3) **If a certain liability may not be settled immediately or is disputable, the distribution of the assets may be carried out only if the creditor is provided with a collateral.**

Article 543 – Assets/Property Emerged After Deletion of a Company

If, following the deletion of the company in **the Commercial Register,** assets/property of the company have been identified, the court shall, upon request of any entity having legal interest, recall the liquidators or appoint new ones, who shall act in accordance with the provisions of this Law pertaining to winding-up.

Article 544 - Protection of Rights Against Deleted Company

If any legal action is exercised against the deleted company, in particular on the basis of lodged complaint for repetition of a procedure or for annulment, the court shall appoint a custodian to the former company. The persons liable for the liabilities of the former company may be subject to a complaint within the scope of their responsibility, provided that they did not become outdated.

Article 545 - Conditions Under Which a Resolution for Extension of the Existence of the Company May be Reached

(1) If the company is terminated as a result of the expiration of the period determined in the Company Agreement, or the Company Charter or by a resolution of the members, the Members Meeting or the General Meeting of Shareholders may reach a resolution to extend the existence of the company until the initiation of the distribution of assets/property among the members, or the shareholders.
(2) The resolution referred to in paragraph (1) of this Article shall be reached with the consent of all members of the limited liability company, or by three quarters **of the voting shares represented** at the General Meeting of Shareholders.
(3) The liquidators shall report the extension of the existence of the company for the purpose of entry in the Commercial Register. When **filing for the** entry, the liquidators shall be obliged to prove that the distribution of the company assets among the members, or the shareholders has not been commenced yet.

Article 546 - Publication of the Deletion

Following the completion of the winding-up proceeding, the liquidator shall submit an application for deletion of the company from the Commercial Register and shall inform the Central Securities Depositary that the shares of the joint stock company and the limited partnership by shares are null and void.

Section Three - ECONOMIC INTEREST GROUP

Article 547 - Definition

(1) Two or more natural or legal persons may establish, among themselves, an economic interest group for a limited **or unlimited** period of time in order to facilitate and promote the performance of the **trading** activities which **constitute the subject** of their operations, as well as to increase or improve the results thereof.
(2) The persons referred to in the paragraph (1) of this article may act as associative members in a corresponding Economic Interest Group established abroad.
(3) An economic interest group may not become a member of another economic interest group.

Article 548 - Activities

The subject of operation of the economic interest group may only be related to the **trading** activities carried out by the members and may only be for support to those activities.

Article 549 - Terms and Conditions for Founding

(1) The objective of an economic interest group shall not be generation of profit for the economic interest group. The profit generated as a result of its operation shall be considered as profit of the members of the economic interest group and shall be distributed among them in accordance with the conditions of the founding agreement. If there is no such provision, the profit shall be distributed among the members equally.

(2) Rights of the members of economic interest group shall not be presented **in form of** securities.

(3) Provision of the founding agreement or resolution contrary to paragraphs (1) and (2) of this Article shall be considered null and void.

Article 550 - Status of a Legal Entity

The economic interest group shall acquire the status of a legal person as of the day of its entry into the Commercial Register.

Article 551 - Responsibilities of the Members

(1) Members of an economic interest group shall be liable for the liabilities of the economic interest group with their entire property. Unless otherwise agreed with a third party – the contractor, the members shall be jointly and severally liable.

(2) A creditor of the group may request settlement of the claim from the members the economic interest group, **provided** that he has not managed to collect the claim from the group itself.

Article 552 - Content of the Founding Agreement

(1) An economic interest group shall be founded on a basis of an agreement for founding an economic interest group (hereinafter: "Economic Group Agreement").

(2) The Economic Group Agreement shall **sets forth** the organizational structure of the economic interest group. The Economic Group Agreement shall be prepared in writing and published in the manner prescribed for publication of a company agreement.

(3) The Economic Group Agreement shall contain the following provisions, in particular:

1) the title of the economic interest group including, at the beginning or at the end, the words "*Stopanska interesna zaednica*" (economic interest group), unless these words are otherwise included in the title of the group;

2) the name, business name or the title, the legal form, registered office, and the registration number, if available, from the Commercial Register for each member of the economic interest group;

3) the duration of the economic interest group;

4) the scope/subject of operations of the economic interest group;

5) the registered office(headquarters) of the economic interest group;
6) the manner of decision-making;
7) managing bodies and their authorities
8) regulates in details the joining, separation and exclusion from the economic interest group;
9) the control of the operation of the economic interest group;

(4) All amendments to the Economic Group Agreement shall be made and published under the same terms and conditions as required for the Agreement itself.

Article 553 - Members and Their Admission

(1) Members of an economic interest group may be persons carrying out any of the activities determined in the Article 1 of this Law. Persons engaged in freelance activities, but not having a status of a trader, may also become members of an economic interest group.
(2) An economic interest group may admit new members during the period of its existence. The resolution for admission of a new member shall be reached unanimously by the Economic Interest Group Meeting.
(3) The new member shall be liable for the liabilities of the economic interest group, including those arising from the operations conducted prior to his admission in the economic interest group. New member(s) may be released from the liability of the economic interest group for obligations that arose prior their admission only with the resolution on their admission in the economic interest group.

