

LAW ON TRADE COMPANIES

CONSOLIDATED TEXT ¹

Macedonian

text

 Закон за
трговските друштва

PART ONE

GENERAL PROVISIONS

Subject of regulation

Article 1

This Law shall regulate: the commercial entity (according to the activity, form, nature and scope of activity, entry); the sole-proprietor; the basic capital; the shares and the stocks, the articles of association, that is, the company's statute, the pre-incorporated company, the duration of the company; the capacity of a legal entity of the company (legal subjectivity); the subsidiaries; the liability regarding the company's obligations; the separate liability of the members/partners, that is the stockholders; the persons that can, that is the person that cannot establish a company; the requirements under which a foreign person can be a member/partner, that is a stockholder; the rights of the foreign persons; company's nullity; the contributions (monetary and non-monetary); the prohibition from exemption of the payment liability, that is contribution introduction; the participation in the profit; the right of the member/partner, that is the stockholder to be informed; the legal regime of the company's assets; protection of the rights of the members/partners, that is the stockholders before the court; assessment of the legality; the marks of the trade company (the business name, the head office, the subject of the activity); the representation (legally authorized representative, representative by a letter of attorney and attorney-in-fact by employment); the commercial representative; the salesperson; the trade register; the registrations in the trade register and their publication; the requirements for establishment, management, supervision; the reduction and the increase of the basic capital; the relations among the members/partners, that is the stockholders; and other issues being of importance for different forms of trade companies- general partnership, limited partnership, limited liability company, joint stock company and limited partnership with stocks, the great transactions and the transactions of the company with the interested party, the trade books; the annual accounts and the financial reports and their audit; the dividend; the participation in other trade companies (joint companies); the consolidated annual accounts and the consolidated financial reports; the transformation of the company from one form to another company form; the acquisition, the merger and the division of companies; liquidation of the company; the economic interest group; the secret partnership; the

foreign trade company and the foreign sole proprietor; the subsidiaries of the foreign company, that is the sole proprietor and the representative offices of the foreign companies; the control and the supervision; the penal provisions as well as the transitional period regarding the application of this Law.

Application of the law

Article 2

This Law shall apply to the sole proprietor, the trade company, the economic interest group, and the subsidiary organized by a foreign trade company, that is, a foreign sole proprietor, entered in the trade register, as well as the secret partnership.

Meaning of the used terms

Article 3

(1) The terms used in this Law shall have the following meaning:

1) "Stockholder" is an owner of one or more stocks not liable for the obligations of the joint stock company and the limited partnership with stocks;

2) "Stock" is a security (that can be issued by the joint stock company and the limited partnership with stocks) wherein a part of the basic capital is presented, embodying the rights of the stockholder who, as an owner of the stocks, is neither a company's creditor nor an owner of a part of the company's assets;

3) "Acts and documents available to the public" are the acts and documents that in an appropriate manner are made available by the trade company to the members/partners, that is the stockholders, the interested parties and the general public;

4) "Contribution in the company" are cash, things, rights, that the member/partner, that is, the stockholder entrusts or transfers to the trade company during the incorporation procedure or in the procedure for increase of the basic capital, that is, labor and services provided when so permitted by this Law and a loan, that is, additional payment that, in accordance with the provisions of this Law, are transformed in contribution;

4-a) "Loan that is transformed in company's contribution in the procedure for increase of the company's basic capital" is a loan granted solely by the member/partner, that is, by the sole stockholder of the company which is in its full ownership;

5) "Prudence of a meticulous and conscientious commercial entity" is a legal standard aimed at determining the liability of the persons responsible for management and supervision of the companies, by which the prudence of the persons performing the entrusted tasks in the companies is determined, that is that they should act with a prudence of a skillful and (in the company's operation) competent person (professional), wherefore they are responsible for the ordinary negligence during the performance of the entrusted activities, unless another law specifies that they are liable only for gross negligence;

6) "Voting group" is a group of stockholders-owners of a class of stocks, having the right, for the purpose of protection of the special interests, to adopt separate decisions on a separate assembly or within the frames of the general assembly;

7) "Capital" is the remainder of the participation in the ownership of the company's assets upon exempting all company's liabilities, whose main components are the basic capital, the amount paid in over the nominal amount, that is the premium of the stocks, the re-valorized and other reserves and the accumulated profit;

8) "Record date" is the date by which the identity of members/partners, that is shareholders is determined and their rights arising from the share, that is the stock (notification, voting and distribution right) and other rights provided that it is determined by law, the articles of association, that is, the statute;

9) "Other acts of the company" are the general acts adopted by the joint stock company and the limited liability company, which in a general manner regulate the relations in the company not regulated by the articles of association, that is, the statute, and which have to be in accordance with them (rulebook, decisions, rules of procedures and others);

10) "Dividend" is a part of the company's profit distributed among the members/ partners, that is the stockholders in accordance with the rights determined in the shares, that is in each type and class of stocks;

11) "Articles of association" is a document based on which the general partnership, limited partnership, limited liability company and limited partnership with stocks are incorporated, that at same time is a basic general act regulating the relationships, organization and functioning of these companies upon their incorporation, adopted with consent of all founders, and amended by the majority determined by this Law, that is, the articles of association;

12) "Contract regulating the relations between the company and the executive member of the board of directors, the member of the management board, that is, the manager" is a contract regulating the mutual rights and obligations between the company and the executive member of the board of directors, the member of the management board, that is, the manager;

13) "Contract regulating the relations with a managerial person" is a contract regulating the mutual rights and responsibilities between the company, represented by the management body and the managerial person;

14) Deleted ²

15) "Emission value of the stock" is the value during stock issuance, composed of the nominal value of the stock, increased by the issuance premium, provided that the premium is anticipated, wherefore the amount of the premium is not consisted in the nominal amount of the basic capital;

16) "Legally authorized representative" is an executive member of the board of directors, member of the management board, that is, the manager who in accordance with this Law represents the company;

17) "Statement verified by a notary" is a statement wherein the signature is verified by a notary;

18) "Appraisal report" is a written report wherein an authorized appraiser by using appropriate approaches and methods in accordance with the international appraisal standards, appraised the value of things and rights (non-monetary contribution), and in other cases determined by this Law;

19) "Executive member of the board of directors" is a natural person member of the board of directors to whom the board of the directors entrusted the everyday management of the company;

20) "Statement of establishment" is an act by which a single-member limited liability company is established, and which is equal to the articles of association according to its legal validity;

21) "Company's asset" is the entirety of rights, ownership and other real rights, acquires by the company over the assets (cash, things and rights) that members/partners, that is stockholders contributed in the company or which the company acquired during its operations;

22) "Convertible bonds" are types of bonds that can be converted into stocks of the company- bonds issuer, during a time period of a particular option, within the frame of the procedure for conditional increase of the basic capital;

23) "Person" is any natural person and legal entity, unless specified that it is a natural person or a legal entity;

24) "Place of residence" is the place with the address (street and number) of residence of the natural person, as well as the country provided that the natural person is a foreigner;

25) "Independent non-executive member of the board of directors, that is the supervisory board" is a natural person who, that is whose close family member: (1) in the last five years has not had any material interest or a business relation directly with the company as a business partner, as a member of the management body, as a member of a supervisory body or as an managerial person;(2) in the last five years has not received or does not receive additional incomes except the company's salary; (3) does not have close family relationship with some of the members of the management body, the supervisory board or the company's managerial persons and (4) is not a stockholder owning more than one tenth of the company's stocks or does not represent a stockholder owning more than one tenth of company's stocks;

26) "Non-executive member of the board of directors", as a rule is a natural person, member of the board of directors without an executive function in the company and whose authorizations refer primarily to the general management and supervision over the management of the company;

27) "Non-monetary contribution" is a sum of things (movable and immovable) and rights that, members/partners, that is stockholders contribute in the company;

28) "Decision-making by means of correspondence" is a form by means of which members/partners express their opinion, that is adopt decisions on issues determined by the articles of association without convening the members'/partners' meeting;

29) "Authorized auditor" is the person performing an audit as an authorized auditor in accordance with the Audit Law;

30) "Authorized appraiser" is the person performing an appraisal as an authorized appraiser and is registered in the register of authorized appraisers, established on the basis of a law;

31) "Approved capital" is the amount determined in the statute of the joint stock company, up to which the basic capital can be increased with a decision of the management body by issuing new stocks on the basis of contributions in the company;

32) "Approval from a competent body" is a license, consent, decision or any other act from a competent state body or other authorized body, unless this Law does not name the act of the state or the other authorized body;

33) "Responsible person" in a general partnership is the partner, authorized to manage and represent the company, provided that the management is not entrusted to a third party (manager); in a limited partnership and a limited partnership with stocks it is the limited member, provided that the management is not entrusted to a third party (manager); in a limited liability company - a manager, that is, managers, a member of the supervisory board, that is, the controller, and in a joint-stock company - a member of the management body, that is, a member of the supervisory board and the managerial persons in the trade companies;

34) "Management body" is the body of the joint stock company entrusted to manage the company as a board of directors in the one-tier system of management, management board or a manager in the two-tier system of management, that is, a manager, that is, managers, or the body in which they are organized as limited partnership, limited partnership with stocks and a limited liability company;

35) "Supervisory body" is the body of the limited liability company, that is in the joint-stock company (supervisory body or controller) whose authorizations are connected with the supervision over the company's operations, particularly over the operation of the management bodies;

36) "Basic capital" is the total sum of all contributions of the members/partners, that is the stockholders, wherefore the amount of the basic capital is equal to the sum of the nominal value of all contributions, that is the nominal amount of all stocks in the company;

37) "Founder of a trade company" is any person who, for the purpose of incorporating a trade company, has signed articles of association, statute, that is, statement of establishment of a single-member limited liability company;

38) "Monetary contribution" is amount of money, expressed in domestic or foreign currency invested in the company by the member/partner, that is stockholder;

39) "Market value of a stock" is the value of the stock formed in an organized (institutionalized) securities market;

40) "Enterprise" is a designated sum of rights, things and the factual relations having a property value belonging to the commercial activity of the commercial entity, whereby these elements make the asset of the commercial entity, also comprising its liabilities. The enterprise shall be a comprehensive and independent legal object that can participate in the trade affairs;

41) "Scope of operation" is the activity, that is, the activities determined by the articles of association, the statute, that is, the statement for establishment of a single-member limited liability company, classified according to the activities determined in the National Classification of Activities;

42) "Voting stocks represented at the assembly" are those voting stocks, whose owners personally or represented by a representative attend the convened meeting;

43) "Procurator" is a natural person authorized by the commercial entity to manage his/her enterprise for remuneration, and by doing so, to perform all activities and transactions connected with the performance of the company's activities, without the right to alienate and encumber the real estate of the commercial entity, unless he/she has an authorization thereof;

44) "Acquired own stocks" are stocks issued by the joint stock company acquired on different grounds whereby the rights attached to those stocks are in abeyance.

45) "Head office of the company" is the place, including the address (street and number), stated in the articles of association, the statute, that is, the statement of establishment of a single-member limited liability company and entered in the trade register;

46) "Company's statute" is an act by which a joint stock company is incorporated, and at the same time it is a basic general act regulating the relations, organization and operation of the company and is adopted with consent of all founders, and amended with the majority determined by this Law, that is, the company's statute (hereinafter: statute);

47) "Statutory amendments" are the accession, merger and division of the trade companies in the manner and under the conditions determined by this Law;

48) "Trade register" is a basic register in which entries determined by this Law are done, and

49) "Share in the company" is the sum of the rights and liabilities acquired by the member/partner on the basis of the contribution in the basic capital of the general partnership, limited partnership and limited liability company, wherefore, each member/partner has one share that cannot be presented as a security.

(2) In this Law, the use of singular shall also include plural, and plural can also refer to singular, except when the words "only" or "except" exclude the plural or singular.

PART TWO

COMMERCIAL ENTITY

Commercial entity according to the activity

Article 4

(1) Commercial entity, in terms of this Law shall be any person that independently and permanently as an occupation performs commercial activity in order to gain profit by production, trade and providing services

on the market, by means of:

- 1) purchase of movable things, with the aim of selling them in original, refined or processed form;
- 2) sale of movable things in a refined or processed form from his/her own production;
- 3) trading with securities and funds management;
- 4) banking, exchange and other financial activities;
- 5) insurance activities;
- 6) transport of persons and goods;
- 7) commission-based activities, freight-forwarding services, storage services and leasing;
- 8) trade representation and mediation;
- 9) hospitality-tourism activity, information activity, marketing and other intellectual activities;
- 10) production of movies, videocassettes, audio-visual entry, software, as well as other similar activities;
- 11) publishing and printing activity and other activities connected with trading of books and artistic creations, and
- 12) purchase, construction and decoration of an immovable thing with the aim of sale and rent.

(2) The activities performed by the commercial entity in accordance with paragraph (1) of this Article shall be classified in accordance with the activities determined in the National Classification of Activities.

Commercial entity according to the form

Article 5

The trade companies determined by this Law shall be commercial entities according to the form.

Commercial entity according to the nature and scope of activity

Article 6

(1) A commercial entity, in terms of this Law, shall be any person who as an occupation, operates an enterprise which according to the the nature and scope of the activity has to be organized and operated in a manner in which the trade activities although not determined in Article 2 of this Law are being operated, provided that the business name has been entered in the trade register.

(2) The provisions referred to in paragraph (1) of this Article shall be also applied in the field of agriculture and forestry only with regard to the enterprises for refining or processing of one's own agricultural and forestry products.

Commercial entity according to the entry

Article 7

Provided that a business name is entered in the trade register, it cannot be claimed that the enterprise being operated under that business name is non-commercial.

Natural persons not being considered as commercial entities

Article 8

(1) In terms of this Law, the following entities shall not be considered as commercial entities:

- 1) natural persons performing an agricultural or forestry activity (individual farmers), unless their activity can be operated as an enterprise, in terms of Article 4 paragraph (1) of this Law;
- 2) craftsmen and natural persons performing services, unless their activity can be determined as an enterprise in accordance with Article 4 paragraph (1) of this Law, and
- 3) natural persons performing hospitality services by renting rooms in their place of residence.

(2) The natural persons engaged in freelance professions (attorney of law, notaries, doctors and others), shall not be considered as commercial entities in terms of this Law.

Application of the provisions for commercial entity to persons

Article 9

The provisions of this Law regarding the obligations of the commercial entity shall be applied to the person performing trade activity even though, in accordance with the regulations for its performance, are not being allowed to perform or do not meet the determined requirements regarding its performance.

Available data about the commercial entity

Article 10

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

- 1) the business name;
- 2) the head office;
- 3) the personal identification number of the entity (commercial entity) entered in the trade register, that is the identification number of the foreign person that organized the subsidiary (hereinafter: PINE)
- 4) telephone number, fax, and e-mail address for the purpose of quick and efficient communication, and
- 5) in cases when the commercial entity is performing the activity on the basis of an approval, a license and alike, the data on the body, that is the institution that issued the approval or license; and if a separate register is being kept the number of the register; education data, that is the qualification of the persons performing the activity (if the performance of the activity is condition by acquiring appropriate education, that is an appropriate qualification); data on the professional rules regarding the performance of the respective activity and the access means thereof.

Small- scope commercial activity

Article 11

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PART THREE

SOLE PROPRIETOR

Definition

Article 12

(1) The sole proprietor shall be a natural person, who as a profession performs some of the trade activities determined by this Law.

(2) The sole proprietor shall be personally and unlimitedly liable for his/her liabilities with his/her entire assets.

(3) Any natural person with the capacity to contract, having a permanent residence in the Republic of Macedonia can be registered as a sole proprietor in the trade register.

(4) The status of a sole-proprietor shall be acquired with the registration in the trade register.

(5) The provisions of this Law referring to the trade company, shall be appropriately applied to the sole proprietor, unless otherwise determined by this Law.

Limitations

Article 13

A natural person cannot be registered as a sole proprietor, if:

- 1) a bankruptcy procedure has been initiated against him/her;
- 2) by a legally valid court decision it is determined that he/she has intentionally caused bankruptcy, due to which the creditors were not able to collect their claims, until the prohibition for the performance of the activity determined with the court's decisions lasts, and
- 3) a competent body, based on law, prohibited to perform some of the activities determined by this Law, until the prohibition is in force.

Entry in the trade register

Article 14

(1) The sole proprietor shall be registered in the trade register in the Central Register of the Republic of Macedonia. In the registration application the following shall be stated:

- 1) the name and surname, the personal identification number of the citizens (hereinafter: PIN) and place of residence;
- 2) the business name under which the activity is to be performed;
- 3) the head office wherefrom the activity is to be performed, and
- 4) the subject of the activity.

(2) The application for registration of a sole proprietor in the trade register shall be submitted in an electronic form signed with an electronic signature in accordance with the E-registration System by a natural person requiring to be registered as a sole proprietor or by his/her representative with a

special letter of attorney containing the data to be entered in the trade register or through a registration agent.

(3) A verified, electronic signature of the sole proprietor in accordance with the Law on Data in Electronic Form and Electronic Signature shall be attached to the registration application.

(4) A natural person registered as a sole proprietor cannot, at the same time, on any ground, be registered as a sole proprietor under a different business name.

Business name

Article 15

The business name of a sole proprietor shall include his/her personal name, the father's name and surname, as well as the abbreviation "TP".

Transfer of a business name

Article 16

(1) The business name of a sole proprietor can be transferred to a third party only with his/her enterprise. The personal name, the father's name and surname of the new sole proprietor shall be added to the transferred business name.

(2) The sole-proprietor shall publish his/her intention to transfer the business name to another person in at least one daily newspaper and in the business premises. Provided that in a time period of 30 days as of day of publication of the intention to transfer the business name, none of the creditors with a submission to the court objects the transfer of the business name, it shall be considered that the creditors have agreed with the transfer. The submission objecting the business name transfer, shall be also submitted by the creditor to the sole proprietor.

(3) The person taking over the business name of the sole proprietor, besides his/her personal name, the father's name and surname, can keep in the business name the personal name and surname of the previous owner, as well as one of the business name marks, provided that it is approved by the former owner or his/her legal inheritors.

(4) The transfer of the business name shall be recorded in the trade register.

(5) The following shall be enclosed together with the registration application for transfer of the business name:

- 1) contract for transfer of the business name verified by a notary, and
- 2) proof that all creditors have agreed on the transfer of the business name, unless if in the time period referred to in paragraph (2) of this Article none of the creditors filed a submission before the court objecting the transfer of the business name.

Termination of the operation

Article 17

(1) A sole proprietor shall report the termination of the operation to the body competent for public revenue.

(2) The sole proprietor shall announce the termination of operations and state the day of termination of the operation, in at least one daily newspaper and in the business premises, at least three months prior to reporting the termination of the operation at the body referred to in paragraph (1) of this Article. The sole proprietor shall individually in writing notify the known creditors.

(3) The provision referred to in paragraph (2) of this Article shall also apply in the cases when the sole proprietor intends to sell the enterprise or invest it in a company.

Application for deletion of the entry

Article 18

(1) The termination of a sole proprietor shall be entered in the trade register.

(2) The sole proprietor shall submit an application for deletion of the entry of the sole proprietor in the trade register. The following shall be enclosed together with the application for deletion of the entry:

- 1) statement for termination of the sole proprietor;
- 2) proof that the bank account of the sole proprietor has been closed, and
- 3) *abolished* ⁴

(3) The status of a sole proprietor shall terminate with the deletion of the entry of the sole proprietor from the trade register.

Article 18-a

(1) The submission of the registration application referred to in Article 14 paragraph (1), the enclosures referred to Articles 14 paragraph (3), 16 paragraph (5) and 18 paragraph (2), the registration application for transfer of the business name referred to in Article 16 paragraph (5) and the application for deletion of the entry referred to in Article 18 paragraph (2) of this Law shall be made through the e-registration system, personally, or through the registration agent pursuant to the Law on One-Stop-Shop System and Keeping a Trade Register of other Legal Entities.

(2) The contract for transfer of the business name referred to in Article 16 paragraph (5) point 1 of this Law shall not be verified by a notary if it is submitted via the E-registration System and it is signed with an electronic signature of the contracting parties or if it is submitted via the registration agent, verified by the electronic signature of the registration agent ⁵

PART FOUR

JOINT PROVISIONS FOR THE TRADE COMPANIES, REPRESENTATION, TRADE REGISTER AND ENTRY PROCEDURE

CHAPTER ONE

JOINT PROVISIONS FOR THE TRADE COMPANIES

Definition

Article 19

(1) The trade company shall be a legal entity wherein one or more persons have invested cash, things or rights in assets used for joint operation and who jointly share the profit or loss arising from the operation.

(2) The trade company shall independently and permanently perform an activity, in order to gain profit.

Types of trade companies

Article 20

(1) A trade company, in accordance with the type, regardless of whether it performs a trade or some other activity, shall be:

- 1) the general partnership;
- 2) the limited partnership;
- 3) the limited liability company;
- 4) the joint-stock company, and
- 5) the limited partnership with stocks.

(2) A trade company can be incorporated only in a form and manner determined by this Law.

(3) The founder shall freely choose the type of trade company, unless otherwise determined by law.

Basic capital, shares and stocks, members/partners and stockholders

Article 21

(1) The asset created by making contributions in the trade company shall be expressed in cash and shall represent the basic capital of the company. The basic capital of the trade company shall be expressed in Denars or a foreign currency and shall be mandatorily stated in the memorandum.

(2) The rights and liabilities acquired by the member/partner on the basis of his/her contribution to the basic capital shall be considered as his/her share in the company (hereinafter: share).

(3) The rights and liabilities acquired by the stockholder on the basis of his/her contribution to the basic capital of the joint stock company, that is the limited partnership with stocks shall be his/her share in the company for which he/she acquires stocks (hereinafter: stocks).

(4) The persons contributing to the general partnership, the limited partnership, the limited liability company and the partners in the limited partnership with stocks shall be members/partners of the company (hereinafter: members/partners).

(5) The persons contributing to the joint stock company and the partners in the limited partnership with stocks shall be stockholders of the company (hereinafter: stockholders).

Articles of association, that is, statute of the company

Article 22

- (1) The trade company shall have articles of association, that is, a statute of the company (hereinafter: statute).
- (2) The articles of association shall be concluded, that is, the statute shall be adopted in a written form. The amendments of the articles of association, that is, the statute shall be conducted in a written form.
- (3) The content of the articles of association, that is, the statute shall be determined by the founders in accordance with this Law.
- (4) The amendments of the articles of association, that is, the statute containing data entered in the trade register, shall be mandatorily published. Upon each amendment, a consolidated text of the articles of association, that is, the statute shall be prepared wherein the amendments made shall be entered. A copy of the consolidated text shall be submitted to the Central Register of the Republic of Macedonia where the trade register is kept. If there is a need of a consent by a competent body determined by law for the amendment made in the articles of association, that is, the statute or some of their provisions, the consent shall be enclosed together with the application.
- (5) For the purpose of preparing for the incorporation of a trade company, the founders can conclude an agreement regarding the activities needed to be undertaken prior to the incorporation. The parties shall be held responsible for the caused damage arising from non fulfillment of the obligations undertaken by the agreement, unless otherwise agreed.

Pre-incorporated company

Article 23

- (1) The pre-incorporated company shall be established by concluding the articles of association, that is, by the adoption of the statute and by undertaking the contributions whose total value cannot be less than the minimal amount of the basic capital for the respective trade company, determined by this Law.
- (2) The concluded articles of association, that is, the adopted statute shall be applied on the legal relations between the founders, before the entry of the trade company in the trade register. The provisions of the Law on Obligations regulating the partnership agreement (the agreement for joint action) shall be applied on the legal relation between the founders not regulated by this Law and the articles of association, that is, the statute.
- (3) The rights acquired in the name of the trade company, prior to the entry in the trade register shall be joint undivided asset of the founders, unless otherwise agreed by the founders. For the liabilities undertaken in the name of the company before its entry in the trade register (pre-incorporated company) the person that assumed the liabilities in the name of the pre-incorporated company shall be held liable, and if the obligations are undertaken by more persons, they shall be liable jointly and severally, with their entire asset.
- (4) If upon the entry in the trade register, the trade company assumes the liabilities thus becoming a debtor, such acquisition of debt shall not require consent of the creditor, provided that the liabilities are assumed within a time period of three months as of the entry of the company in the trade register and if the company or the debtor within this time period inform the creditor thereto.

(5) If the liabilities assumed in the name of the trade company prior to its entry in the trade register exceed the basic capital determined in the articles of association, that is, the statute, the founders shall be obliged to pay the difference.

(6) With the entry of the trade company in the trade register, the pre-incorporated company shall cease to exist. Upon the recording in the trade register, the rights and the liabilities arising from the pre-incorporated company shall be rights and liabilities of the trade company.

Duration of the company

Article 24

(1) The trade company shall be incorporated for an indefinite period of time or a definite period of time.

(2) If the articles of association, that is, the statute does not specify the duration of the trade company, it shall be considered that the company is incorporated for an indefinite period of time.

The company as a legal entity

Article 25

(1) The trade company as a legal entity can acquire rights and assume liabilities, acquire ownership and other real rights, conclude contracts and other legal activities, to sue and be sued before a court, arbitration or other elected court and participate in other procedures.

(2) The trade company shall acquire the status of a legal entity with the entry in the trade register.

(3) The trade company's status as a legal entity shall cease to exist upon the deletion of the entry from the trade register.

Subsidiary

Article 26

(1) The trade company can carry out activities and operations within the scope of operation of the company out of its head office, through one or more subsidiaries.

(2) The subsidiary shall be established by a decision adopted by the competent body of the trade company in accordance with the articles of association, that is, the statute.

(3) The decision for establishment of a subsidiary shall contain the business name and head office of the founder, the scope of operations of the trade company and the subsidiary, the main activity in accordance with the National Classification of the Activities and the persons in the subsidiary- authorized to represent the company. The subsidiary can carry out all activities within the scope of operation of the company.

(4) The subsidiary shall not have a status of a legal entity. The trade company shall acquire the rights and obligations arising from the operation of the subsidiary.

(5) The subsidiary shall operate under the business name of the trade company which formed the subsidiary, wherein the head office and the word "subsidiary" shall be mandatorily indicated. The subsidiary can add its own name to the business name of the company.

(6) The subsidiary shall terminate if the competent body of the trade company that establish it adopts a decision on termination of the subsidiary or if the trade company ceases to exist.

(7) The establishment and the deletion of the subsidiary shall be recorded in the entry file wherein the trade company is entered. The entry shall be published in the same manner as the entries in the trade register.

Liability for the obligations

Article 27

(1) The trade company shall be liable for its obligations with its full asset.

(2) The partners in the general partnership and partners in limited partnership and in limited partnership with stocks shall be liable for the company's obligations unlimitedly and jointly and severely with their entire assets.

(3) The members in the limited liability company and the stockholders in a joint-stock company as well as the partners in a limited partnership and the limited partnership with stocks shall not be liable for the obligations of the company, unless otherwise determined by this Law.

Separate liability of the members/partners, that is stockholders

Article 28

(1) The members/partners, that is stockholders of the trade company shall be unlimitedly and jointly liable for the company's obligations in the cases, if:

- 1) they have abused the company as a legal entity in order to achieve aims which to them as individuals, are prohibited;
- 2) they have abused the company as a legal entity in order to cause damage to their creditors;
- 3) contrary to law, they have disposed the company's asset as if it was their own property, or
- 4) they have decreased the company's asset for 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 appropriately apply to the liability of the secret partner. ⁶

Persons who can, that is persons who cannot incorporate a company

Article 29

(1) A domestic or foreign natural persons and legal entities can incorporate a trade company.

(2) A trade company cannot be incorporated by:

- 1) trade companies whose account with an entity responsible for payment operations is blocked and the persons who are members of the management body, the supervisory body, that is, are managers of those companies, until the company's account is blocked or up until a liquidation or bankruptcy procedure is initiated;
- 2) companies against which a bankruptcy procedure has been initiated, for the period of the procedure;
- 3) persons who members of the management body, the supervisory body, that is, the managers of trade companies to whom, in a procedure prescribed by law, a prohibition on exercising profession, business or office has been prescribed, until the prohibition is valid,
- 4) a person being a member in a limited liability company (DOO) or in limited liability established by one person (DOOEL) whose account is blocked up until the blockage of the company's account is valid or up until a liquidation or bankruptcy procedure is initiated, and
- 5) members/partners, managers, and members of the management body and the supervisory body of the companies for which, in accordance with Article 552-b of this Law, a procedure for deletion is initiated, during the duration of that procedure and in the period of three years as of the day of publication of the deletion of the company on the website of the Central Register, except the founders, that is, members/partners that are international financial organizations where the Republic of Macedonia is a member and whose participation in the basic capital is under 50%
- 5) persons for whom with a legally valid decision of the court it is determined that have committed a crime act, false bankruptcy, causing bankruptcy by unscrupulous operation, malpractice of the bankruptcy procedure, damaging or creditors preference, and have been prohibited from performing a profession, activity or duty, until the legal consequences of the prohibition are valid. ⁷

(3) Any person can be a founder of several companies, unless prohibited by this Law.

(4) Natural persons not having the capacity to contract cannot be founders of a general partnership, that is founders as partners of a limited partnership or a limited partnership with stocks.

(5) A natural person can at the same time be a partner with unlimited liability only in one company. General partnership, limited partnership or limited partnership with stocks cannot be a partner with unlimited liability in another company of that type.

(6) Together with the application for incorporation of a company in the trade register, the founders shall submit a personal statement in an electronic form via the one-stop-shop system that any of the limitations referred to in this Article or other limitation prescribed by this and other law do not exist, with the purpose of incorporation of a company.

Persons who cannot manage and persons who are impeded or have stopped performing their duties in the management body of the trade companies

Article 29-a

(1) The persons referred to in Article 29 paragraph (2) points 1 and 3 of this Law cannot be managers, members of a management body and supervisory body of a trade company as long as these limitations exist, and the persons referred to in point 5 of this paragraph, as of the day of

initiation of the procedure for deletion and within a period of three years as of the day of publication of the deletion of the company on the website of the Central Register.

(2) The persons who have been prevented or stopped performing their duties in the management body of the trade companies are the persons, who due to any reason, have been impeded or have stopped performing their duties during the term of office in the management body, continuously for a time period not longer than 30 days.

(3) The persons referred to in paragraph (2) of this Law, shall be obliged to immediately after the occurrence of the cause for impediment or termination appoint a representative in accordance with Article 66 paragraph (2) of this Law or notify the appointment body to appoint a person to temporary perform the duties referred to in paragraph (2) of this Article. The decision regarding the appointment of a person to temporary perform the duties shall be submitted to the trade register.

(4) In case, when in the company a person who temporary performs the duties referred to in paragraph (2) of this Article, in a manner referred to in paragraph (3) of this Article or in a manner determined for some of the separate types of trade companies in accordance with the provisions of this Law is not appointed, any natural person having a legal interest can, on a proposal, require from the court to appoint another natural person who shall temporary perform the duties referred to in paragraph (2) of this Article, upon a prior consent of the person to be appointed. The Court, shall immediately *ex officio* submit the legally valid decision for appointment of these persons to the Central Register for the purpose of entry in the trade register.

(5) During the entry in the trade register referred to in paragraphs (3) and (4) of this Article, the Central Register shall note that the duties of the persons referred to in paragraph (2) of this Article are in abeyance.

(6) The persons appointed to temporary perform the duties referred to in paragraphs (3) and (4) of this Article shall perform only the urgent activities of the company until the termination of the causes for impedance or termination, that is until the election of a new member of the management body of the company, but not for a period longer than six months.

Register of persons who cannot incorporate or manage trade companies and persons who are impeded or have stopped performing their duties in the management body of the trade companies in the Republic of Macedonia

Article 29-b

(1) The Central Register of the Republic of Macedonia shall keep an electronic register of persons who cannot incorporate or manage trade companies and persons who are impeded or have stopped performing their duties in the management body of the trade companies in the Republic of Macedonia.

(2) The entity responsible for payment operations through the single transaction account registry (ERTS) shall in real time notify the Central Register regarding each occurred blockage of a transaction account of a participant in the payment operation, as well the de-blocking thereon. The

Central Register shall after receiving the information from the ERTS register , delete a recording from the register referred to in paragraph (1) of this Article in accordance with the data available to the persons in the trade register.

(3) The competent bodies pronouncing prohibitions referred to in Article 29 paragraph (2) point 3 of this Law shall without delay notify the Central Register regarding the pronounced prohibitions.

(4) As for the persons referred to in Articles 29 paragraph (2) and 29-a paragraphs (1) and (2) of this Law, in the register referred to in paragraph (1) of this Law, the Central Register shall without delay record the name and the surname and the PIN of the natural persons, that is the business name, the head office and PINE of the legal entities and their registered head office.

(5) After the expiry of the limitations, that is causes for termination or impediment of the persons determined in Articles 29 paragraph (2) and 29-a paragraphs (1) and (2) of this Law, the Central Register shall without delay delete all data recorded for them from the register referred to in paragraph (1) of this Article.

(6) The data recorded in the register referred to in paragraph (1) of this Article shall be public and any person can require information thereon from the Central Register.

(7) The Minister of Economy shall closely prescribe the manner of keeping, the form and the content of the register of persons who cannot incorporate or manage trade companies and persons who are impeded or have stopped performing their duties in the management body of the trade companies in the Republic of Macedonia.

Foreign person - member/partner, that is, a stockholder

Article 30

(1) Any foreign person can be a member/partner, that is, stockholder.

(2) A foreign person can acquire shares or stocks in the manner and under the conditions anticipated for the citizens of the Republic of Macedonia and the legal entities entered in the trade register in the Republic of Macedonia, unless otherwise determined by law.

(3) The participation of a foreign person in a newly incorporated or an existing trade company shall not be limited, unless otherwise determined by other law.

(4) The trade company with foreign participation shall have all rights and obligations, as the trade company without foreign participation, unless otherwise determined by law.

Rights of foreign persons

Article 31

(1) The rights acquired on the bases of contributions of foreign persons in a trade company, cannot be reduced by law or another regulation.

(2) Part of the trade company's profit belonging to the foreign person, that is the amount in the case of partial or total dispossession of the share, or the stocks of the foreign person, upon an order from the foreign person, can freely, without an approval be remitted abroad in the same currency of the contribution, provided that the company has sufficient funds at its disposal under the conditions determined by a law.

(3) In case of bankruptcy or liquidation of a trade company, upon the completion of the bankruptcy, that is the liquidation procedure, the foreign person shall be entitled to a return of the made non-monetary contribution under the conditions determined by law.

(4) The benefits and the special bonuses regarding the contributions and management of foreign entities shall be determined by law.

Statement of establishment, of statutory amendments and transformation

Article 32

(1) The founders of the trade company, as well as the initial members of the management bodies, that is, the manager, except the initial members of the management bodies in case of a simultaneous incorporation of a joint stock company shall, together with the entry application for incorporation of the trade company in the trade register, submit a statement wherein the activities related to the proper incorporation of the company are stated, certifying that the company is incorporated in accordance with law and that the data contained in the attachments (documents and proofs) enclosed together with the entry application for incorporation in the trade register are valid and in accordance with the law. The statement can be submitted in an electronic form via the one-stop-shop system in accordance with the E-registration System, Law on Central Register of the Republic of Macedonia and the regulations on one-stop-shop system.