Article 554 - Withdrawal and Exclusion of Members

(1) A member of an economic interest group may retract from the group in accordance with the conditions set forth in the Economic Group Agreement and provided that he has fulfilled the liabilities stipulated in the Agreement or in the meeting's documents. If the Economic Group Agreement does not prescribe conditions for **withdrawal** from the economic interest group, the retraction shall be made on the basis of a **separate** agreement.

(2) A member of an economic interest group may be excluded on the basis of reasons determined in the Economic Group Agreement, but in any case if he severely fails to fulfill his obligations or if he causes or brings about a severe disruption in the operation of the economic interest group or if there is a serious threat which may lead to disruption in the operations. Upon request by the other members of the economic interest group, the court in a non-contentious procedure shall reach a decision for exclusion.

Article 555 - Meeting of Members of the Economic Interest Group

(1) Members of an economic interest group shall decide upon common matters at the Meeting of the members of the Economic Interest Group.
(2) The Members Meeting may be held by means of sessions or virtually via Internet, voting may be executed via electronic mail or in written form, via fax or phone. The manner for convening of the meeting, operation, decision making, recording of the resolutions made at the Members Meeting shall be defined by the Economic Interest Group Agreement.

(3) The Meeting shall be authorized to reach all resolutions, including the resolution on its early dismissal or continuation, under the terms and conditions set forth in the Economic Group Agreement.
(4) The Economic Group Agreement may envisage for all or some of the resolutions to be reached by a quorum and majority of votes **prescribed** therein. If the Agreement does not **prescribe** the quorum and the voting majority, the resolutions shall be reached unanimously.
(5) The Economic Group Agreement may provide for certain members to be also given more votes, provided that a member may not hold the majority of votes. If the Economic Interest Group Agreement does not contain any such provision, each member shall be represented by one vote only.
(6) **The Meeting of the Members shall be convened upon a request of at least 10% of the total number of members of the Economic Interest Group.**

Article 556 - Management of the Economic Interest Group

(1) An economic interest group shall be managed by one or more managers, appointed in the manner and under the terms and conditions set forth in the Economic Group Agreement.
(2) Unless otherwise determined by the Economic Group Agreement, the Meeting shall organize the management of the economic interest group and shall appoint the manager, define his powers and the terms and conditions for his dismissal.

Article 557 - Representation of the Economic Interest Group

(1) The economic interest group shall be represented in its relations with third parties by its manager determined in the Economic Group Agreement.
(2) The manager referred to in paragraph (1) of this Article may assume rights and liabilities in the legal affairs within the scope of operation of the economic interest group.
(3) The economic interest group shall be liable, without limitations, for the obligations assumed by its manager in relations with third parties.

Article 558 - Supervision over the Operations

(1) Members of the economic interest group shall supervise the operation of the economic interest group in a manner and under the terms and conditions set forth in the Economic Group Agreement.
(2) Each member has right to get information related to operation of the economic interest group from the managing body and to review the business records and documents.

Article 559 - Termination of an Economic Interest Group

An economic interest group shall be terminated upon:
1) expiration of the time period for which it has been established;
2) accomplishment or cessation of its subject of operation;
3) resolution reached by its members, under the terms and conditions set forth in the Economic Group Agreement; or
4) court decision.

Article 560 - Winding-up

(1) Termination of an economic interest group shall result in its winding-up. The legal status of the economic interest group shall be maintained for the purposes of the winding-up .
(2) The winding-up shall be carried out under the terms and in a manner set forth in the Economic Interest Group Agreement.
(3) If the Economic Interest Group Agreement referred to in paragraph (2) of this Article does not contain such provisions, the Meeting of the members of the economic interest group shall **appoint** a liquidator. If the Meeting could not have **appointed** the liquidator, the court shall appoint the liquidator instead.
(4) Following the settlement of debts, the excess of assets shall be divided among the members, under the terms and conditions set forth in the Economic Interest Group Agreement.
(5) If the Economic Interest Group Agreement referred to in paragraph (2) of this Article does not contain provisions regarding the manner of winding-up, the division shall be executed in equal parts.

Section Four - COMPANIES WITH SILENT PARTNERS

Article 561 - Silent Partner and Contribution

(1) Company with silent partners shall be founded by an Agreement under which a **person** (the silent partner) shall **contribute or make monetary or non-monetary contribution** in an enterprise owned by another **person - entrepreneur**, and on the basis of the contribution, that person shall acquire the right to participate in the profit and **loss** of the **entrepreneur**.
(2) The contribution of the silent partner shall be included in the property of the entrepreneur.

Article 562 - Status of the Company

(1) Company with silent partners shall neither have the status of a legal entity nor a business name.
(2) Company with silent partners shall exist only with respect to the relations between **the** silent partner/member and the public partner/member, and not occur in the relations with third parties.
(3) Only the entrepreneur shall act in the legal affairs, manage the company with silent partners and be an exclusive holder of all rights and obligations arising from the operations of the company with silent partners.

Article 563 - Agreement for Regulation of the Relations

(1) The **partners/**members shall freely agree upon the objectives, the forms and the scope of interests and the terms and conditions for operation of the company with silent partner.
(2) When performing their duties, the entrepreneur and one or more silent partners, shall be obliged to act with the same **due care as the due care applied when performing** their own tasks. This shall not release them from the liability arising from gross negligence.

Article 564 - Contract on Regulation of the Relationships

(1) The relationship between the partners/members shall be regulated by a contract.
(2) The relationships between the entrepreneur and the silent partner not regulated by the contract referred to in paragraph (1) of this Article and by the provisions in this section of the Law shall be governed by the provisions of the Law on Obligations, which regulate the contract on partnership.

Article 565 - Contribution of a Silent Partner

If the contribution of the silent partner has been decreased due to losses of the company with silent partner, he shall neither be obliged to increase his contribution nor to supplement it.

Article 566 - Covering the Losses

(1) Unless otherwise agreed, the silent partner shall participate in covering the losses.
(2) The silent partner shall participate in covering the losses only to the extent of his paid-in/made contribution or still not made contribution.
(3) If the share of the silent partner in the profit and in the loss is not determined by a contract, in the event of a dispute, it shall be determined by the court in a non-contentious procedure.

Article 567 - Calculation of the Profit, or the Loss

(1) At the end of each business year, the entrepreneur shall calculate the profit, or the loss of the enterprise of the entrepreneur and shall pay to the silent partner his share of the profit.
(2) The silent partner shall not be obliged to return the received profit if further losses occur. As an exception, if the contribution is decreased due to a loss, the profit shall be used for covering the loss.
(3) The profit not being collected by the silent partner shall not increase his contribution.

Article 568 - Right to Transcript and make an Inspection of Books and Papers

(1) The silent partner shall be entitled to request transcript of the annual account statements of the company and to inspect their accuracy and regularity by comparing them to the company's books and papers.
(2) Upon request by the silent partner, the court shall, in a non-litigation procedure, at any time, **give an order for** the company's annual account statements and other explanations to be given to the silent partner, and the books and papers to be made available for inspection to the silent partner
(3) The rights of the silent partner referred to in paragraphs (1) and (2) of this Article may be neither be excluded nor limited by a contract.

Article 569 - Relationship with Third Parties

The name of the silent partner shall not **be included in** the business name of the entrepreneur, however if it is included, and the silent partner knew or should have known that, he shall be directly, jointly and severally liable together with the entrepreneur to the creditors for the obligations arising from the operations of the company.

Article 570 - Terms and Conditions for Termination

(1) Company with silent partners shall be terminated upon:
1) expiration of the time period for which it has been established;
2) the agreement with the silent partners;
3) achievement of the objectives for which the Agreement of company with a silent partner was concluded or if the achievement of those objectives becomes impossible, regardless if the Agreement was concluded for a limited or unlimited period of time;
4) death of the owner of the company, or termination of the owner of the company which is not a **natural** person, unless it is otherwise **provided in** the Agreement; or
5) initiation of a bankruptcy procedure over the company or over the silent partner.

(2) In the cases referred to in paragraph (1) of this Article, termination of a company with a silent partners shall occur pursuant to the Law, unless otherwise provided in the Company Agreement.
(3) **The company shall terminate to exist** upon a death of the silent partner, unless otherwise provided in the Agreement.

Article 571 - Regulation of Relationships When a Company Has Been Terminated for Reasons Other Than Bankruptcy

If a company with silent partner is terminated due to reasons other than initiation of a bankruptcy procedure over the enterprise of the entrepreneur, the entrepreneur shall be obliged to make calculation with the silent partner and pay his claim in cash, unless otherwise agreed.

Article 572 - Bankruptcy of the Entrepreneur

(1) If a bankruptcy procedure is initiated over the **enterprise of the entrepreneur**, the silent partner of the company shall be **obliged to pay in or enter** the part of the contribution that is due.
(2) If the part of the loss exceeds the part that belongs to the silent partner, the bankruptcy creditor may collect his claim from the contribution already made or, **upon initiation of a bankruptcy procedure, from the contribution due.**
(3) **The silent partner shall not be obliged to pay in or contribute in the bankruptcy assets the part of the contribution which is not due up to the initiation of the bankruptcy procedure over the company, regardless of the part of the loss that he should cover.**

Part Five - Foreign Company and Foreign Sole Proprietors

Article 573 - Definition

(1) A foreign company, pursuant to this Law, shall be any company established according to the law of the state where it has its registered office, outside of the territory of the Republic of Macedonia.
(2) A foreign sole proprietor, pursuant to this Law, shall be any **natural** person recognized as a sole proprietor outside the territory of the Republic of Macedonia, in the country of his citizenship where he has a registered office and conducts the operations of the **enterprise.**

Article 574 - Criteria for Attribution

(1) For the purposes of this Law, the trade company which has registered office , according to the Company Agreement or the Company Charter, outside the Republic of Macedonia, shall be attributed to the state in which its registered office is located.