(2) The provision referred to in paragraph (1) of this Article shall also apply in the case of amendment to the articles of association, that is, the statute. The statement shall be given by the members of the management bodies, that is the supervisory board, that is the controller, if the trade company has a supervisory body, performing this function at the time when the amendments to the articles of association, that is, the statute are made.

(3) In case of accession, merger or division of the trade company, that is transformation from one into another form of company, the statement referred to in paragraph (1) of this Article, with a content appropriate to the accession, merger or division, that is, transformation from one into another form of company, shall be submitted by the members of the management body, the manager, that is, the supervisory body, that is, the controller if the company has a supervisory body, performing the duty in the companies that merge, the company in accession and the acquiring company, the 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.

(4) If the appropriate statement referred to in paragraphs (1), (2) and (3) of this Article is not submitted, the entry in the trade register regarding the incorporation, the amendment to the articles of association, that is, the statute, the conducted statutory amendment of the trade company,

that is, the transformation of one to other type of company shall be rejected.

(5) The statement referred to in paragraphs (2) and (3) of this Article shall be submitted as an enclosure via the E-registration System signed with a personal electronic signature or via a registration agent.

Determining the nullity of the company

Article 33

(1) The nullity of a trade company can be determined only in the following cases:

1) nonexistence of articles of association, that is, a statute or if the articles of association, that is, the statute is not concluded, that is, adopted in a form determined by this Law;

2) if, during the company's incorporation, the articles of association, that is, the statute does not contain the individually subscribed contributions of the members/partners, that is stockholders in the total amount of the recorded basic capital or the business name and the scope of activity of the company are not stated or the scope of the activity of the company is not in accordance with law or the good business practices;

3) the minimum amount of the basic capital as prescribed (by law) has not been paid;

4) Deleted **8**

5) incapability to contract of all founders, and

6) if the number of the founders of the company is less than the minimum number of founders determined by this Law for a certain type of companies.

(2) Any member/partner and stockholder, that is, a manager, a member of a management body, that is, a member of a supervisory board, a controller, an authorized auditor or a creditor can require from the court by a lawsuit to determine the nullity of the trade company.

(3) The court shall determine the nullity of the trade company, only if until the adoption of its decisions, the violation of the law has not been removed or it shall not be removed in a time period determined by the court, which cannot be longer than three months. The lawsuit can be filled within a time period of three years as of the day of entry of the company in the trade register. The provisions referred to in Article 415 of this Law shall be appropriately applied to the lawsuit and the liabilities of the management bodies for submission of the lawsuit before the court which performed the entry in the trade register of the company subject to nullity. The management body of the trade company shall without delay, on the same day of submission, submit a verified copy of the lawsuit, to the Central Register of the Republic of Macedonia, which shall enter in the trade register the dispute, and shall enter the nullity of the company upon receiving the legally valid decision stating that the company is null and void. The legally valid decision by which the lawsuit for determining the nullity of the trade company is rejected shall be recorded in the trade register.

(4) The legally valid decision determining the nullity of the trade company shall have legal effect against third parties as of the day following its publication in the "Official Gazette of the Republic of Macedonia".

(5) The nullity of the company shall have no effect over third parties in relation to the overtaken legal matters.

(6) The members/partners, that is stockholders shall be obliged to pay the contribution for which they have assumed responsibility to pay, and still have not paid it in, up to the amount required to settle the company's liabilities.

(7) Upon publishing the legally valid decision referred to in paragraph (4) of this Article, the court shall appoint a liquidator who shall perform the liquidation of the trade company.

Contributions in the basic capital

Article 34

(1) The contributions that are contributed, that is entered upon the incorporation of the trade company, that is upon the increase of the basic capital shall be put at the company's disposal.

(2) The contributions can be in cash (hereinafter: money contributions) and in things (movable and immovable) and rights having asset value, that can be appraised and expressed in cash (hereinafter: non-monetary contributions) or only in cash, things and rights. The contributions may also consist of a loan, that is, additional payments, where the entities referred to in Article 3, paragraph (1), point 4-a of this Law grant the loans. As an exception, the partners in the general partnership, that is, the partners in the limited partnership can also contribute labor and services.

(3) The contributions cannot be returned to the members/partners, that is stockholders in the company, except in the cases determined by this Law.

Non-monetary contribution

Article 35

(1) When a non-monetary contribution is entered in the trade company, the business name, the name, that is the name of the person contributing the non-monetary contribution, detailed description of the non-monetary contribution and the appraised value expressed in cash shall be entered in the articles of association, the statute, that is, the decision regarding the increasing of the basic capital.

(2) The non-monetary contribution in the limited liability company, the joint stock company, the limited partnership and limited partnership with stocks shall be appraised by an authorized appraiser (one or more) appointed by the founders, members/ partners, stockholders, that is the bodies of the company from the list of authorized appraisers.

(3) The appraiser can require from the person making the contribution and the management body of the company to provide all necessary explanation and data needed for the purpose of appraisal conduction. The appraiser shall be entitled to a monetary compensation for the expenses and the performed service.

(4) The appraiser shall be personally and unlimitedly liable with his/her entire asset for the accuracy of the data in the appraisal report, 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/she unrealistically appraised the non-monetary contribution acquired by the trade company.

(5) Only non-monetary contributions whose value can be appraised in cash can be contributed in the trade company .

(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 contain description of the non-monetary contribution, the method used to appraise the contribution, that is, the conversion of the debt into a contribution, and that the value determined by these methods is in accordance to the nominal amount of the share, that is stocks, as well as the premium required by them. Together with the report a proof regarding the ownership of immovable, that is movable things for which by law it is determined to be recorded (register) shall be attached. A copy of the appraisal report of the non-monetary contribution together with the registration application shall be submitted in the trade register together with the articles of association, the statute, the decision for increase of the basic capital or other appropriate act on the basis of which the entry of the non-monetary contribution is made in accordance with this Law.

(7) The correctness of the data, that is the appraised value shall not be inspected upon the entry in the trade register.

(8) The appraised value of the non-monetary contribution, determined in the articles of association, that is, the statute, that is, the decision for increase of the basic capital cannot exceed the amount determined in the appraisal report.

(9) If the non-monetary contribution is appraised at a value lower than the one presented by the person who 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 payment in cash, if the other founders, that is members/ partners, or stockholders approve that.

(10) The persons that have acquired a share, that is stocks in exchange for non-monetary contributions shall be personally and severally liable with their whole asset to the trade companies for the value of the non-monetary contributions specified in the appraisal report for a period of five years as of the day of publication of the entry in the trade company of the articles of association, the statute, that is, the decision for increase of the basic capital.

Participation in the profit

Article 36

The members/partners, that is the shareholders shall participate in the distribution of the profit to which they are entitled to in the trade company, under the conditions and the manner determined in this Law, the articles of association, that is, the statute.

Publication of the entries

Article 37

(1) The data entered into the trade register shall be published on the web page of the Central Register of the Republic of Macedonia, except in the case when by this Law or other law it is prescribed for the data to be partially published, not to be published or other manner is determined for

their publication. The costs regarding the publication shall be borne by the entity subject to entry.

(2) Provided that it is determined by this Law, following the adoption of a legally valid decision by the court according to which an entry, change or deletion of the data in the trade register has to be conducted, the court shall *ex officio* submit the decision to the Central Register of the Republic of Macedonia in order to be entered in the trade register, that is for the purpose of publication of the data thereon on the web page of the Central Register of the Republic of Macedonia. The acts upon which the entry is made and the right to inspection of these acts in the trade register shall be stated in the publication on the web page of the Central Register of the Republic of Macedonia.

(3) The entity, subject to entry can publish the data entered in the trade register in the daily newspapers at its own expense and choice.

(4) Third parties can only refer to data wherefore in accordance with this Law publication is prescribed on the web page of the Central Register of the Republic of Macedonia as of the day of their publication.

(5) Third parties can only refer to data wherefore in accordance with this Law publication in the "Official Gazette of the Republic of Macedonia" is prescribed, as of the day of their publication.

(6) The Central Register of the Republic of Macedonia and the "Official Gazette of the Republic of Macedonia" shall, when needed, publish special editions containing data from the trade register.

(7) When this Law determines 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.

Pointing out data against third parties

Article 38

(1) The data recorded in the trade register can be pointed out against third persons after their publication in accordance with this Law, unless the trade company proves that the third party has been aware of them before the publication. In regard to the undertaken legal activities before the expiry of the 15 days as of the day following the publication, the data and the content of the documents cannot be pointed out against third persons that can prove that it was impossible for them to be aware thereof.

(2) In case of discrepancy of the data published in the "Official Gazette of the Republic of Macedonia", i.e. the web page of the Central Register of the Republic of Macedonia and the data entered in the trade register, the discrepancy cannot be used against third parties. Unless the company proves that they were familiar with data entered into the commercial register, the third parties can refer to the data published in the "Official Gazette of the Republic of Macedonia".

Right of a member/partner, that is the stockholder to be Informed

Article 39

(1) For the purpose of exercising his/her rights determined by law, the articles of association and the statute, each member/partner, that is,

stockholder of the company, even when not participating in the management, shall have the right to be informed regarding the operation of the company and shall have the right to inspect the books, the acts and other documents of the company.

(2) Each member/partner, that is stockholder shall have the right to request copies of the acts and documents being subject of consideration and decision-making at the members/partners meeting or by correspondence, that is on the assembly. The company shall be obliged to provide a copy, free of charge. In all other cases the compensation cannot exceed the actual costs.

(3) If a member/partner, that is stockholder is denied from exercising the rights referred to in paragraphs (1) and (2) of this Article, the member/partner, that is the stockholder shall be entitled to protection of his/her rights before the court in a manner and under the conditions determined by law.

(4) Any provision in the articles of association, that is, the statute, deviating from paragraphs (1) and (2) of this Article shall be considered null and void.

Obligation for contribution payment and the legal regime of the company's asset

Article 40

(1) The members in a limited liability company, that is the stockholders in a joint stock company shall have the obligation to pay the monetary contribution, that is to enter the non-monetary contribution in the entered company and shall not be released from this obligation, except in cases when that is determined by this Law.

(2) The contributions entered into the company shall belong to the company.

(3) A creditor of a member/partner, that is a stockholder cannot settle his/her claim against the member/partner, that is against the stockholder from the company's asset.

(4) A creditor of the company cannot settle his/her claim from the asset of the member/partner, that is the stockholder, except in the cases determined by this Law.

Resolving disputes by a settlement or an arbitration

Article 41

(1) The members/partner, that is, stockholders of the trade company can agree to resolve the disputes referring to the articles of association, that is, the statute, by mutual agreement, including mediation and negotiation.

(2) Provided that the disputes referred to in paragraph (1) of this Article cannot be mutually agreed, they can be resolved by means of arbitration, if they agree so.

Protection of a right before the court

Article 42

If a body of the trade company violates a right of the members/ partners, that is the stockholders arising from the membership/partnership, each member/partner, that is stockholder can require protection of that right before a competent court in accordance with the Law on Courts.

Assessment of the legality

Article 43

(1) If the articles of association, that is, the statute and the other acts of the company, that is, their provisions are contrary to law, they shall be null and void.

(2) A court on a proposal of a member/partner, that is stockholder, member of the management body, that is a member of a supervisory board or controller, provided that the company has a supervisory body, shall assess the legality of the acts, that is the provisions from the acts referred to in paragraph (1) of this Article. A proposal can be also submitted by any interested person provided that he/she proves he/she has legal interest.

(3) If the court assess that the act referred to in paragraph (1) of this Article, that is its provision is contrary to law, it shall adopt a decision determining that the act, that is the provision is contrary to law.

(4) The right referred to in paragraph (2) of this Article can be realized upon the completion of the procedure for entry in the trade register.

CHAPTER TWO

MARKS OF THE TRADE COMPANIES

SECTION 1

BUSINESS NAME

Definition of a business name

Article 44

(1) The business name of the trade company shall be the name used by the company in its operations and under which it participates in the legal operation.

(2) The business name of the trade company shall be determined and changed in the manner determined by the statement of establishment of a single-member company, by the articles of association, that is, the statute.

(3) The business name of the trade company and all its changes shall be registered in the trade register.

Principle of truthfulness

Article 45

The data contained in the business name shall have to be truthful.

Content of the business name

Article 46

(1) The business name shall contain a mark referring to the scope of operation of the trade company, the head office and the type of the company.

(2) The business name can contain additions (drawings, pictures, symbols, and alike) used for detailed marking of the trade company, except the ones creating or that can create confusion in regard to the scope of operation of the trade company, the impression of the identity or the connection of the other trade company or if such data can violate the rights of intellectual property or other rights of other trade companies, that is persons registered in the country and abroad.

(3) The business name can be also used as a trade mark, in a manner and under the conditions determined by law.

Restricted content of the business name

Article 47

(1) The business name cannot contain names, flags, coats of arms or other state symbols of other states or international organization without their approval, nor they can be imitated in heraldic sense.

(2) The business name cannot contain official signs of quality control and quality assurance.

(3) The business name cannot contain words that are misleading or that can create confusion with the business name of another company, that is name of an institution or another entity.

Use of the word "Macedonia" or a name of a local self-government unit

Article 48

(1) The word "Macedonia", and the words derived thereon, as well as its abbreviations, the flag and the coat of arms can be contained in the business name only with an approval from the Ministry of Justice.

(2) An approval from the competent body of the local-self government unit shall be required when the business name consists of words containing the name of the local- self government unit.

Use of a name of a person

Article 49

(1) A name and a surname of a natural persons can be included in the business name only with his/her consent, or, if that natural person is deceased, with the consent of his/her descendants in a direct line up to a third degree.

(2) A name and surname of a historical or other famous person can be included in the business name, only with the consent of the person, or, if the person is deceased, with consent of his/her descendants in a direct

line up 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 and surname is included in the business name of a company is in any way violated, upon his/her request, and if he/she is deceased, upon a request of his/her inheritors, the court upon a lawsuit shall prohibit such usage. If within eight days as of the day of the legally valid decision for the prohibition was passed, an application for change of the business name is not submitted, the court shall appoint a liquidator that shall perform liquidation of the trade company.

Use of Macedonian language and other languages

Article 50

(1) The business name of the trade company shall be expressed in the Macedonian language and its Cyrillic letter.

(2) The business name of the trade company having a head office on the territory of a local-self government unit where at least 20% of the citizens speak official language other than Macedonian, can be also expressed in that language and used only together with the text in the business name in Macedonian language and its Cyrillic letter.

Business name of a company in bankruptcy or liquidation

Article 51

The business name of a company against which a bankruptcy or liquidation procedure has been initiated shall contain a mark "in bankruptcy or "in liquidation", and as such shall be entered in the trade register.

Manner of use of the business name

Article 52

(1) The trade company, during its operation, shall have to use the business name as it is entered in the trade register.

(2) The trade company can also use an abbreviated business name that has to include a mark to distinguish the company from other trade companies, abbreviated mark of the company type with the head office, prescribed by this Law.

(3) The abbreviated business name shall be recorded in the trade register.

(4) The business name or the abbreviated business name shall have to be displayed in the business premises.

Requirements for transfer of a business name

Article 53

(1) The business name can be transferred to another only together with the enterprise or with the predominant part of the enterprise.

(2) For a transfer of the business name containing name of a natural person a consent from that person shall be required, or if that person is deceased, a consent from his/her descendants in a direct line up to a third degree.

The business name and changes in the company

Article 54

If a new member/partner joins the trade company or if one of the members/partners leaves the company, the existing business name can be still used.

Principle of unity of a business name

Article 55

Each part of the trade company shall have to use the same business name in the trade operations, by adding a mark to the business name indicating that it is a part of that company.

Principle of exclusivity

Article 56

(1) The new business names in the trade companies shall have to be clearly distinguished from the business names of companies entered in the trade 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 trade register. It shall be inspected *ex officio*.

(3) If a partner in a general partnership or a partner in a limited partnership and a limited partnership with stocks has the same name and surname under which someone is entered or filed in the trade register, he/she shall have to add a tag to his/her name and surname as a result of which his/her business name shall differ from the entered or filed business names.

(4) A clear distinction shall be the one that can be noticed with the usual care for the business operation.

(5) The connected trade companies and the trade companies connected on any grounds within the scope of operation with a domestic or foreign person can, upon his/her consent, use mutual components in the business name or mark the connection in an usual manner.

Principle of priority

Article 57

(1) If, for the purpose of entry in the trade register, identical business names or business names that do not differ from one another are filed, the business name that has been filed first, shall be entered.

(2) As an exception to paragraph (1) of this Article, the business name that was filed later shall be entered, provided that the person filing the

later file proves that at the time of filing the first file he/she used that business name on the market, that its main components, as a mark for his/her enterprise or as a trademark for designation of his/her products or services, prior to the submission of the previously submitted file.

Protection of the rights of the owner of the previously filed business name

Article 58

(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/her position in the market, or there is danger his/her rights and position in the market to be violated or endangered or the commercial entity uses his business authority or assumes it without authorization, or if the other commercial entity(by using the business name) without an authorization uses his/her business status or adopts it, he/she can file a lawsuit and prohibit the other commercial entity to use the business name, as well compensate the damage caused by using the business name.

(2) If within a time period of eight days as of the day of the legally valid decision for prohibition a file is not submitted regarding the change of the business name, the court shall appoint a liquidator that shall conduct the liquidation of the trade company.

(3) The lawsuit can be filled within a period of three years as of the day of publication of the entry of the business name.

(4) The legally valid court decision accepting the lawsuit request, shall be published by the court at the expense of the defendant in a newspaper determined by the defendant.

Protection of the copyright and other related rights and the industrial property rights

Article 59

Regardless of the provisions referred to in paragraphs (1) and (2) of Article 58 of this Law, the commercial entity can protect his/her rights in regard to the use and entry of the business name in the trade register on the basis of the law regulating the protection of copyright and other related rights and the law regulating the industrial property.

SECTION 2

HEAD OFFICE

Definition

Article 60

The head office of the trade company shall be the location entered in the trade register.

Change of the head office

Article 61

- (1) The trade company can change the head office.
- (2) The head office change shall be carried out in a manner and in accordance with the procedure determined by the statement of establishment of the company by one person, the articles of association, that is, the statute.
- (3) The change of the head office shall be entered in the trade register.

SECTION 3

SCOPE OF OPERATION

Freedom of performing an activity

Article 62

- (1) The trade company, can, as a scope of operation, perform all activities that are not prohibited by law.
- (2) If for certain activities it is prescribed by law that they can be performed only on the basis of a consent, approval or other act of a state body or other competent body, those activities can be performed only on the basis of the consent, the approval or other act of that body.
- (3) The trade company can without entry in the trade register perform other activities necessary for its existence and the performance of the activities of its scope of activity, that do not immediately fall in the frames of the performance of the activity from the scope of operation.

Fulfillment of the special requirements

Article 63

- (1) Provided it is determined by law, the trade company can commence performing an activity being in the scope of operation of the company, upon the entry of the scope of the activity in the trade register and upon obtaining the approval from the competent state body regarding the fulfillment of prescribed requirements for performing the activity within the frames of the entered scope of activity.
- (2) The approval referred to in paragraph (1) of this Article shall have no effect on the entry of the scope of operations of the trade company in the trade register.

Effects arising from the undertaken legal actions and activities

Article 64

- (1) The trade company can undertake legal actions and activities only within the scope of operation registered in the trade register.
- (2) The legal actions that are concluded, that is the legal actions undertaken by the trade company with, that is against third parties exceeding the scope of operation of the company, entered in the trade

register, shall be valid unless the trade company proves that the third parties knew or considering the circumstances, must have known thereof. The entry of the company's scope of operation in the trade register does not mean that the third party knew or must have known thereof.

CHAPTER THREE

REPRESENTATION

SECTION 1

JOINT PROVISIONS

Legally authorized representative

Article 65

(1) A legally authorized representative shall be a natural person who in accordance with the provisions of this Law is determined to represent the specific type of the company (hereinafter: legally authorized representative).

(2) The appointment, termination of the term of office and the data on the legally authorized representative, as well as the limitations to his/her authorizations against third parties, shall be entered in the trade register. A signature verified by a personal electronic signature or by a signature of a registration agent shall be enclosed at the entry of the legally authorized representative in the trade register. The foreign persons can enclose a signature verified by a competent body in the country whose citizens they are.

(3) Failures in the procedure or any sort of irregularity in issuing an authorization for representation or in publishing data referring to the legally authorized representative cannot be used against third parties, unless the trade company proves that the third parties knew about it.

(4) A legally authorized representative cannot without a special authorization of the company act as a contractual party and conclude contracts with the company in his/her own name and on his/her behalf, in his/her name and on behalf of other persons, or in the name and on behalf of other persons.

Representative by a letter of attorney

Article 66

(1) The representative of the trade company referred to in Article 65 of this Law can give a letter of attorney to another person.

(2) The letter of attorney can be issued within the limitations of the authorization of the representative entered in the trade register.

(3) Unless otherwise determined by this Law, the letter of attorney referred to in paragraph (1) of this Article shall be given in accordance with the provisions of the Law on Obligations.

(4) The limitations referred to in paragraph (4) of Article 65 of this Law shall also apply to the representative by the letter of attorney referred to

in this Article.

Attorney-in-fact by employment

Article 67

(1) An employed person in the trade company performing activities that in accordance with the regular course of the activity include conclusion of certain contracts, that is undertaking certain legal actions, shall be authorized as a representative of the company to conclude such contracts and undertake legal activities within the scope of his/her activities.

(2) The limitation referred to in paragraph (4) of Article 65 of this Law, shall also apply to the attorney-in-fact by employment.

SECTION 2

PROCURATION

Procuration definition

Article 68

(1) The procuration shall be a trade letter of attorney whose content and scope shall be determined by this Law.

(2) Procuration can be given only by a person who in accordance with this Law is considered as a commercial entity.

(3) The procuration shall be given in a manner determined by the statement of establishment of a trade company by one person, the articles of association, that is, the statute.

(4) The procuration shall be given in written form.

Procurator

Article 69

(1) The procuration can be given to any natural person capable to contract, regardless of the duties and activities he/she is performing, unless otherwise determined by the statement of establishment of the company by one person, the articles of association, that is, the statute.

(2) The procuration cannot be given to a legal entity.

(3) The relations between the trade company and the procurator, as well as the remuneration, shall be regulated by a contract.

Individual and joint procuration

Article 70

(1) The procuration can be given to one natural person (individual procuration), or to two or more natural persons together (joint procuration).

(2) If the procuration is given to two or more natural persons, each of these persons shall be a procurator who independently represents the

trade company within the frames of the authorizations determined by this Law.

(3) The procuration given to two or more persons shall be considered as joint procuration, provided that it is strictly stated in the procuration.

(4) In case of joint procuration, the statements of will, the legal actions and activities shall be valid if they are jointly performed by all procurators, that is if all procurators gave their consent. The legal actions and activities performed by one of the procurators shall be considered valid, if an explicit consent has been obtained from all procurators or if consent is obtained additionally from the other procurators.

(5) A statement of will or a legal actions and action done by one of the procurators shall be considered to have been done to all procurators.

(6) In case of joint procuration, the awareness of legally relevant facts or the guilt of one of the procurators shall cause legal effects on the provider of the procuration, regardless of the fact whether the other procurators knew or were aware thereof.

Scope of authorizations arising from the procuration

Article 71

(1) The procurator can conclude contracts and perform all legal actions and activities in the name and on behalf of the company within the scope of operation of the company, manage the enterprise of the procuration provider and represent the company in procedures before the administrative and other state bodies, organizations and institutions with public authorizations and the courts.

(2) The procurator cannot alienate and encumber the immovable's of the trade companies and cannot give statements, nor conclude legal activities, that is undertake legal activities leading to initiation of a bankruptcy or some other procedure that can result in termination of the company. The procurator cannot issue a letter of attorney for the purpose of concluding contracts and other legal activities to another person.

Limitations of the procuration

Article 72

(1) A limitation of the procuration, not anticipated by this Law shall have no legal effect against third parties regardless whether the third party was aware or taking into consideration the circumstances should have been aware thereof.

(2) The limitation of the procuration applying to the operation of one or more subsidiaries shall have legal effect against third parties, only if it has been entered in the trade register.

Contracting with oneself

Article 73

The contract that the procurator concludes in the name of the trade company as one party and in his/her personal capacity as the other party, whether in his/her name and on his/her behalf, in his name/her and on

another party's behalf, or in the name and on behalf of another party, shall be considered null and void, provided that the procurator has not been explicitly authorized thereto.

The procurator's signature

Article 74

(1) The procurator shall sign the trade company by signing his/her name and surname below the business name including words indicating his/her position as a procurator or by adding the following abbreviation: "p.p"

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

Procuration transfer

Article 75

(1) The procuration cannot be transferred to another natural person.

(2) The provision on the procuration or the statement of the trade company authorizing the procurator to transfer the procuration, nor the statement of the company which approves the transfer whether approved previously or additionally shall have no legal effect.

Revocation of the procuration

Article 76

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

(2) The provision of the contract by which the trade company denies the right to revoke the procuration, as well as the provision which imposes time limits or other terms on the right to revoke the procuration, shall be considered null and void.

(3) The provisions referred to in paragraphs (1) and (2) of this Article shall neither exclude nor reduce the procurator's rights anticipated in the contract on the basis of which he/she was appointed as a procurator.

Procuration of a sole proprietor

Article 77

(1) A sole proprietor shall personally give the procuration, and the authorization for giving procuration cannot be transferred to another natural person.

(2) The procuration given by the sole proprietor shall not terminate in the event of death of the procuration provider, nor if the capacity to contract of the procurator's provider has been revoked or limited.

(3) The provisions of this part of this Law regulating the procuration given by the trade companies shall be appropriately applied to the sole proprietors.

Registration of the procuration

Article 78

(1) The trade company, that is the sole proprietor shall enter the giving of the individual and joint procuration, all procuration limitations and the revocation in the trade register.

(2) The name, surname and the PIN of the procurator shall be entered in the trade register.

(3) The decision for provision, that is, the decision for limitation, that is, revocation of the procuration and the certified signature by a notary (containing the full name and surname of the procurator) shall be enclosed together with the registration application.

(4) The application and the enclosures referred to in paragraph (3) of this Article shall not be verified by a notary if they are submitted via the E-registration System signed personally with an electronic signature or via a registration agent.

Section Three

COMMERCIAL REPRESENTATIVE AND SALES PERSON

Commercial representative definition

Article 79

(1) A commercial representative shall be an employee of the trade company or other natural person, who as remuneration shall be authorized by the legally authorized representatives of the company to manage the enterprise or a part thereof, within the frames of the given letter of attorney.

(2) The trade letter of attorney shall be issued in written form with the signatures verified by a notary or shall be given in electronic form signed with an electronic signature in accordance with the E-registration System.

Authorizations of the commercial representative

Article 80

(1) The commercial representative shall be authorized to conclude all contracts and undertake all legal actions common for the operations of the enterprise or a part thereof within the scope of his/her letter of attorney.

(2) The commercial representative cannot without a separate authorizations by the provider of the authorization, to alienate or encumber his/her property, bound him/her with a bill of exchange or a check, undertake obligations arising from a guarantee, obtain a loan on his/her behalf, consent to a competence of a chosen court and to settle or initiate a dispute.

(3) The limitations on the commercial representative authorizations, except the ones stated in paragraph (2) of this Article, shall have no legal

effect against third parties who neither were nor should have been aware thereof.

(4) The limitations referred to in paragraph (4) of Article 65 of this Law shall also apply to the commercial representative.

(5) The commercial representative, shall with his/her signature state that he/she is a representative, and cannot add anything else that can indicate him/her as a procurator.

Sales person

Article 81

(1) The trade company, that is a sole proprietor can issue a letter of attorney as a sales person to its own employee or another natural person.

(2) The letter of attorney to the sales person shall be issued in written form.

(3) The sales person shall be authorized in the name and on behalf of the provider of the letter of attorney to conclude contracts for sales of its goods, delivery of that goods, if separately 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 rights of the provider of the letter of attorney arising from the contract concluded in his/her name and on his/her behalf.

(4) The limitations on the authorization of the sales person shall have no legal effect against third parties who were not aware nor should have been aware thereof.

(5) The sales person, cannot without special authorization, sell goods subject to payment, on a loan or by installments.

(6) The limitations determined in paragraph (4) of Article 65 shall also apply to the sales person.

CHAPTER FOUR

TRADE REGISTER AND ENTRY PROCEDURE

Trade register definition

Article 82

(1) The trade register as a public book shall contain data and attachments (documents and proofs) for the entities subject to registration, for which the registration is prescribed by law.

(2) The trade register shall consist of a registration file (classer) wherein the registration data are entered and a book of attachments containing documents and proofs for each registered entity. All attachments shall be entered into the book of attachments for the registered entity.

(3) The entered data and the delivered attachments (documents and proofs) shall be permanently kept in the trade register.

(4) The registration agent shall be obliged to keep the converted attachments (documents and proofs) for 5 years and to deliver them afterwards to the State Archives of the Republic of Macedonia.

Uniqueness of the trade register

Article 83

(1) The trade register shall be kept in a unique manner on the territory of the Republic of Macedonia.

Manner of keeping the trade register

Article 84

(1) The entries in the trade register shall be made in an electronic form and the trade register shall be kept in a written form and in an electronic form.

(2) The submission of all data that are entered in the trade register shall be made in an electronic form through the E-registration System and in accordance with the Law on the One-Stop-Shop System and Keeping a Trade Register and a Register of Other Legal Entities.

(3) As an exception to paragraph 2 of this Article, the submission of the data on entry based on an effective court decision or a decision by a state or another competent body and the data on entry of entities subject to entry that are not covered by this Law, but are entered in the trade register, shall be made in a written form.

Principle of publicity

Article 85

(1) The data entered in the trade register shall be public.

(2) Each person, at his/her expense can request a copy or a verified transcript of the data entered in the registration file.

(3) Each person can submit a request to inspect the book of attachments, or to request a copy of the documents thereof at his/her own expense, with the exception of the book of documents of the general partnership and the limited partnership. Any partner/limited parent or a person who has a legal interest can inspect the book of attachments of these partnerships.

(4) Regarding the data contained in the registration file of the entity which is to be entered, upon a request of an interested party, a certificate shall be issued proving that the entry has been made and the same was deleted.

(5) Upon a request by any person, a certificate shall be issued that no entry has been made in the trade register.

(6) All or some of the data entered in the trade register, by choice of the submitter of the request can be issued in electronic form through the one-stop-shop system, in accordance with the E-registration System, Law on Central Register of the Republic of Macedonia and the regulations on one-stop-shop system

Actual competence

Article 86

(1) The trade register shall be kept by the Central Register of the Republic of Macedonia.

Registration procedure

Article 87

The procedure for entry in the trade register shall in accordance with a separate administrative procedure determined by the one-stop-shop system regulations.

Validity of the entry

Article 88

(1) Everyone, who in the legal transactions acts with due care and believes in the data entered in the trade register shall not be affected by the detrimental legal consequences that can occur.

(2) No person can call upon the fact that he/she is not familiar with the data entered in the trade register, unless otherwise determined by law.

Costs incurred by the entry procedure

Article 89

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Entities registered in the trade register

Article 90

(1) The following entities shall be registered in the trade register(subjects of entry):

- 1) sole proprietor;
- 2) general partnership;
- 3) limited partnership;
- 4) limited liability company;
- 5) joint stock company;
- 6) limited partnership with stocks;
- 7) economic interest group;
- 8) subsidiary of a foreign trade company (hereinafter: foreign company), that is subsidiary of a foreign sole proprietor.

(2) All subjects to entry in the trade register shall enter the data determined by this Law.

(3) The data entered in the trade register shall be maintained for each entity subject to entry separately.

(4) All changes of data which are to be entered as determined by this Law shall be entered in the trade register.

Time period for submitting an application for entry in the trade register

Article 91

(1) The entities for which a mandatory entry in the trade register is determined shall be obliged with a time period of fifteen days as of the day of acquiring the requirements for submitting an application for entry in the trade register to submit a registration application , unless otherwise determined by this or other law.

(2) After the expiry of the three months period as of the day of acquiring the requirements for submitting an application, the Central Register shall not register the data and shall reject the entry application, unless otherwise determined by this Law.

(3) If due to the failure to submit an entry application within the time period referred to in paragraph (1) of this Article, the natural person who had the obligation to submit the entry application shall be liable for the damages personally and unlimitedly with his/her entire assets.

Initiation of the procedure

Article 92

(1) The procedure for entry in the trade register shall be initiated by submitting an application on a prescribed form that contains the entry request. The entry application shall be submitted by an authorized submitter in an electronic form signed with an electronic signature through the E-registration System and submitted in accordance with the Law on the One-Stop-Shop System and Keeping a Trade Register of other Legal Entities. As an exception, the entry application based on an effective court decision or a decision by a state or another competent body, as well as the entry application of entities subject to entry that are not covered by this Law, shall be made in a written form.

(2) The management body, that is an authorized member of the management body shall submit the application for entry of the trade company, unless otherwise determined by this Law.

(3) The application referred to in paragraph (2) of this Article may be submitted by an attorney-in-fact holding a letter of attorney given by the authorized submitter, in a written form verified by a notary or in an electronic form signed with his/her electronic signature, or verified by an electronic signature of the registration agent who submits the entry application through the E-registration System.

(4) If the application is submitted via a registration agent or via the E-registration System, the letter of attorney referred to in paragraph (3) of this Article shall not be verified by a notary.

(5) The use of an official seal shall not be mandatory in the procedure for entry in the trade register, as well as in the legal operation. The certification of any type of a document by an official seal of the company must not be prescribed by a law or another regulation or it must not be required by a state body.

(6) The authorized submitter referred to in paragraph (1) of this Article, that is the persons determined by this Law shall be liable for the validity and legality of the data.

Submission of attachments

Article 93

(1) The necessary attachments (proofs and documents) containing the data entered in the trade register shall be submitted together with the application for entry in the trade register.

(2) If a non-monetary participation in an immovable thing is entered, a proof of ownership containing a note recorded in a public book of immovable things shall be also submitted, and if a movable thing is entered for which a law provides for the obligation for registration (register) - a proof of ownership of the movable thing. In the case of investment of securities, a proof of ownership of those securities shall be submitted to the trade register together with a note in the Central Securities Depository that they are invested in a trade company and that the owner cannot manage them.

For that purpose, the owner of the securities shall submit a notary verified statement to the Central Securities Depository that the securities are invested in the trade company and that it agrees a limitation for management until their transfer to the trade company to be recorded for these securities. 10

(3) If a law determines submission of an approval from a competent body, such proof shall also be enclosed with the application form.