(2) When the registered office of the company according to paragraph (1) of this Article is not located in the Republic of Macedonia, the company shall be considered as domestic when it is actually managed from **a location in** the Republic of Macedonia or when it is engaged in commercial activities, **fully or mostly,** carried out in the Republic of Macedonia.
(3) **The company whose registered office is not determined** by the Company Agreement or the Company Charter, shall be attributed to the state where the **place of** actual management is located.

Article 575 - Position Regarding the Operations

(1) Foreign companies and foreign sole proprietors shall operate according to the terms and conditions stipulated by a law and they shall have equal treatment in their operation with the domestic **natural persons and legal persons** on the territory of the Republic of Macedonia, unless otherwise stipulated by international agreement or by law regulating special types of companies and foreign sole proprietors with **specific subject of operation.**
(2) Foreign companies and foreign sole proprietors shall not operate on the territory of the Republic of Macedonia until they establish a branch office.

Article 567 - Rules for Related Companies

(1) The provisions that apply to companies that most closely resemble shall also apply to the foreign companies whose form is not regulated by this Law. The similarity shall be determined, in particular, according to the manner in which the members pay or make the contributions in the company, the manner and scope of responsibility of the members regarding the obligations, and according to the organization.
(2) If it is not possible to **classify** the foreign company under any type of company projected by this Law, the provisions governing the joint stock company shall apply accordingly.

Article 577 – Legal Status

(1) The legal and business capacity **(the legal status)** of a foreign company shall be determined according to the laws of the state to which the company belongs.
(2) The business capacity may not be greater, and the responsibility may not be lower than the one recognized, or imposed by the legal regulations of the Republic of Macedonia to the domestic companies from the same or similar type and subject of operations. Nor the foreign company may, in regard to the legal transactions concluded or which it **is** to perform in the Republic of Macedonia, refer to its incapacity if the domestic company, falling under the same or similar type and **subject** of operations, may not refer to such incapacity.

Article 578 - Application of the Law

(1) The foreign company shall operate in accordance with the laws of the Republic of Macedonia regarding its operations in the Republic of Macedonia.
(2) The foreign company, the branch office of which is registered in the Commercial Register of the Republic of Macedonia, shall be deemed, regarding the transactions it concluded or is to carry out in the Republic of Macedonia, to have the legal and business capacity of a domestic legal **person** of same or similar type and scope of operations, although, pursuant to the laws in the state to which it belongs, it would not have existed or would not have had such business capacity.

Article 579 - Representative Offices of Foreign Companies

(1) The foreign company shall also have a right to establish branch offices and representative offices as its own organizational units or otherwise to carry out certain operations and assume liabilities, and exercise the right to access the courts and other bodies in the Republic of Macedonia, under the terms and conditions **set forth** by the law.
(2) The foreign company shall have the responsibility to prove its legal existence and the scope of its legal capacity in case of suspicion or denial.

Section Two - BRANCH OFFICES AND REPRESENTATIVE OFFICES

Section one – General provisions

Article (580) - Branch Offices

(1) The foreign company shall have the right to carry out, through its branch office, and according to the type and the scope of operations, all activities, to acquire and assume liabilities, to exercise the right to access to the courts and other bodies in the Republic of Macedonia, under the terms and conditions as the domestic companies of same or similar type and scope of operations, unless otherwise stipulated by law.
(2) The foreign company, or the foreign sole proprietor may with a decision in written form, establish a branch office in the Republic of Macedonia only if it is entered in the register of the country in which it has its registered office.
(3) A foreign sole proprietor may establish only one branch office.

Article (581) - Several Branch Offices

(1) If a foreign company operating in the Republic of Macedonia establishes several branch offices, it shall indicate in the application form for registration in the Commercial Register the branch office that, with respect to the operations in the Republic of Macedonia, shall be deemed as the main branch office (the Macedonian central registered office). **Regarding the registration of a foreign branch office, the competent court shall be the one according to the location of the registered office. If several branch offices of same entity are registered, they shall be recorded at the branch office registered as the main branch office.**

(2) Other branch offices established by the foreign company in the Republic of Macedonia shall be deemed as branch offices of the main branch office.
(3) The business name of the branch office shall indicate which one is the main branch office, or it shall indicate the reference number of the other branch offices according to their order of registration.

Article (582) Entry in the Commercial Register

(1) A foreign company, or a foreign sole proprietor, shall report the establishment of its branch office for the purpose of entry in the Commercial Register at the competent court according to the location of the registered office of the branch office.
(2) The following shall be attached to the application form:
   1) an extract from the register where the founder is registered, indicating the contents and date of entry;
   2) a transcript of the Company Agreement or the Company Charter, **or other corresponding act to these acts pursuant to the legislation of the foreign country**, certified by an authorised state body according to the regulations in the state to which the company belongs, as well as a certificate issued by the foreign authorities verifying that the submitted Agreement **or** Charter, **or other corresponding act to these acts pursuant to the legislation of the foreign country**, is still in force. If, pursuant to the laws of the state to which the company belongs, no written agreement or charter is required, **or other corresponding act to these acts pursuant to the legislation of the foreign country**, a certificate shall be submitted that is issued by the competent diplomatic and consular representative office of the foreign country in the Republic of Macedonia, proving that the company exists, identifying its **shareholders, or** members and their liability for obligations;
   3) a list of the parties entrusted to represent the company in the Republic of Macedonia, indicating their full names, **unique registration number (EMBG), or the passport number for foreign natural persons and their** citizenship **and the place and address of residence**. Evidence shall also be enclosed with the list indicating that the parties are appropriately **appointed** in accordance with the company documents and the legal regulations of the state to which the company belongs;
   4) a resolution by the competent body of the company pertaining to the establishment of the branch office;
   5) a report on the solvency of the company, issued by the competent state body or authorised auditing company, according to the regulations in the state to which the company belongs;
   6) a description of the activities and the operations to be performed by the branch office, **and**
   7) **if pursuant to the law, it is stipulated that a licence, approval or other act shall be submitted, such evidence shall also be enclosed with that proof.**
(3) The founder shall not be permitted to operate through the branch office in the Republic of Macedonia prior to the entry of the branch office in the Commercial Register.

(4) The entry of other types of organizational units shall be carried out in the manner and under the terms and conditions stipulated in the act in Article **580**, paragraph (2) of this Law.

Article (583) - Acting in Legal Transactions

The branch office shall act **in the legal transaction** on behalf and for the account of the foreign company, or the foreign sole proprietor, and shall use its business name, its registered office and the name of the branch office.

Article (584) - Responsibility in the Legal Transactions

(1) The foreign company or the foreign sole proprietor shall be liable with its entire property for the liabilities incurred during the operation of the branch office.
(2) If the **foreign** company that has established the branch office is registered in the register of the state where it **has** its registered office for less than two years from the date of the submitted request for establishment of the branch office, until the expiration of two years from the date of its establishment, the founders of the foreign company, or the foreign sole proprietor, in addition to the liability referred to in paragraph (1), shall also be jointly and severally liable with their entire property for the liabilities incurred during the operations of the branch office.

Article (585) - Representatives

(1) The **foreign** company shall appoint one or more representatives for each branch office, which shall, with respect to that branch office, represent the operations of the company in the Republic of Macedonia. The foreign company may **appoint** the same representatives for several branch offices.
(2) Pursuant to this Law, the representative of the main branch office shall be representatives of the other branch offices even when other representatives are also appointed for the other branch offices.

Article (586) - Commercial Books

(1) The foreign company, according to its type and scope of operations, or the foreign sole proprietor, shall be obliged to keep commercial books for its operations in the Republic of Macedonia through the branch office.
(2) **The branch office of the foreign company shall** publish each year **the** annual account statement, **and the audit report, the notes in the court or in the appropriate register pertaining to the recorded data in the register, which were changed, on rehabilitation, bankruptcy or other notes being relevant for the financial position of the foreign company.**

Article (587) - Termination of a Branch Office

(1) The branch office of the foreign company, or of the foreign sole proprietor, shall be terminated when the foreign company is terminated **or** when the time period for which it was established expires.
(2) The **court**, upon **proposal by the party having legal interest,** may also decide to terminate the branch office of a foreign company if:
    1) it finds that the **foreign** company, or the foreign sole proprietor, has been terminated in the state to which it belongs, for any reason, or it has been prohibited to conduct the scope of operations it performs in the Republic of Macedonia **or the branch office has been prohibited to carry out the activity by the competent state body in the Republic of Macedonia**;
    2) The **foreign** company, or the foreign sole proprietor, fails to appoint representatives of its branch office(s) according to the legal regulations, the Company Agreement or the Company Charter or according to its license, within three months from the call of the court;
    3) The **foreign** company, or the foreign sole proprietor, has been under an obligation to invest funds, but has failed to do so, or it has completely or partially cancelled its investment; and
    4) The creditor proves that his claim arising from the operations of the **foreign** company, or the foreign sole proprietor, that has established the branch office in the Republic of Macedonia, may not be collected.
(3) If the main branch office is terminated, and the other branch offices continue with their operations, the **foreign** company shall designate a new main branch office, and shall report it for the purpose of entry in the Commercial Register.

Article (588) – Liquidation of a Branch Office

(1) If the **foreign** company, or the foreign sole proprietor, fails to appoint liquidators, the liquidation of the branch office shall be carried out by the representatives.
(2) The creditors, having claims against the **foreign** company arising from its operations through its terminated branch office, shall be entitle to pre-emption settlement of their claims in the liquidation proceedings with respect to the other creditors.
(3) The liquidation proceedings of the **branch office of the foreign company** shall not have to be carried out if, within six months following the termination of the **foreign** company, the branch office with its entire property in the Republic of Macedonia is transformed into a company of a type **stipulated** by this Law and with a registered office in the Republic of Macedonia, or if, within the same time period, it is assumed with its entire property by any legal entity or physical person in the Republic of Macedonia.