(4) Other data cannot be entered in the application form, except the ones which in accordance with this law, are entered in the trade register or request the subject of registration to submit other attachments (documents and proofs) except the ones determined by this Law that have to be attached together with the application form.

(5) The enclosures of this Article may also be submitted via the E-registration System only in an electronic form signed with an electronic signature in accordance with the E-registration System and the Law on One-Stop-Shop System and Keeping a Trade Register and Register of other Legal Entities.

Examination of the application

Article 94

(1) Prior to the adoption of a decision for entry in the trade register, it shall be determined whether all registration requirements anticipated by this Law have been met. During the entry the legality and validity of the content of the attachments (documents and proofs) submitted upon the entry in the trade register nor the legality of the procedure regarding their adoption shall not be inspected, nor shall be inspected whether the data entered in the trade register are valid, nor whether they are in accordance with law. The person, that is persons determined by this Law shall be liable for their validity and legality.

Several requests with one application

Article 95 11

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Withdrawal of an application

Article 96*Deleted***Decision in the registration procedure****Article 97***Deleted***Enforcement of the decision****Article 98***Deleted***Delivery of a decision****Article 99***Deleted***Discrepancy between the decision and the data entered
into the trade register****Article 100***Deleted***Legal remedies****Article 101***Deleted***Right to an appeal****Article 102***Deleted***Replacement of a decision upon a filed appeal****Article 103***Deleted***New facts and proofs****Article 104***Deleted***Procedure upon an appeal****Article 105**

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Enforcement of a second instance court decision

Article 106

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An appeal for the purpose of determining the nullity of an entry

Article 107

(1) The nullity of an entry made on the basis of false document can be requested by a lawsuit, if the documents on the basis of which the recording was made contains false data, if the documents are certified and issued by means of an illegally conducted procedure, if an illegal action for which the data are entered in the trade register is conducted or if there are other reasons anticipated by law.

(2) The lawsuit can be filed by a person having legal interest for determining the nullity of the entry.

(3) The lawsuit can be filed within a time period of 30 days as of the day when the person submitting the complaint learned about the reasons for nullity, but it cannot be filed after the expiry of the time period of one year as of the day of the entry.

Acting upon a legally valid decision of the court regarding the determined nullity

Article 108

(1) When the court declared nullity of an entry in accordance with Article 107 of this Law, the Central Register of the Republic of Macedonia on the basis of the legally valid decision, shall *ex officio* adopt a decision for deletion of the null and void entry.

(2) The deletion of the entry from the trade register shall be published by the Central Register on its web page. The decision referred to in Article 107 of this Law shall have legal effect against third parties the following day as of the day of its publication.

(3) The nullity of the entry shall not have any effect upon the legal activities undertaken in the name of the trade company.

Acting upon the legally valid decision

Article 109

(1) The legally valid decision, adopted upon a lawsuit or a proposal, referring to a entry made in the trade register, shall be submitted *ex officio* to the Central Register of the Republic of Macedonia by the court that adopted the decision.

(2) The pronounced misdemeanor measure prohibition on performing an activity, term of office or duty upon the legally valid decision, shall be submitted *ex officio* by the court to the Central Register of the Republic of Macedonia.

(3) The Central Register of the Republic of Macedonia shall record the pronounced misdemeanor sanction prohibition on performance of a profession, activity or duty with a note in the register referred to in Article 29-b of this Law.

PART FIVE

TYPES OF TRADE COMPANIES

CHAPTER ONE

GENERAL PARTNERSHIP

SECTION 1

DEFINITION AND INCORPORATION

Article 110

(1) A general partnership (hereinafter: general partnership:) shall be a trade company wherein two or more natural persons and legal entities join together, and who are liable to the creditors regarding the company's obligations unlimitedly and jointly with their entire asset.

(2) A general partnership shall be incorporated by articles of association concluded between the founders.

Business name

Article 111

The business name of the general partnership shall contain the words "javno trgovsko drustvo" (general partnership) or the abbreviation "JTD."

Articles of association

Article 112

(1) The articles of association shall contain provisions for:

- 1) the name and surname, PIN, occupation, passport number, that is the number of the personal identification card (if the partner is a foreign natural person) or other document aimed at determining the identity valid in his/her country and his/his citizenship and place of residence, that is the business name, the head office, PINE, if the partner is a legal entity,
- 2) the business name and the head office of the general partnership,
- 3) the scope of operation of the general partnership,
- 4) the type and amount, of each partner's contribution,
- 5) the manner of personal participation of each partner in the operation of the general partnership,
- 6) the manner of managing the operation and representation of the general partnership and the manner of adoption of the decisions,
- 7) the manner of profit distribution and loss covering, and
- 8) other issues determined by this Law regulating the relationships between the partners.

(2) The signatures of the partners on the articles of association shall be certified by a notary.

(3) As an exception to paragraph (2) of this Article, the signatures of the members/partners of the company shall not be verified by a notary if the agreement is submitted as an enclosure via the E-registration System, in electronic form, signed with an electronic signature by the members/partners to agreement or via a registration agent.

Special requirements for the performance of the activity

Article 113

A general partnership can perform activities related to an occupation for which an appropriate qualification is needed, provided that some of the partners or the employees have an appropriate qualifications, unless it is determined by law that all partners or major part of the partners of the general partnership need to have the prescribed qualification for the activity connected with the determined occupation.

Entry

Article 114

The incorporation of the general partnership shall be entered in the trade register. The application for entry of the general partnership's establishment shall be submitted by all partners of the general partnership authorized for representation.

Data being entered and attachments to the entry application

Article 115

(1) The following shall be entered in the trade register:

- 1) the business name and head office of the general partnership;
- 2) the name and surname, PIN, occupation, passport number, that is the number of the personal identification card (if the partner is a foreign natural person) or other document aimed at determining the identity valid in his/her country and his/his citizenship as well as the place of residence, that is the business name, the head office, PINE, if the partner is a legal entity;
- 3) the scope of operation of the general partnership;
- 4) the type and amount of each partner's contribution, and
- 5) the manner of representation of the general partnership.

(2) The following shall be enclosed with the application:

- 1) the articles of association;
- 2) a copy of the passport or personal identification card for foreign natural persons or other documentation aimed at determining the identity valid in their country, that is proof for registration if a legal person is the founder;
- 3) a permit or another act of a state body or other competent body if that obligation is determined by law for entry of the general partnership in the trade register;
- 4) a proof of ownership containing a note recorded in a public book for immovables, and if a movable thing is entered for which a law determines the obligation for entry (register) - a proof of ownership of the movable thing, and if securities are invested, a proof of ownership of these securities are submitted to the trade register together with a note in accordance with Article 93 paragraph (2) of this Law.

- 5) a statement from the representative by law of the legal person, that is a statement from a natural person, that there is no obstacle for him/her to be a founder of the general partnership in accordance with Article 29 of this Law, and
- 6) the statement in accordance with Article 30 of this Law.

(3) The partners, that is, the persons who, in accordance with the articles of association, are authorized to represent the general partnership shall enclose signatures in accordance with Article 65, paragraphs (2) and (3) of this Law.

(4) Any change in the data referred to in paragraph (1) of this Article, as well as the accession of a partner in the general partnership, that is the withdrawal of a partner from the general partnership shall be registered in the trade register with a decision for amendment to the articles of association.

SECTION TWO

LEGAL RELATIONS AMONG THE PARTNERS OF THE GENERAL PARTNERSHIP

General Provision

Article 116

- (1) The legal relations among the partners of the general partnership shall be regulated by the articles of association.
- (2) The provisions of this Law shall apply to the legal relations among the partners not regulated by the articles of association.
- (3) The Law on Obligations regulating the partnership agreement (agreement for joint action) shall apply to the legal relations among the partners in the general partnership not regulated by this Law and the articles of association.

Contributions in the company

Article 117

- (1) The contributions of the partners in the general partnership can be different.
- (2) The partner can contribute cash, things, rights, labor and services in the general partnership.
- (3) The monetary value of non-monetary contributions shall be mutually agreed by the partners in cash.

Delay consequences

Article 118

- (1) The partner who has failed to deposit the monetary contributions or who has failed to deposit the money received on behalf of the general partnership with the cashier of the general partnership in a timely manner,

or who unjustifiably took money from the general partnership or has been late to pay the other monetary contributions, shall be obliged to pay the general partnership default interest specified by law as of the day he/she has the obligation to pay the monetary contribution, to give the money or when he/she unjustifiably took the money. The general partnership can also require damage compensation.

(2) The general partnership can require damage compensation, regardless whether the contribution is monetary or non-monetary.

Increasing, supplementation and withdrawal of the contribution

Article 119

(1) A partner of a general partnership shall not be obliged to increase his/her contribution above the amount determined by the articles of association, nor supplement the contribution in case of loss, if he/she has not been liable for the decrease.

(2) A partners can request withdrawal of his/her contribution, only in case of termination of his/her partnership relation in the general partnership.

Damage and costs compensation

Article 120

(1) If a partner in a general partnership incurs a cost, which in accordance with the circumstances can be considered as justified or if he/she suffers damage as a direct result of carrying out the activities of the general partnership, or due to a risk connected to such operations, shall be compensated for such costs or damages by the general partnership.

(2) The general partnership shall pay interest for the incurred costs and the suffered damages calculated as of the day the costs occurred, or as of the day the damage was done.

(3) The partner can request advance payment from the company for the costs necessary to perform the partnership's activities.

Prohibition on competition

Article 121

(1) A partner of a general partnership cannot without an explicit consent of the other partners undertake activities which are in the frames of the scope of activity of the general partnership, nor to be a partner with personal liability, member of a body or an employee of a company which is or can be a competitor to the general partnership.

(2) The prohibition referred to in paragraph (1) of this Article shall not refer to a partner, who during the accession in the general partnership, informed the partners thereon, unless in the articles of association it is not determined for the partner to leave the operation or waive from it.

Consequences from prohibited competition

Article 122

(1) If the partner violates the prohibition referred to in Article 121 paragraph (1) of this Law, the general partnership can require damage compensation. The company can instead damage compensation require the partner to acknowledge the activities made on his/her behalf as activities concluded for the general partnership, that is to hand over to the company everything that he/she acquired regarding the activities performed on account of someone else or transfer the right to the thing he/she gained from performing such activity.

(2) The other partners shall decide how the exercise the company's rights referred to in paragraph (1) of this Article. The right to exercise the company's request shall reach the time barred status within a time period of three months as of the day when the other partners became aware of the violation of the prohibition referred to in Article 121 paragraph (1) of this Law, but not later than five years as of the day of the prohibition violation.

(3) The exercise of the right referred to in paragraph (1) of this Article, shall not exclude the right of the other partners to request termination of the general partnership.

Transfer of a share

Article 123

(1) A share in a general partnership can be transferred to a third party only with the consent of all partners.

(2) A transfer of a share can be transferred with a legal action in a written form.

(3) The transfer of a part shall have effect against the general partnership after the legal action regarding the transfer shall be submitted to the general partnership and when one of the persons authorized to manage the general partnership, shall acknowledge in writing that it has been received.

Pledge on a share

Article 124

(1) With consent of all partners, a partner in a general partnership can give his/her share as a pledge.

(2) The partner whose share is given as a pledge shall remain a partner in the company and shall exercise all rights entitled to him/her as a partner in accordance with the articles of association.

General partnership management

Article 125

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

(2) If the partners agree to entrust the management of the general partnership to one or more partners, the other partners shall be excluded from the general partnership management.

Manner of exercising the entrusted management

Article 126

(1) The managers shall be authorized to act independently in the management of the general partnership. If a manager opposes an action before it is undertaken, the performance of the action shall be stopped until the partners reach an agreement thereon.

(2) If the managers act jointly in accordance with the articles of association, then the decisions shall be adopted by consent of all managers. Each of the managers can independently perform the urgent activities, provided that it prevents damage to the general partnership. The manager should notify the other general partnership managers without any delay of the activities undertaken.

Transfer of the management authorization

Article 127

(1) The partner can transfer the authorization regarding the management of the general partnership to a third party, provided that the other partners have agreed so, in a manner determined by the articles of association.

(2) The management authorization, cannot be transferred to a third party by the partner, provided that it is not allowed by the articles of association.

(3) The partner who has transferred the management authorization, shall be liable for the work of the manager referred to in paragraph (1) of this Article, in accordance with the provisions of the Law on Obligations regulating the behest contract.

Scope of the management authorization and manner of adoption of the decisions

Article 128

(1) The authorization to manage shall be given for the activities related to the usual business operations of the general partnership.

(2) The decisions exceeding the authorizations of the managers shall be unanimously adopted by all partners, unless otherwise determined in the articles of association. If the articles of association determines that the decisions are adopted by the majority of the votes, each partner of the general partnership shall be entitled one vote, unless otherwise determined by the agreement.

Decision-making via correspondence

Article 129

The articles of association may determine that the decisions adopted by all partners are adopted by a decision adoption via correspondence, if none of the partners requires a partner's meeting to be convened. In case of decision adoption via correspondence, the results shall be established in a report prepared in a written form, enclosed to the book of decisions. The

answers of asked questions of each partner shall be attached to the report.

Renunciation of the management authorization

Article 130

(1) If there is a justified reason, the partner can renounce the entrusted management authorization with the general partnership. The hindering by the other partners in the performance of the entrusted management or the prevention due to his/her health problems can be considered as a justified reason.

(2) The partner can renounce from the entrusted management authorization with the general partnership, provided that a prior notice is given to the other partners enabling them to undertake all necessary actions related to the partnership unless there is a justified reason due to which he/she can renounce the authorization prior to the expiration of that time period.

(3) The duration of the prior notice referred to in paragraph (2) of this Article shall not three months, at the latest.

Dismissal of the managers

Article 131

(1) If all partners are managers, or if one or more managers are elected from among the partners or are appointed by the articles of association, the dismissal shall be carried out by a unanimous decision of all partners. The dismissed partner can withdraw from the general partnership, and request compensation of his/her rights arising from the partner's relation in the general partnership.

(2) If one or more partners are managers and are not appointed by the articles of association, each one can be dismissed under the conditions anticipated by the articles of association, or if that is not the case, by a unanimous decision of all the partners.

(3) The manager who is not a partner, can be dismissed under the conditions anticipated by the articles of association, or if that is not the case, by a unanimous decision of all partners.

(4) If the dismissal of the manager is carried out without a justified reason, it can be a ground for damage compensation request.

Notification right

Article 132

(1) The partners who are not managers shall have the right to receive a report regarding the books and the other documents of the general partnership and raise questions in writing regarding the management of the general partnership, to which they shall receive answers in writing.

(2) While exercising the right referred to in paragraph (1) of this Article, the partners of the general partnership who are not managers shall have the right in the head office of the general partnership to be acquainted

with the trade books, the contracts, the correspondence, the minutes and all other documents created or received in the general partnership.

(3) The right referred to in paragraph (2) of this Article shall also include the right to obtain copies of the necessary documents.

Remuneration right

Article 133

The partner may be entitled to remuneration for his/her personal participation in the activities of the general partnership determined by the articles of association.

Participation in profit and loss

Article 134

(1) The profit and the loss shall be proportionately shared among the partners of the general partnership in proportion to the share of each partner in the company, unless otherwise determined by the articles of association.

(2) When calculating the participation in the profit belonging to the partner in accordance with paragraph (1) of this Article, the contributions made by the partner during the business year shall be proportionally calculated with the time that has passed since the payment. If the partner in the business year has decreased his/her participation in the assets, the decreased participation shall be calculated in proportion to the period when the decrease was made.

SECTION THREE

RELATIONS OF THE GENERAL PARTNERSHIP WITH THIRD PARTIES

Representation of the company

Article 135

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

(2) The partners can authorize one or more partners to represent the general partnership by the articles of association. In such case, the other partners shall be excluded from the representation.

(3) If more partners are authorized to represent the general partnership, each of the partners can represent the general partnership independently. The articles of association may provide for collective representation.

(4) The representatives of the general partnership, depending on whether their authorizations are for independent or collective representation, shall independently or jointly sign the general partnership.

(5) The authorization for representation of the general partnership shall be whole. The limitations of the partner regarding the representation authorization shall not have any legal effect against third parties, regardless of whether they knew or must have known about the limitation.

Renunciation and revocation of the representation authorization

Article 136

(1) The representative can renounce the representation authorization within a time period which is not shorter than three months as of the day when he/she notified the other partners in writing that he/she is renouncing from the representation authorization. The exclusion or the limitation of this right shall be null and void.

(2) The court can, upon a lawsuit for the other partners, due to significant reasons can take away the partner's representation authorization. In terms of this Article, a significant reason shall be any severe violation of the obligations of the partner or his/her inability to duly represent the company.

Personal liability of the partners

Article 137

(1) For the obligations of the general partnership each partner shall be directly liable to the creditors of the general partnership with his/her entire asset and jointly liable with all other partners.

(2) The provision of the articles of association contrary to paragraph 1 of this Article shall be null and void.

(3) A creditor of a general partnership can require fulfillment of an obligation from the partners, only after the non fulfillment of the liability by the general partnership within the time period determined in the written invitation from the creditor.

(4) A partner who joins an already existing general partnership shall be equally liable with other partners for the liabilities of the partnership incurred prior to him/her becoming a partner.

Time barring of a claim

Article 138

(1) The claim against the partner for the obligations of the general partnership shall reach the time barred status within a period of five years after the termination of the general partnership, that is after the withdrawal of the partner from the general partnership, unless the claim against the general partnership in accordance with law, does not reach the time barred status in a shorter period of time.