Article (589) - Liability for Damages

(1) The provisions in this Law referring to liability for damages that apply to the domestic companies according to their type shall also apply to the branch offices of the foreign companies, or the foreign sole proprietors. The representatives and the liquidators, with regard to the liability, shall have equal treatment with the members of the managing body, **or the manager** and with the liquidators.

(2) Provisions of this Law referring to the liability for damages of **the members** of **the managing body**, the manager, **or** the liquidator shall also apply to the representatives and the liquidators **of the branch office of the foreign company**.
(3) The parties who, as representatives, violate the provisions of this Law shall be jointly and severally liable for damages. The **foreign** company, or the **foreign** sole proprietor, shall also be jointly and severally liable.

Article (590) - Representative Office of a Foreign Company

(1) A foreign company entitled to carry out commercial activities pursuant to the national legislation may establish a commercial representative office in the Republic of Macedonia.
(2) The representative office shall not be a legal entity and shall not carry out commercial activities.
(3) The representative office referred to in paragraph (1) of this Article shall be registered at the Ministry of Economy.

Part Six - PENALTY PROVISIONS

Article (591)

(1) A fine for infringement amounting from 50,000 to 150,000 denars shall be imposed on a trade company if it:
1) commences its business operations prior to the entry in the Commercial Register (Article 63 and 64); and
2) fails to make available the information pursuant to article 8.
(2) In addition to the fine referred to in paragraph 1 of this Article, a company shall be prohibited from conducting its business activities for a period from **three months to one year**.

Article (592)

(1) A fine for infringement amounting from 80,000 to 240,000 denars shall be imposed on the limited liability company if:
1) the expenses and rewards for participation in the foundation of a company are not paid out of the profit, pursuant to Article 180, paragraph 3;
2) the company's assets required to preserve the core capital are paid to a member (Article 192, paragraph 2);
3) the list of parts is not maintained pursuant to Article 195, paragraphs 1 and 2;
4) the increase of the core capital is mentioned in the company's business announcements and regulations, prior to the publication of the decision in the Commercial Register (Article 257, paragraph 3);
5) it pays the members on the basis of a decrease in the core capital, prior to the entry of the amendments of the Company Agreement in the Commercial Register (Article 264, paragraph 2),

6) it commences to perform its activity prior to obtaining an approval from a competent state body for fulfilment of the prescribed conditions for performing that type of activity, if it is regulated by law (Article 63, paragraph 1);

7) does not execute the decision and does not register the entry in the list of parts on the basis of a court decision within three days as of the date of receipt of the resolution; and

8) if it does not submit the report from the performed audit, Article 229, paragraph 3;

(2) In addition to the fine referred to in paragraph 1 of this Article, a company may also be prohibited from conducting business operations for a period ranging **from three months to one year** regarding **item 6, paragraph 1 of this Article**.

(3) A fine for the infringement amounting from 10,000 to 50,000 denars, shall also be imposed to the responsible person in the company, **if**:

1) **does not submit the report from the performed audit by authorized auditors to the members' meeting (Article 229, paragraph 3);**
2) **does not prepare an annual account statement and an annual report on the company's operations from the previous business year or if they are prepared, but not submitted to the members' meeting after the end of the business year (Article 240, paragraph 2);**
3) **regularly and diligently maintain the list of parts and does not take care of the accuracy of the data entered in the list of parts (Article 195, paragraphs 1 and 3).**

Article (593)

(1) A fine amounting from 80,000 to 250,000 denars shall be imposed on a joint stock company for infringement if:
1) it guaranties or pays interest to the shareholders (Article 327, paragraph 2);
2) it fails to report the increase of the charter capital for the purpose of entry in the Commercial Register (Articles 430, 433, 435 and 439); and
3) it fails to report the decision for decrease of the charter capital, and the actual decrease of the charter capital, for the purpose of entry in the Commercial Register (Article 442 and 448).

(2) **A fine for infringement pertaining to paragraph 1 of this Article shall be imposed to the Central Depository, as well as to the responsible person from the Central Depository, if the shareholder is not provided an inspection in the shareholders list according to Article 283, paragraph 7.**

(3) A fine amounting from 10,000 to 50,000 denars shall also be imposed to the responsible person in the company, for the infringement referred to in paragraph 1 of this Article.

Article (594)

(1) A fine for infringement, amounting from 150,000 to 300,000 denars, shall be imposed on a trade company if it:

1) concludes contracts and performs other operations in trade of goods and services outside its scope of operations as registered in the Commercial Register (Article 64 paragraph 1);
2) fails to maintain **or improperly maintains** the commercial books pursuant to Articles 466 and 467;
3) fails to make an inventory pursuant to Article 468;
4) fails to keep commercial and other documents pursuant to Article 469 in an appropriate and correct manner, and
5) fails to prepare, publish and **deliver** the annual account statements and consolidated annual account statements in accordance with the provisions in Articles 471, 472 and 499.