(2) The time barring shall commence following the day when the termination of the general partnership or the withdrawal of the partners is recorded in the trade register. If the general partnership is terminated by a bankruptcy, the time barring period shall commence as of the day of the recorded termination of the general partnership in the trade register. If the claim is submitted after the registration in the trade register, the time barring shall commence as of the submission day.

Cessation of the time barring of the claim

Article 139

(1) The cessation of the time barring of the claims against the terminated company, shall have effect against the partners belonging to the general partnership at the time of its termination.

(2) The cessation of the time barring of the claims in relation to a general partnership that has not been terminated shall not have effect against the partner who withdrew, and the termination of the time barring of the claims that occurred against a certain partner shall not have effect against the other partners.

SECTION FOUR

TERMINATION OF THE GENERAL PARTNERSHIP AND TERMINATION OF THE PARTNERSHIP

Grounds for termination

Article 140

(1) The general partnership shall terminate:

- 1) upon the expiry of the time for which it has been incorporated;
- 2) with a decision adopted by all of the partners;
- 3) bankruptcy procedure over the general partnership;
- 4) death of any partner, that is termination of a partner- legal entity, unless otherwise determined in the articles of association;
- 5) bankruptcy procedure against any partner;
- 6) dismissal of any partner of the general partnership, unless otherwise determined by the articles of association;
- 7) by a legally valid decision of the court;
- 8) lost of the capacity to contract of one of the partners, unless otherwise determined by the articles of association; and
- 9) revocation of the license for the performance of the activity, and the general partnership does not change the activity.

(2) The general partnership shall also terminate in other cases determined by this and other law.

(3) Other grounds for termination of the general partnership can also be anticipated in the articles of association.

Demission of a partner

Article 141

(1) If the general partnership is incorporated for indefinite period of time, the partner can, in accordance with the requirements determined by the articles of association cancel the articles of association with a notice period that cannot be shorter than 30 days, nor longer than six months, starting from the end of the business year. The notice shall be given to each of the partners. The notice can be extended by the articles of association.

(2) The provisions of the articles of association excluding the right of the partner to cancel the articles of association or limiting that right shall be null and void.

(3) The provisions referred to in paragraph (1) of this Article shall also apply to the general partnership which in accordance with the articles of association lasts during the life of each of the partners, or partnership whose existence has been extended silently upon the expiry of the time period determined for its existence.

Termination on the basis of a court decision

Article 142

(1) From significant reasons, the court upon a lawsuit of a partner of the general partnership can decide the general partnership to be terminated before the expiry of the time period established therefore, that is to terminate without a dismissal if the time period for which it was established is not determined. A lawsuit can be filed against the other partners.

(2) Significant reasons referred to in paragraph (1) of this Article shall be deemed, in particular, the cases when any of the other partners, by gross negligence, serious carelessness or intention, violates any of his/her essential obligations or when the fulfillment of such obligation or achievement of the goal of the public company becomes impossible or if the goal is achieved.

(3) The lawsuit referred to in paragraph (1) of this Article shall be filed within a time period of 90 days as of the day of becoming aware of the reason, but no longer than one year as of the day of occurrence of the reason.

(4) The provisions of the articles of association excluding or contrary to the provisions of paragraphs (1) and (2) of this Article, limiting the right of the partner to require termination of the general partnership shall be considered null and void.

(5) The court can decide to exclude the liable partner from the general partnership rather than terminate the partnership, upon the lawsuit referred to in paragraph (1) of this Article.

Demission due to severe violation or due to behavior

Article 143

Any partner can without a notice period cancel his/her partnership in the general partnership if another partner of the general partnership has severely violated the articles of association, or with his/her behavior he/she endangers his/her further cooperation or accomplishment of the purpose of the general partnership.

Protection of a partner's creditor

Article 144

(1) A partner's creditor, who in the last six months has been unable to collect his/her claim in the procedure for forcible enforcement of the movable property of the partner and on the basis of an enforceable document seize his/her share and to transfer the request for payment of the thing belonging to him/her after the termination of the company, can by a written notification to all partners cancel the articles of association regardless of whether the company has been incorporated for a definite or

indefinite period of time. The creditor can require from the company only the thing that could belong to the partner after the termination of the company.

(2) The general partnership shall not terminate if the company or the other partners settle the claim upon the issuance of the order for seizure referred to in paragraph (1) of this Article.

(3) If the claim referred to in paragraph (1) of this Article is settled by the company or by other partners, the participation of the partner in the general partnership shall terminate, unless agreed otherwise by the partners.

Continuation of the existence of a company after the termination of the partnership of some of the partners

Article 145

(1) The articles of association can anticipate the continuation of existence of the general partnership after the termination of the partnership of some of the partners. In such case, the other partners shall pay the rights of the share of the partner who stepped down from the general partnership, and in case of death of a general partnership partner, his/her inheritors shall acquire the status of partners provided that they express their will thereto, or if it is determined as a possibility by the articles of association or if the other partners additionally agree so. The inheritors shall give the statement for acquiring a position of a partner in the general partnership and within a period of three months as of the day of the legally valid decision for inheritors designation.

(2) If the inheritors do not acquire a partner's status or they do not want to acquire partner's status, the public partnership shall pay the rights of the share on the deceased partner inheritors.

Continuation of the operation of the general partnership when there is one remaining partner in the company

Article 146

(1) If in a general partnership consisting of two partners, one of the partners is excluded from the company in accordance with the requirements and the procedure determined with this Law, or if a bankruptcy procedure has been initiated on one of the partners, the partner can within a period of one year find another partner and continue the business activity as a general partnership or reorganize the general partnership into another form of a trade company.

(2) The determination of the liabilities and the share of the partner excluded or under bankruptcy shall be performed with an appropriate application of the provisions of this Law regulating the withdrawal of the partner from the company.

(3) If, upon the expiration of the period determined in paragraph (1) of this Article, the partner does not act in accordance with paragraph (1) of this Article, the court shall *ex officio* conduct a liquidation procedure.

Entry of the termination of the general partnership in the trade register

Article 147

(1) The termination of the general partnership shall be entered in the trade register by the partners, unless the general partnership is terminated by a bankruptcy, that is on the basis of another legally valid court decision.

(2) If the general partnership is terminated by a court decision, the court that adopt the decision shall *ex officio* submit it to the trade register.

CHAPTER TWO

LIMITED PARTNERSHIP

SECTION 1

GENERAL PROVISIONS

Definition

Article 148

(1) A limited partnership shall be a trade company wherein two or more natural persons or legal entities are joined, and at least one partner shall be personally liable for the obligations of the company with his/her entire assets, that is unlimitedly and jointly if there are two partners (hereinafter: general partner), and at least one partner shall be liable for the obligations of the company only up to the entered contribution of the company (hereinafter: limited partner). The contribution of the limited partner cannot be in labor and services.

(2) The general partners shall participate with at least one-fifth of the total amount of the contributions.

Application of provisions for the general partnership

Article 149

The provisions of this Law regulating the general partnerships shall be applied to the limited partnership, unless otherwise determined in the provisions of this chapter.

SECTION 2

ESTABLISHMENT AND ENTRY IN THE TRADE REGISTER

Articles of association

Article 150

The limited partnership shall be incorporated by a articles of association in a written form bearing the signatures of the partners verified by the electronic signature of the registration agent, or in a electronic form signed with an electronic signature by the partners of the company through the E-registration System.

Content of the articles of association

Article 151

(1) The articles of association shall contain provisions for:

- 1) the business name and the head office of the limited partnership;
- 2) the scope of operations of the limited partnership;
- 3) the name and surname, PIN, occupation, passport number, that is the number of the personal identification card (if the partner is a foreign natural person) or other document aimed at determining the identity valid in his/her country and his/his citizenship and place of residence, that is the business name, the head office, PINE, if the partner is a legal entity;
- 4) the total amount of the partner's contributions and the determination of the status of the partners as general partners, that is limited partners;
- 5) the manner of representation of the limited partnership;
- 6) the type and ratio of contributions of each partner;
- 7) the manner and date of payment, that is entering of the contribution;
- 8) the manner of distribution of the profit and manner of covering the losses;
- 9) the manner of personal participation in the operations of the limited partnership, management of the limited partnership and manner of adopting decisions, and
- 10) other provisions determined by this Law regulating the relations among the partners.

(2) An amendment to the articles of association shall be conducted with consent of all general partners and the majority of the limited partners in accordance with the amount of their contribution.

Business name

Article 152

The business name of the limited partnership shall include the words "komanditno drustvo" (limited partnership) or the abbreviation "KD".

Data being entered and attachments to the application

Article 153

(1) The following shall be entered in the trade register:

- 1) the name and surname, PIN, occupation, passport number, that is the number of the personal identification card (if the partner is a foreign natural person) or other document aimed at determining the identity valid in his/her country and his/his citizenship and place of residence, that is the business name, the head office, PINE, if the partner is a legal entity;
- 2) the business name and the head office of the limited partnership;
- 3) the scope of operations of the limited partnership, and
- 4) representation of the limited partnership.

(2) The general partners shall submit the application for entry of the incorporation of limited partnership in the trade register.

(3) The following shall be enclosed with the entry application:

- 1) the articles of association;
- 2) a copy of the passport or the personal identification card for a foreign natural persons or other documentation aimed at determining the identity valid in their country, that is proof for registration if a legal person is the founder;
- 3) a proof of ownership containing a note recorded in a public book for immovable, and if a movable is entered for which a law provides for the obligation for entry (register) - a proof of ownership of the movable thing, and if securities are invested, a proof of ownership of those securities shall be submitted to the trade register together with a note that they are invested in a trade company and that the owner cannot manage them. For that purpose, the owner of the securities shall submit a notary verified statement to the Central Securities Depository that the securities are invested in a trade company and that it agrees a limitation for management until their transfer to the trade company to be recorded for these securities.
- 4) a statement from the representative by law, that is a statement from a natural person, that there is no obstacle for him/her to be the founder of the company in accordance with Article 29 of this Law;
- 5) the statement in accordance with Article 30 of this Law, and
- 6) permit or another act of a state body or other competent body if that obligation is determined by law for registration of the limited partnership in the trade register;

(4) The partners, that is, the persons who, in accordance with the articles of association, are authorized to represent the limited partnership shall enclose signatures in accordance with Article 65, paragraphs (2) and (3) of this Law.

(5) Any change in the data referred to in paragraph (1) of this Article, as well as the accession of a partner in the limited partnership, that is the withdrawal of a partner from the limited partnership shall be entered in the trade register.

(6) The publication of the entry of the incorporation of the limited partnership in the trade register, except the prescribed data, can only include the number of limited partners and the total amount of their contributions. The name and surname, that is the business name of the limited partner cannot be published without his/her consent.

(7) The provision referred to in paragraph (6) of this Article shall also apply when the limited partner joins an existing limited partnership, that is withdraws from the limited partnership, as well as when the type of the contribution or the amount wherefore the limited partner is liable is changed.

SECTION 3

LEGAL RELATIONS AMONG THE PARTNERS

Freedom to contract

Article 154

(1) The legal relations among the partners shall be regulated by the articles of association.

(2) The provisions of this Law referring to the general partnership shall apply to the issues not regulated by the articles of association, unless otherwise determined by this section.

Obligation for personal participation

Article 155

(1) The general partner shall be obliged to personally participate in the operation of the limited partnership.

(2) The limited partner can also be obliged to personally participate in the operation of the limited partnership by the articles of association.

(3) The limited partner and general partner can be entitled to remuneration for their personal participation in the operation of the limited partnership.

Management of the company

Article 156

(1) The general partners shall manage the limited partnership. The limited partners shall not have the right to manage the company.

(2) The limited partner cannot oppose the decisions of the general partners, except those decisions and procedures referred to or undertaken out of the regular operation of the limited partnership.

Application of the provisions for compensation of the costs, the damage and competition prohibition

Article 157

The provisions referred to in Articles 120, 121 and 122 of this Law shall apply to limited partners unless otherwise determined in the articles of association.

Right to inspection

Article 158

(1) The limited partner shall have the right to request a transcription or a photocopy of the annual accounts of the company, that is to inspect the trade books for the purpose of control of their accuracy, right to be informed regarding the content of the limited partnership's trade books and other documents, as well as to receive written answers to his/her written questions regarding the management of the limited partnership.

(2) The court can, on a proposal of the limited partner, order the limited partnership to provide a transcription or a photocopy of the annual account to the limited partner, or to allow him/her to inspect the trade books and other documents of the company.

Transfer of shares

Article 159

(1) The shares in the limited partnership can be transferred to a third party only with a consent given in a written form bearing the signatures of all partners verified by the electronic signature of the registration agent, or in an electronic form signed with an electronic signature of the partners in the company through the E-registration System.

(2) The articles of association can determine:

1) that the shares of the limited partners can be freely transferred among the partners;

2) that the shares of the limited partners can be transferred to third parties with consent of all general partners and the consent of the majority of the limited partners, in proportion to the amount of their contributions, and

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

Participation in the profit and covering the losses

Article 160

(1) The profit shall be distributed among the partners of the limited partnership in proportion to the part of each partner in the partnership, unless otherwise determined by the articles of association.

(2) The profit shall be added to the contribution of the limited partner until his/her contribution reaches the amount that he/she committed to pay in accordance with the articles of association as his/her contribution.

(3) The limited partner shall cover the limited partnership's losses up to the amount of his/her recorded contribution, unless otherwise determined by the articles of association.

(4) The limited partner shall not be obliged to return the received profit for the purpose of covering the subsequent losses of the limited partnership.

SECTION 4

LEGAL RELATIONS OF THE LIMITED PARTNERSHIP AND THIRD PARTIES

Representation of the company

Article 161

(1) A limited partner cannot represent the limited partnership. If it is determined in the articles of association that the limited partner can represent the limited partnership, this provisions shall be null and void.

(2) A limited partner cannot represent the limited partnership on the basis of a letter of attorney.

(3) If it is acted contrary to paragraphs (1) and (2) of this Article, the limited partner shall be unlimitedly and jointly liable with all his/her assets with the general partners for the obligations of the limited partnership.

Liability of the limited partner

Article 162

(1) The limited partner shall not be liable for the limited partnership obligations provided that he/she entered the entire contribution as determined in the articles of association. If the limited partner has not entered the entire contribution wherefore determined in the articles of association, he/she shall be unlimitedly and jointly liable to the creditors of the limited partnership with the other partners of the company up to the amount of the agreed contribution decreased for the entered contribution.

(2) If the limited partners, on the basis of the agreement with the other partners of the limited partnership, decreases the amount of his/her contribution, up until the entry of the new amount of the contribution in the trade register, he/she shall be liable against third persons with the initial amount of the contribution.

(3) If a general partner becomes a limited partner he/she shall be liable as a limited partner as of the day of the publication of the entry in the trade register as a limited partner.

(4) The person accessing the company as a limited partners, shall also be liable for the obligations undertaken by the limited partnership prior to the day of acquiring the status of a limited partner.

SECTION 5

TERMINATION OF THE LIMITED PARTNERSHIP

Grounds for termination

Article 163

The following shall be grounds for termination of the limited partnership:

- 1) the expiry of the period for which it has been established;
- 2) decision adopted by all partners (general partners and limited partners);
- 3) bankruptcy of the limited partnership;
- 4) death of any of the general partners, that is termination of the general partner – legal entity, unless otherwise determined by the articles of association;
- 5) bankruptcy procedure against any of the general partners;
- 6) dismissal of any of the general partners, unless otherwise determined by the articles of association;
- 7) legally valid court decision;
- 8) loss of the capacity to contract of a general partner, unless otherwise determined by the articles of association;
- 9) revoking of a permit for performance of an activity, and the limited partnership does not change the activity; and
- 10) in other cases determined by law and the articles of association.

Death or withdrawal of a limited partner

Article 164

(1) A limited partnership shall not terminate upon the death of a limited partner, that is the termination of a limited partner being a legal entity.

(2) If due to the withdrawal of all limited partners in the limited partnership at least two general partners remain, the limited partnership can continue its operations as a general partnership.

(3) The change referred to in paragraph (2) of this Article shall be submitted for entry in the trade register within a period of 30 days as of the day of the withdrawal of the last limited partner. A general partnership agreement shall be attached to the registration application.

(4) If the time period referred to in paragraph (3) is not met, the limited partnership shall be terminated.

Inheritor of a general partner

Article 165

If it is determined by the articles of association that the limited partnership in case of death of one of the general partners shall continue its operation with his/her inheritor who is minor, he/she shall have the status of a limited partner until the age of maturity, but shall be represented by his/her legal representative.

CHAPTER THREE

LIMITED LIABILITY COMPANY

SECTION 1

GENERAL PROVISIONS

Definition

Article 166

(1) A limited liability company shall be a trade company in which one or more natural persons or legal entities participate with one contribution each in the company's pre-determined basic capital.

(2) The contributions of the members can have different amount.

(3) The members shall not be liable for the company's liabilities.

Founders

Article 167

(1) A limited liability company can be incorporated by one or more natural persons or legal entities.

(2) The limited liability company can have 50 members, at the most.

(3) If the number of members of the company exceeds 50, the members, that is the bodies of the company shall undertake actions for harmonization of the number of members in accordance with paragraph (2) of this Article, within a period of one year as of the day when the number of members exceeded 50.

(4) If no actions for harmonization of the number of members in accordance with paragraph (2) of this Article have been undertaken, the members, that is bodies of the company shall be obliged, within the time period anticipated in paragraph (3) of this Article, to undertake actions to transform the company into a joint stock company or initiate a procedure for liquidation of the company.

Members' obligations

Article 168

The members shall be obliged to make contributions and other obligations against the limited liability company determined by the articles of association.

Business name

Article 169

(1) The business name of a limited liability company shall have to contain the words "društvo s ograničena odgovornost" (limited liability company) or the abbreviation "DOO".