(2) A fine amounting from 20,000 to 50,000 denars shall also be imposed to the responsible person in the company for the infringement referred to in paragraph 1 of this Article.

(3) The sole proprietor shall be fined with an amount from 60,000 to 100,000 denars for infringement related to the actions under paragraph 1 of this Article.

(4) In addition to the fine for the infringement referred to in paragraph 1 of this Article, the responsible person in the company shall be prohibited from performing the function for a period of three months to one year.

Article (595)

(1) A fine for infringement amounting from 80,000 to 250,000 denars shall be imposed on a company if:

1) the management board of the company is constituted contrary to the provisions of this Law;
2) has a supervisory board constituted contrary to the provisions of this Law;
3) it performs activities beyond its scope of operations entered in the Commercial Register (Article 64, paragraph 3);
4) in the course of its business operations, it fails to use its business name as it was entered in the Commercial Register (Article 52);
5) the old business name is used without an explicit approval given by the withdrawn shareholder or his successors (Article 54);
6) it fails to report the change of its registered office to the court that administers the Commercial Register where it was entered (Article 61); and
7) decreases the mandatory general reserve below the lowest prescribed amount and fails to use the general reserve for the prescribed purposes (Article 480).

(2) A fine amounting from 15,000 and 50,000 denars shall also be imposed to the responsible person in the company for the infringements referred to in paragraph 1 of this Article.

(3) In addition to the fine referred to in paragraph 1, item 5 of this Article, a company shall be prohibited from conducting certain business activity for a period of one to five years.

Article (596)

A fine for infringement, amounting from 80,000 to 250, 000 denars, shall be imposed to a trader (commercial entity) if it conducts business operations in the Republic of Macedonia without establishing a branch office (Article 580).

Article (597)

(1) A fine for infringement amounting from 10,000 to 40,000 denars shall be imposed to a sole proprietor if he:

1) registers more than one business name (Article 11, paragraph 4);
2) transfers the business name to a third party contrary to the provisions of this Law (Article 13, paragraph 2);
3) fails to report the termination of operation to the relevant public revenue office (Article 14, paragraph 1);
4) commences operations prior to the entry in the Commercial Register (Article 64).

(2) In addition to the fine for the infringement referred to in paragraph 1, item 4 of this Article, a sole proprietor shall be prohibited from conducting business activities for a period from six months to one year.

Article (715) (598)

(1) A fine for infringement amounting from 15,000 to 50,000 denars shall be imposed on a general partnership if it:

1) performs an activity **which as** a certain profession **may be performed by a person who has appropriate qualifications**, but does not have among its partners or employees persons with the appropriate qualifications (Article 113); and
2) deprives partners who are not managers of the rights referred to in Article 135.

(2) The responsible person in the General Partnership shall also be fined with an amount from 10,000 to 30,000 denars for the infringement referred to in paragraph 1 of this Article.

Article (599)

(1) A fine for infringement amounting from 15,000 to 50,000 denars shall be imposed on a company if it:

1) fails to keep a book of decisions and does not allow access to the book pursuant to Article 224, paragraphs 1 and 2;

(2) A fine amounting from 10,000 to 30,000 denars shall also be imposed on the responsible person in the company for the infringements referred to in paragraph 1 of this Article.

Section Seven - TRANSITIONAL AND FINAL PROVISIONS

Article (600) - Application of the Law

This Law shall apply to trade companies established, or in any other way created (accession, merger, or division) on the territory of the Republic of Macedonia, as of the day of its entry into force.

Article (601) - Procedures Initiated Prior to the Entry into Force of this Law

(1) The procedures for foundation, merger, division and transformation of companies which were initiated before this Law has entered into force, shall continue in accordance with the provisions of this Law.
(2) The procedures for entry in the Commercial Register, relating to companies that filed the application to the registration court before the date of application of this Law, shall be conducted according to the regulations that were in force at the time when the application for registration was submitted to the relevant court.

Article (602) - Uniqueness of the Commercial Register

(1) The unique register on the territory of the Republic of Macedonia shall be established not later than 31 December 2004.
(2) The recorded data maintained in the Commercial Register shall be transferred to the Basic Court Skopje I Skopje, the Basic Court Bitola, and the Basic Court Stip in electronic form to the unique Commercial Register on the territory of the Republic of Macedonia, not later than July 1st, 2005.
(3) Until the establishing of the unique register in electronic form the entry in the Commercial Register has legal action to third parties starting with the next day of the day of publishing the entry in the "Official Gazette of the Republic of Macedonia", unless it is otherwise stipulated with this or other law. Once the unique register in electronic form is established and available to the public, the entry in the Commercial Register shall have legal action to third parties starting from the day of entry in the Commercial Register.

Article (603) – Registration of Changes

Up to establishing the unique Commercial Register if

1) due to change of the registered office of the subject the court shall be also changed, and then the registration form for change of the registered office shall be submitted to the court competent for the new registered office. Upon receiving the registration file, the court shall enter the change of the registered office and notify the court wherein the subject was previously registered. Upon receiving the notification, the court shall immediately deliver the collection of documents to the new one;

2) the subject of entry was formed by merging of the subject of entry which was registered by another subject, or accession of a subject of an entry which was entered in

the Commercial Register by another court, the entry of the new subject, or the accession is done by the court according to the new registered office of the subject, or the court to which the subject accesses. A copy of the court decision shall be delivered to the court wherein the subjects were registered, so that the court shall ex officio record the entry of the new subjects. The court where the subject was previously entered shall delete the subject that is in accession, or merger; and

3) by division of one subject new subjects are established the registered office of which is under the jurisdiction of another court, the court wherein the subject in division was registered, shall make a decision for entry of founding of the new subjects. The court shall deliver a copy of the decision to the court of the registered office of the new subject. Once the court receives the notifications that all subjects are entered, on the basis of an already submitted registration form by the subject in division, it shall ex officio delete the subject in division and record the registration of the new subjects.

Article (604) – One Stop-Shop system

(1) Within 90 days from the date this law was adopted, the Minister of Economy shall adopt a by-law regulating the one stop-shop system.
(2) The one stop-shop system shall be established not later than 31.12.2004.

Article (605) - Continuation of Operations of the Existing Companies

(1) As of the date of application of this Law, the existing companies shall continue to operate in a manner and under the conditions according to which they have been registered in the Commercial Register.
(2) As of the date of application of this Law, Company Agreements and Charters that are not in compliance with the provisions of this Law shall not apply with regard to the parts that are not in compliance with the provisions of the Law.

Article (606) - Shares Providing Right to More Than One Vote

The issued shares providing more than one vote **owned by the Republic of Macedonia shall remain in its ownership according to the conditions under which they are issued. Once this Law takes effect these shares shall not be transferred to third parties.**

Article (607) - Harmonization with the Provisions of this Law

(1) Limited liability companies and joint stock companies owned by the state shall be obliged to harmonize their regulations with the provisions of this Law, not later than December 31, 2004.
(2) The companies referred to in paragraph 1 of this Article, which fail to act according to the provisions under paragraph 1 of this Article, shall be subject to a liquidation procedure and deleted from the Commercial Register. The court ex officio shall initiate

the liquidation procedure, and the liquidation shall be conducted according to the provisions of this Law.

Article (608) – Harmonization with the Provisions of this Law of Legal Entities Registered in the Commercial and Court Register

(1) Legal entities entered in the Court Register that on the date when this law takes effect did not harmonize according to the provisions of the Company Law ("Official Gazette of the Republic of Macedonia", no. 28/96, 7/97, 21/98, 37/98, 63/98, 39/99, 81/99, 37/2000, 31/2001, 50/2001, 6/2002, 61/2002, 4/2003 and _/2003) shall be deleted from the Court Register in the manner and according to the terms stipulated in this Article, if within 6 months of the day of the enforcement of this law are not harmonized with this law. The deletion of these legal entities shall be ex officio performed by the court.
(2) The companies and the sole proprietors whose accounts are blocked and transferred to the Agency for blocked accounts shall be deleted from the Commercial Register in the manner and according to the terms stipulated in this Article, if they are not in compliance with this law within 6 months as of the date of entering into force of this law.
(3) The court shall announce ex officio the legal entities pertaining to paragraph 1 of this Article and the companies and sole proprietors pertaining to paragraph 2 of this Article in the "Official Gazette of the Republic of Macedonia" and shall announce notice to their creditors to report their claims.
(4) If within 60 days as of the date of announcement the claims the creditors are not reported, the court shall ex officio delete from the Court, or Commercial Register the legal entities pertaining to paragraph 1 of this Article and the companies and sole proprietors pertaining to paragraph 2 of this Article.
(5) If within the term pertaining to paragraph 4 of this Article a claim of a creditor, or creditors has been reported, the court shall ex officio start a liquidation procedure in accordance with this law, or bankruptcy procedure in accordance with the Law on Bankruptcy. The expenses for executing the liquidation or bankruptcy shall be covered by the legal entity, or the company. If their assets cannot provide for the necessary means for compensation of expenses, their founders, or members or shareholders shall personally, jointly and without limitation of all their assets compensate the difference of means for covering the expenses.

Article (609) - Adoption of By-Laws

By-Laws, anticipated with this Law, shall be adopted within 60 days from the date when this Law enters into force.

Article (610) - Cessation of the Validity of the Company Law

The Company Law ("Official Gazette of the Republic of Macedonia"58/2002) shall cease to be valid from the date of application of this Law.

Article (611) - Entry into Force of this Law

This Law shall enter into force 15 days after the date of its publication in the "Official Gazette of the Republic of Macedonia", and shall apply as of May 1, 2004.