(2) The business name of a company incorporated by a single member shall contain the words "društvo s ograničena odgovornost osnovano od jednog lica" (single-member limited liability company) or the abbreviation "DOOEL".

SECTION 2

INCORPORATION OF THE COMPANY

Manner of company's incorporation

Article 170

(1) The limited liability company (hereinafter in chapter three section five: the company), shall be incorporated by articles of association concluded by all founders in a written or electronic form.

(2) If the company is incorporated by a single person, the articles of association shall be replaced by a founder's statement of establishment of the limited liability company (hereinafter: a statement of establishment of a company), in a written or electronic form signed with an electronic signature in accordance with the E-registration System.

(3) The articles of association, that is, the statement of establishment of the company in a written form shall be verified by signatures of the partners with an electronic signature of the registration agent, or in an electronic form shall be signed with an electronic signature of the partners of the company through the E-registration System.

(4) The founders shall, personally or via an attorney-in-fact who must have a letter-of-attorney verified by a notary, conclude the articles of association, except in the case where the letter-of-attorney is signed with an electronic signature in accordance with the E-registration System. The letter-of-attorney shall not be required if the founder's representative is

authorized by law to conclude the articles of association, that is, to give a statement of establishment of the company.

(5) Incorporation of a company by gathering members, that is recording of contributions via public announcement shall not be allowed.

Content of the articles of association, that is, the statement of establishment of the company

Article 171

(1) The articles of association, that is, the statement of establishment of the company shall have to contain:

- 1) the name and surname, PIN, occupation, passport number, that is the number of the personal identification card (if the partner is a foreign natural person) or other document aimed at determining the identity valid in his/her country and his/his citizenship and place of residence, that is the business name, the head office, PINE, if the partner is a legal entity;
- 2) the business name and head office of the company ;
- 3) the scope of operation of the company;
- 4) the duration of the company;
- 5) the amount of the basic capital and amount of the contribution of each member separately, if the contribution is non-monetary- detailed description and value of the contribution;
- 6) the manner and time period for payment of the monetary contributions that are not paid in full;
- 7) the name and surname, PIN of the manager, that is, the managers (hereinafter: manager), passport number, that is, the number of the personal identification card for a foreign natural person or other document aimed at determining the identity valid in his/her country and his/his citizenship and place of residence;
- 8) the representation of the company;
- 9) the 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 the founders;
- 10) the manner and criteria for distribution of the profit and manner of covering the loss;
- 11) the management of the company, and
- 12) the termination of the company.

(2) In addition to the issues referred to in paragraph (1) of this Article, other issues and relations can be regulated by the articles of association, that is, the statement of establishment of the company.

(3) The provisions in the articles of association, that is, the statement of establishment contrary to this Law shall be null and void.

SECTION 3

BASIC CAPITAL OF THE COMPANY

Composition and amount of the basic capital

Article 172

(1) The basic capital of the company shall be composed of the total sum of the contributions of the members.

(2) The minimum value of the basic capital shall not be less than 5.000 Euros in Denar counter value according to the average exchange rate for that currency published by the National Bank of the Republic of Macedonia on the day of the payment, unless the founders agreed for it to be calculated on the day of signing the articles of association, that is, the statement of establishment of the company. The amount of the basic capital has to be expressed in a round number divisible by one hundred.

Obligation for increasing the decreased core capital

Article 173

(1) If the basic capital is decreased due to any reason below the amount determined in Article 172, paragraph (2) of this Law, the amount has to be increased up to the amount anticipated by this Law within a time period of six months as of the day of adoption of the annual account, unless the company has been transformed into another form of a company within that period.

(2) If within the time period determined in paragraph (1) of this Article, the amount of the basic capital is not increased up to the amount determined in Article 172 paragraph (2) of this Law, any person that has legal interest can submit a proposal to the court requesting termination, upon a prior warning of the company's legally authorized representative that such state needs to be harmonized with the law.

Contributions of the members

Article 174

(1) The contribution of the member can be monetary and non-monetary.

(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 fully entered.

(4) The individual contributions cannot be less than 100 Euros in Denar counter value. The contribution has to be expressed in a round number divisible by one hundred.

(5) During the establishment of the company each member can acquire only one contribution. A single contribution can be acquired by several persons.

Payment and entering contributions

Article 175

(1) Prior to filing the application for entry of the company in the trade register, the member shall not have an obligation for payment of the monetary contribution, nor for entering the non-monetary contribution.

(2) In case of payment of the monetary contribution prior to filing the application for entry of the company in the trade register, the payment shall be made on a temporary account of the company within an entity responsible for payment operations in the Republic of Macedonia.

Non-monetary contribution

Article 176

(1) Provided that the contribution that is to be acquired by the company is non-monetary, the articles of association, that is, the statement of establishment of the company, shall closely determine:

- 1) the member making the non-monetary contribution,
- 2) the non-monetary contribution being 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) An appraisal report on the non-monetary contribution by an authorized appraiser shall be enclosed with the articles of association. The provisions referred to in Article 35 of this Law shall be appropriately applied to the non-monetary contributions.

Determining the value of the non-monetary contribution

Article 177

The founders can by an unanimous vote decide not to appraise the value of the non-monetary contribution, if the value of one non-monetary contribution is less than Euro 5,000 in Denar counter value and if the total value of the non-monetary contributions in their entirety does not exceed one half of the basic capital. In that case prior to filing the application for entry in the trade register the members shall prepare a report on the non-monetary contributions stating that the value of the non-monetary contribution is not less than the value of the assumed contribution.

Special benefits for the member

Article 178

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

Conditions for refund of the entered contributions

Article 179

(1) If the company is not incorporated within a period of six months, counting from the day of entrance of the initial contribution, in a manner determined by the articles of association, each founder who entered a contribution can request from the court to determine his/her right on refund of the amount of his/her paid-in contribution, and to in-debt the other members to refund him/her, and for the refund of the monetary compensation in-debt the bank wherein the monetary compensation is being paid.

(2) If the founders decide to incorporate the company after the legally valid decision of the court referred to in paragraph (1) of this Article, a new procedure for entering the contributions in the company shall be conducted.

Costs compensation for the company's incorporation

Article 180

(1) The founders shall cover the costs of the company's establishment in proportion to their contributions, unless otherwise determined by the articles of association. The compensation for the company's incorporation cannot be paid from the basic capital, nor be calculated, as a contribution, to the basic capital.

(2) The costs compensation for the company's incorporation can be approved only to the amount of the highest contribution determined in the articles of association.

(3) The costs compensation referred to in paragraph (1) of this Article, can be paid only from the compensation gained from the profit of the company's operation, unless otherwise determined by the articles of association. The members can decide for these payments to have a priority in relation to the participation in the distribution of the profit.

Liabilities of the members and the managers regarding damage

Article 181

(1) The members and the managers who in the process of company's incorporation provided false data, due to which the basic capital has not achieved the agreed amount, shall be obliged to pay the amounts not being paid, and to compensate the payments made during the company's incorporation, not accepted as expenses for the company's incorporation. The members and the managers shall also be liable for other damages caused by the agreement.

(2) The members and the managers shall be liable to the company, as joint debtors for the damage caused due to non-entering or irregular entering of non-monetary contributions, the high estimation of their value or due to other harmful behavior and action undertaken in the procedure for the company's incorporation for which the court shall determine that are liable for the caused damage.

(3) Any member, that is, manager not aware of facts wherefore the liability is based, nor could have known about them if he/she acted with prudence of a meticulous and conscientious commercial entity shall be exempted for the liabilities referred to in paragraphs (1) and (2) of this Article.

(4) If the compensation of damages is necessary for the purpose of fulfilling the liabilities against third parties, the company cannot waive the right to ask for the damage compensation referred to in paragraphs (1) and (2) of this Article nor negotiate regarding that right.

(5) The right to be damage compensate referred to in paragraphs (1), (2) and (4) of this Article, shall reach the time barring status within a time

period of five years as of the day of publication of the entry of the company's incorporation in the trade register.

SECTION 4

SUBMITTING AN APPLICATION FOR ENTRY OF THE INCORPORATION IN THE TRADE REGISTER

Registration application and data being entered in the trade register

Article 182

(1) The company's incorporation shall be entered in the trade register.

(2) The registration application for the company's incorporation shall be submitted by the manager, that is, the manager authorized by the other managers, provided that the company has more managers.

(3) The following shall be entered in the trade register:

- 1) the business name and the head office of the company;
- 2) the scope of operations of the company;
- 3) the name and surname, PIN, passport number, that is the number of the personal identification card ,if the partner is a foreign natural person or other document aimed at determining the identity valid in his/her country and his/his citizenship and place of residence, that is the business name, the head office, PINE, if the partner is a legal entity;
- 4) the amount of the basic capital;
- 5) the date of concluding the articles of association, that is, the day of signing the statement of establishment of the company;
- 6) the duration of the company, provided that it is determined by the articles of association or the statement of establishment of the company;
- 7) the name and surname of the manager, the members of the supervisory board, that is, the controller, provided that the company has a supervisory body, PIN, occupation, passport number, that is the number of the personal identification card ,if the partner is a foreign natural person or other document aimed at determining the identity valid in his/her country and his/his citizenship as well as the place of residence,
- 8) the authorization for the company's representation, and
- 9) a web page provided that the company has one.

(4) Each change of data referred to in paragraph (3) of this Article, as well as the accession of a member in the company, that is withdrawal of a member from the company, shall be entered in the trade register.

Attachments to the entry application

Article 183

(1) The following shall be attached to the entry application for the company's incorporation:

- 1) the articles of association, that is, the statement of establishment of the company, with all attachments, including the letter of attorney for the attorney-in-fact;
- 2) a copy of the passport or the personal identification card if a natural person is a founder or from other document aimed at determining the

identity valid in his/her country, that is a registration proof- if the founder is a legal entity;

3) if non-monetary contributions are entered - the contracts by which they are regulated and implemented, the appraisal's report, except in the case where, in accordance with Article 177 of this Law, an appraisal is not conducted, and a proof of ownership containing a note recorded in a public book for immovable, and if a movable is entered for which a law determines the obligation for entry (register) - a proof of ownership of the movable thing, and if securities are invested, a proof of ownership of those securities shall be submitted to the trade register together with a note that they are invested in a trade company and that the owner cannot manage them. For that purpose, the owner of the securities shall submit a notary verified statement to the Central Securities Depository that the securities are invested in a trade company and that it agrees a limitation for management until their transfer to the trade company to be recorded for these securities.

4) the decision for manager's appointment, provided that he/she is not appointed with the articles of association, containing the name and surname, PIN, passport number, that is the number of personal identification card of the foreign person or other document aimed at determining the identity valid in his/her country and his/her citizenship, as well as the place of residence;

5) statement for each company's managers that he/she accepts the election, if it is determined by the articles of association that the company which has more than one manager shall be represented by only one manager, together or without a procurator, and a statement that the company's representation is accepted in a manner determined in the articles of association;

6) decision for election of members of the supervisory board, that is the controller, if the company has a supervisory body, wherein the name and surname, PIN, passport number, that is the number of the personal identification card for a foreign natural person or other document aimed at determining the identity valid in his/her country and his/his citizenship as well as the place of residence shall be stated;

7) proof for ownership with the note from the main book for recording of immovable things, and if an immovable thing is being entered wherefore by law it is determined to be recorded (register), proof for ownership of the movable thing;

8) license or other act of a state body or other competent body, if such an obligation is determined by law, for the purposes of entry of the company in the trade register;

9) statement made by a representative by law of the legal person, that is statement from the natural person that there is no obstacle for him/her to be the founder of the company in accordance with Article 29 of this Law, and

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10) statement, in accordance with Article 32 of this Law.

(2) The manager, that is, the persons who, in accordance with the articles of association, are authorized for representation shall submit the signatures in accordance with Article 65 paragraphs (2) and (3) of this Law.

(3) The enclosures referred to in paragraph (1) of this Article may be submitted in an electronic form in accordance with the E-registration System and the Law on One-Stop-Shop System and Keeping a Trade Register of other Legal Entities.

SECTION 5

LEGAL RELATIONSHIPS BETWEEN THE COMPANY AND THE MEMBERS

Subsection One

RIGHTS AND OBLIGATIONS OF THE MEMBERS IN THE COMPANY

Rights of the member

Article 184

(1) Each member in the company shall have the right:

- 1) to participate in the management of the company,
- 2) to participate in the distribution of the profit;
- 3) to be informed regarding the operations of the company;
- 4) to inspect the books of the company and other documentation; and
- 5) to the remainder of the liquidation, that is the bankruptcy estate.

(2) The member shall have other rights determined by law. The members can determine other rights in the articles of association.

(3) The rights referred to in paragraphs (1) and (2) of this Article shall be exercised by the members in the extent, manner and in accordance with the requirements determined in this Law and the articles of association.

Right to participate in the profit

Article 185

(1) The members shall have the right to an appropriate share of the profit, unless the right to profit participation is not limited nor excluded with the articles of association.

(2) The profit shall be distributed among the members in proportion to their share in the company, unless otherwise determined by the articles of association.

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

(4) The articles of association shall determine the manner of deciding upon the distribution, the distribution time, 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 in accordance with this Law and the articles of association, shall be determined to be adopted at the members meeting.

Obligation for payment of the contribution

Article 186

(1) The member shall be obliged to pay the acquired basic contribution in full, in accordance with the articles of association.

(2) All members shall make the payment of their monetary contributions proportionally to their acquired contributions, unless otherwise determined by the articles of association or by a decision of the members meeting.

(3) The members cannot be exempted from, nor the obligation for payment of the monetary contribution can be alleviated or postponed, except in the cases of a loan that is transformed in company's contribution, that is, additional payments for which a decision on transformation of additional payments in company's contribution is adopted. The obligation for payment of the monetary contribution cannot be settled by a claim against the company.

(4) The member can be exempted from the obligation to pay the monetary contribution in case of decrease of the basic capital, up to the amount by which the basic capital is decreased, at the most.

(5) If during the company's incorporation the full amount of the monetary contribution has not been paid in, the remainder of the contribution shall be paid in a manner determined by the articles of association. The remainder of the contribution has to be paid within a time period of year from the day of the publication of the entry of the company's incorporation. Until the payment of the full amount of the monetary compensation, the member shall be liable to the company in the amount of the acquired compensation in accordance with the articles of association.

(6) The member who has delayed the fulfillment of the obligation regarding the payment of his/her contribution on time shall be obliged to pay a default interest.

(7) The provisions of the articles of association, as well as the other legal matters and actions contrary to the provisions of this Article, shall be considered null and void.

Additional period for payment of the contribution and payment of interest

Article 187

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

(2) The company can file a lawsuit against the member requesting from him/her to pay the contribution in full or a portion of it, which does not exclude the possibility for the member's exclusion from of the company.

Exclusion of a member due to delay and the liability of the predecessors

Article 188

(1) If the additional time period for payment of the contribution referred to in Article 187 paragraph (1) of this Law expires, the manager shall announce that the member, for the benefit of the company, has lost his/her share and the partial payment of the contribution. With this the member shall be considered excluded. The members shall be notified regarding the exclusion from the company in writing via registered mail or by hand delivery.

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

(3) The predecessor or all predecessors of the excluded member, provided that there are such shall be liable for payment of the contribution not being paid by the excluded member. The payment can be first requested by the direct predecessor of the excluded member. Provided that he/she does not pay the contribution within a time period of one month as from the day of inviting him/her, the payment can be requested from his/her predecessor.

(4) The predecessor of the excluded member, by paying in the remainder of the contribution shall acquire the share of the excluded member.

Sale of the share of the excluded member

Article 189

(1) If the predecessors of the excluded member does not pay in the remainder of the contribution, the company can sell the share of the excluded 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 excluded member. The part can be sold and converted into cash by other means, only with consent from the excluded member.

(2) If a higher price is obtained at the sale of the share on a 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 shall be paid to the excluded member.

Withdrawal of a share, that is payment of contribution of the other members

Article 190

(1) In accordance with the provisions referred to in Article 189 of this Law, if the conversion of the share into cash is not possible in any way within a time period of six months, the company can withdraw the share, or the other members of the company can in proportion to their shares in the company pay the basic contribution of the excluded 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 share, that is payment of the basic contribution in full by the other members, the excluded member shall be entitled to the paid-in part of his/her contribution.

Additional payments

Article 191

(1) The articles of association can determine all or certain members to be obliged to make additional payments exceeding the amount of the contribution, only when it is necessary for covering the losses or the temporary necessity for cash.

(2) If the articles of association does not determine that the decision for the additional payments are to be adopted with a majority of two thirds of the given votes, the members shall adopt the decision unanimously.

(3) The additional payments shall not increase the contributions of the members nor the basic capital of the company, except the decision on additional payments determines that they should be transformed in company's contribution in accordance with the provisions of this Law on increase of the basic capital.

(4) The additional payments of the members shall have to be proportional to their shares in the company, unless the members agree upon a different proportion.

(5) The member cannot compensate his/her obligation for additional payment with a claim he/she has against the company.

(6) A member, who is late with his/her obligation to make the additional payment, shall be obliged to pay interest and to cover the damage caused to the company, unless otherwise determined by the articles of association.

(7) If the conditions referred to in paragraph (1) of this Article regarding the members' obligation for giving additional payments cease, the additional payments shall be refunded to the members. The refund cannot be performed before the expiration of the three months as from the day of publication of the decision for refunding the additional payments in the prescribed manner. The refund of the additional payments shall be allowed only if the members have paid the contribution in full. The refund of the additional payments before the full payment of the contribution shall be null and void.

Prohibited payment

Article 192

(1) A member, in whose benefit the company has paid a certain amount contrary to the law, the articles of association or the member's decision, shall be obliged to return the received amount to the company. The member can keep such amount that he/she has received in good faith as a portion of the profit.

(2) For the refund of the prohibited payment, the payment of which decreased the basic capital of the company (prohibited payment), in addition to the member who received the payment, the manager, the members of the supervisory board, that is, the controller, provided that the company has a supervisory body, as well as the other managerial persons in the company, who during the payment failed to act with due care, shall also be jointly liable.

(3) If the full amount of the prohibited payment cannot be collected from the persons referred to in paragraph (2) of this Article, the amount for

which the basic capital has been decreased shall be compensated by the members in proportion to their contributions in the company.

(4) The persons referred to in paragraphs (2) and (3) of this Article cannot be fully, nor partially exempted from the stated liability for returning of the full amount of the prohibited payment.

(5) The right of the company referred to in paragraphs (1), (2) and (3) of this Article to require returning of the prohibited payment shall reach the time barred status within a time period of five years as of the day of receiving the prohibited payment, unless the company can prove that the person was aware or due to the circumstances should have known that the such payment is prohibited.

Subsection 2

SHARES

Determining the amount of the share

Article 193

(1) The share of a member of a company shall be determined in accordance with the volume of the contribution acquired by the member, unless otherwise determined by the articles of association.

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

Certificate for a share

Article 194

(1) The articles of association can determine an obligation of the company to issue a certificate for a share to the members. The certificate for a share shall be issued as a copy of the situation entered in the book of shares.

(2) The certificate for a share issued to a member of the company shall not be a security.

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

Book of shares

Article 195

(1) The manager of the company shall be responsible for maintaining the book of shares wherein, after the entry of the company's incorporation in the trade register, the following shall be entered for each member: the surname and name, PIN, passport number, that is the number of the of the personal identification card if the member is a foreign natural person, or other document aimed at determining the identity valid in his/her country, and his/her citizenship, as well as the place of residence, that is the business name, PINE if the member is a legal entity, date of becoming a member, amount of the basic contribution acquired, paid in or agreed to

pay, the manner and time of payment, the additional payments being paid in, description and statement for the agreed value of the non-monetary contribution being entered or agreed to be entered in the future, all liabilities encumbering the share, the number of votes in the decision adoption process, as well as the special rights and obligations arising from the share.

(2) Any amendments related to the made entry, as well as divisions or encumbrances on the shares shall be without delay recorded in the book of shares. The withdrawal or the exclusion of a member, the change of an owner of a share in connection with the change of a share into cash, as well as acquiring new contributions, the decrease of the compensations and the returning of the additional payments, shall be without delay entered by the manager, and the other, encumbrances and divisions only on the basis of a neat application of any member. Within a time period of three days as of the day the amendment was made in the book of shares, the manager shall be obliged to submit an application regarding the amendment of the entry in the trade register, unless it is determined by this Law that the data entered in the book of shares shall be entered in the trade register.

(3) The manager shall be liable for regular keeping of the book of shares and for the accuracy of the data entered in the book of shares. The manager shall be unlimitedly and jointly liable to the company, the members and the creditors for the damage caused by the false and inaccurate keeping of the book of shares.

(4) The articles of association shall determine the manner of keeping the book of shares.

Effect of the entry in the book of shares

Article 196

(1) In regard to the company, a member of the company shall be only the one who is entered in the book of shares.

(2) The recording in the book of shares shall be considered to have been made on the day when the company receives the application for entry in the book of shares, provided it fulfills the requirements needed for such entry, regardless of the time period when the entry was made. The application shall be submitted in written form.

(3) If the manager refuses to make an entry in the book of shares, within a time period of eight days as of the day of the submission of the application form, the member, that is other person that has legal interest, can upon the expiry of this time period, submit a proposal to the court to adopt a decision for entry in the book of shares.

(4) Upon the legally valid decision of the court, the manager shall be obliged, within a time period of three days as from the day of receipt of the decision, to enforce the decision and make the entry in the book of shares.

Use of the share

Article 197

(1) The members shall use the shares under the requirements determined in the articles of association.

- (2) The shares in the company can be transferred in a manner and in a procedure determined by the articles of association.
- (3) The member of the company can transfer his/her share in whole or only a portion of it.
- (4) The share shall be transferred by a transfer agreement, verified by a notary.
- (5) Each transfer of a share made in a manner and in accordance with requirements contrary to this Law or the articles of association shall be null and void.
- (6) The member of the company can pledge his/her share according to the requirements determined in the articles of association. The provisions of Article 200 paragraph (1) of this Law shall not be applied to a pledge of a share.
- (7) The members/partners in the company that have a debt on grounds of unpaid taxes, custom duties and compensations cannot buy not transfer shares in their or other trade companies.
- (8) Paragraph (7) of this Article shall not apply to members/partners that have the status of a state administrative body and funds established by the state which have acquired their shares in the company based on a law.

Requirements under which the share is transferred to a third party

Article 198

- (1) A share can be transferred to a third party only if the member has fully paid his/her contribution.
- (2) The right of priority purchase of a share shall be realized in the following order: other members and the person determined by the company.
- (3) If the other members or the person determined by the company do not express their position within a period of 30 days as of the day announcing the intention to transfer the share, the member shall be free in realizing his/her right to transfer the share, unless special requirements are determined in the articles of association.

Transfer of a share by way of inheritance

Article 199

- (1) The transfer of shares by way of inheritance shall not be subject to restrictions.
- (2) If the member dies, the legal representative of his/her inheritance shall exercise all rights and obligations arising from the membership, including all other rights and obligations the member exercised or acquired according to the articles of association.
- (3) For the transfer of a share by way of inheritance and for gaining by acquisition any kind of property as a whole, the articles of association can determine that the inheritor, that is the obtainer is required to transfer the share to one of the members or a person designated by the company,

unless the parties agree otherwise, at the price that corresponds to the value of such share recorded in the latest annual balance sheet of the company. If the company fails to ask the inheritor, that is the obtainer to transfer their part within a time period of 30 days as from the day the company learned of it, the obligation for a transfer shall terminate.

Transfer of the rights and obligations of the member to the person acquiring the share

Article 200

(1) In the case of transfer of a share, the rights and obligations of the membership of the member shall be transferred to the person who acquired the share. 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 share in the book of shares, shall apply to the person that acquired the part.

(2) The person who acquired the share and his/her legal predecessor shall be liable for executing activities that, on the basis of the share have to be performed towards the company under the obligation existing at the time when the entry application for the transfer of the respective part in the book of shares was submitted to the company, proportionally to the participation of the contribution in the basic capital of the company on the basis of which the share is acquired.

(3) The requirements for fulfillment of the activities referred to in paragraph (2) of this Article towards the legal predecessor of the person that acquired the share shall reach the time barring status within a time period of five years as from the day of filing the entry application for transfer of shares in the book of shares.

(4) The person who acquired a share shall be obliged to submit an application to the company regarding the change in the ownership of the share for the purpose of entry in the book of shares.

(5) The application referred to in paragraph (4) of this Article shall include a statement of the person who acquired the share agreeing to become a member in the company, and fully and unconditionally accepts the provisions of the articles of association.

Division of a share

Article 201

(1) A share can be divided only in the event of transfer of a share, legal succession of a member whose status as member was terminated, or in case of inheritance. A consent of all members shall be required for a division of a share, unless otherwise determined by the articles of association.

(2) The provisions of this Law referring to the minimum amount of the contribution shall be applied in the case of division of a share.

(3) The division of a share can be excluded with the articles of association, except in case of transfer of shares between the company's members.

(4) The provisions of this Law regarding the transfer of the share shall be appropriately to the transfer of a portion of a share.

Co-owner of a share

Article 202

(1) Several co-owners can have one share.

(2) The persons referred to in paragraph (1) of this Article shall be considered as one member, and they can exercise their rights only through a joint representative, and for the obligations arising from the share shall be jointly liable.

(3) Each of the co-owners of a share can provide the company with the data which in accordance with this Law shall be required for each member.

(4) The co-owners of a share shall be obliged to sign a written letter-of-attorney for the purpose of appointment of a joint representative and submit it to the company. If the appointed representative votes or undertakes another action regarding the share, the company shall accept his/her voting or the other action without further examination of his/her authorization given by the members.

(5) If the co-owners of a part fail to recount their joint representative to the company, the legal matters and actions the company undertakes shall be legally effective, provided that they are undertaken by one of the co-owners and they have effect against all co-owners.

(6) 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 against each owner.

Acquiring personal shares

Article 203

(1) The company can acquire personal shares under the following requirements:

- 1) if for the share being acquired the compensation is fully paid, and
- 2) if the share is acquired from the company's assets exceeding the amount of basic capital and if the company has generated reserves for acquiring personal shares, whilst not reducing the basic capital of the company or the level of reserves, determined by the articles of association, that cannot be used for payment of the members.

(2) With a decision of the members, adopted by at least three-quarters majority vote of the total number of votes based on shares, the company can buy-out shares participating in the basic capital, up to one-third the most.

(3) The company shall be obliged, within one year as from the day of the buy-out, to alienate or by applying the rule for decrease of the basic capital, withdraw the share acquired contrary to paragraphs (1) and (2) of this Article.

(4) The rights of the personal share shall be in abeyance.

Taking share of a member by a pledge

Article 204

- (1) The company can take in pledge a member's share, for which the acquired contribution has been fully paid in.
- (2) The member who has given his/her share under pledge to the company shall exercise all his/her rights and obligations arising from the membership.
- (3) The company can take a share in pledge only if the total amount of claims secured with the pledge of the share is lower than the value of the share or, if the value of the share 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 basic capital.

Withdrawal of a share

Article 205

- (1) The share can be withdrawn only in cases anticipated by the articles of association.
- (2) The share can be withdrawn without the member's consent if the conditions for the withdrawal were determined in the articles of association before the member acquired the share.
- (3) If the withdrawal of the share generates decrease in the basic capital, the withdrawal shall be made only through decrease in the basic capital.
- (4) A single-member limited liability company can neither acquire personal share, nor withdraw the share.

Subsection 3

TERMINATION OF THE MEMBERSHIP STATUS

Grounds for termination of the membership status

Article 206

- (1) The membership status in the company shall be terminated with:
 - 1) death of a natural person – member;
 - 2) termination of a legal entity – member;
 - 3) withdrawal of a member from the company;
 - 4) exclusion of a member from the company, and
 - 5) bankruptcy over a member.
- (2) Other grounds for termination of the membership status can be determined by the articles of association.
- (3) The property relations arising from the membership status shall be regulated on the basis of a financial statement prepared not later than the end of the month when the membership status has been terminated.

Withdrawal of a member of the company

Article 207

(1) The articles of association can determine that the member can withdraw from the company. In such case, the articles of association shall determine the requirements, the procedure and consequences of the member's withdrawal from the company.

(2) Provided that there are justified reasons the member can by a lawsuit request a withdrawal from the company. It shall be considered that there are justified reasons for withdrawal from the company, if:

- 1) other members or a company's body caused damage to the member, or if with his/her further participation in the company, as a member he/she shall suffer unfair damages;
- 2) he/she is hindered from exercising his/her rights in the company, and
- 3) a company's body imposes unsuitable obligations on the member.

(3) The lawsuit referred to in paragraph (1) of this Article shall be filed within a time period of 90 days as of the day of becoming aware of the reason, but no longer than one year as of the day of occurrence of the reason.

(4) The member cannot in advance waive the right determined in paragraph (2) of this Article.

Exclusion of a member from the company

Article 208

(1) The articles of association may determine that the member can be excluded from the company. In such case, the articles of association shall determine the requirements, the procedure and consequences of the member's exclusion from the company.

(2) A member, that is the company can with a lawsuit, request the exclusion of another member from the company, provided that there are 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 participation in the company as a member causes damage to the company or the members;
- 2) acts contrary to the decisions of the 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 articles of association, that is, does not perform the obligations assigned to him/her as a member; or
- 5) in other manner fails to fulfill the obligations undertaken by the articles of association.

(3) The lawsuit referred to in paragraph (1) of this Article shall be filed within a time period of 90 days as of the day of becoming aware of the reason, but no longer than one year as of the day of occurrence of the reason.

(4) The member cannot in advance waive the right determined in paragraph (2) of this Article.

An effect arising from the withdrawal or the exclusion of a member from the company

Article 209

(1) The membership status and all right arising thereof, shall terminate with the withdrawal or the exclusion of the member.

(2) A member who withdraws from the company, that is the excluded member shall have the right to be compensated for his/her part based on its market value at the time of withdrawal or exclusion. If the contribution was non-monetary, the member shall be entitled to regain his/her contribution, provided that right is determined in the articles of association, or if the other members agree so, within a time period not less than three months from the day of withdrawal, that is exclusion. The member cannot require compensation for the damage caused by accidental destruction, damage or reduction of the value of his/her contribution, as well as, if that occurs as a result of regular use.

(3) If the member has been obliged to fulfill another obligation against the company, the company shall in accordance with paragraph (2) of this Article, reimburse his/her part share, until he/she compensates the damage against the company, or does not compensate the damage provided that it was caused due to non-fulfillment of the undertaken obligation.

(4) The method of performing the assessment, that is the method of selection for establishing a compensation for the share shall be determined by a mutual agreement, by the member who withdraws, that is the excluded member and the company.

(5) If the member who withdraws, that is the excluded member, in accordance with paragraph (2) of this Article, does not accept the company's proposal, the court shall appoint an authorized appraiser to appraise the compensation of the share of the member who withdraws, that is the excluded member.

(6) The membership status in case of withdrawal, that is exclusion shall terminate when the compensation referred to in paragraphs (2) and (5) of this Article is paid to the member.

SECTION 6

ACTS, DOCUMENTS AND INFORMATION OF THE MEMBERS

Acts and documents that have to be kept by the company

Article 210

The company shall have to keep the following acts and documents in its head office:

- 1) a copy of the articles of association and its amendments with consolidated texts;
- 2) attachments (documents and proofs) which have been submitted to the trade register;
- 3) book of shares;
- 4) book of decisions;
- 5) updated list with name and surname and place of residence of the company's manager, members of the supervisory board, that is, the

controller, provided that the company has a supervisory body;
6) minutes of all members' meetings, and all decisions adopted by the members
by way of correspondence, as well as minutes of the management body if the company has a supervisory body;
7) a copy of the annual account and the annual report regarding the company's operations for the previous business year;
8) statements given in written by the members regarding the acceptance of the provisions of the articles of association;
9) documents of pledge and mortgage;
10) the collective agreement on the level of the company;
11) the entire written correspondence of the company with its members;
12) the report of the authorized auditor and report of the authorized appraiser, provided that there are any; and
13) other documents determined by this Law and the articles of association.

Members' access to the acts, the documents and the information

Article 211

(1) The company shall provide access to the acts and the documents it keeps and information it has, to any member, or former member with respect to the period in which he/she was a member of the company, an authorized representative and an inheritor of a deceased member, for inspection or copying (hereinafter: access to acts, documents and information) during the company's business hours.

(2) As a precondition for providing access to the acts, the documents and information referred to in paragraph (1) of this Article, the company can request the member or the former member with respect to the period he/she was a member, authorized representative of a member or an inheritor of a deceased member to prove the status of a member, authorized representative of a member , or the inheritor of a deceased member.

(3) The company can ask the persons referred to in paragraph (1) of this Article to cover the real costs expenses (for copying and alike) for access to the acts, documents and information of the company.

Access to the acts, documents and information upon a court decision

Article 212

(1) The company shall have to provide access to the acts and other documents referred to in Article 210 of this Law to a member, or a former member of the company with respect to the period he/she was a member, authorized representative of a member or an inheritor of a deceased member, in its head office, in a manner determined in the articles of association.

(2) If the company fails to provide the right referred to in paragraph (1) of this Article to the person referred to in paragraph (1) of this Article he/she shall have the right with a proposal to request from the court to adopt a decision on exercising this right. The court shall within a time period not longer than 8 days as from the day of submission of the proposal, determine whether the person referred to in paragraph (1) of this Article is

entitled to access to the act and other documents, and provided that it is determined that his/her access has been disabled, it shall indebted the company to enable the access.

(3) The person who had access to the act and other information cannot publish or present the obtained information to the public, provided it causes damages to the company, unless he/she exercises a certain right determined by Law, the articles of association or other act of the company.

(4) If the person referred to in paragraph (1) of this Article by publishing the acts, the documents and the information, causes damage to the company, he/she shall be liable for damage compensation, except in the cases referred to in paragraph (3) of this Article.

SECTION 7

DECISION ADOPTION OF THE COMPANY'S MEMBERS

Subsection 1

DECISION ADOPTION OF THE MEMBERS

Forms of adopting decisions by the members

Article 213

(1) The members shall adopt the company's decisions at the members meeting, or by way of correspondence.

(2) The issues resolved by the members at the members meeting or by way of correspondence, the manner, the requirements and the procedure regarding the adoption of the decisions shall be determined by the articles of association.

Subsection 2

MEMBERS MEETING

Composition of the members meeting

Article 214

(1) The members meeting shall include all members.

(2) The manager of the company, who is not a member, can participate in the activities of the meeting, without the right to vote.

Competence of the members meeting

Article 215

(1) The members meeting shall perform the following activities:

1) adopt the annual account and the annual financial reports, as well the annual report on the company's operations for the previous business year

and decide upon the distribution of the profit and covering of the losses;

2) appoint and renounce the manager, that is, the other managers, in the case the company appoints several managers and decide on concluding the contract between the company and the manager;

3) appoint and renounce the members of the supervisory board, that is appoint and dismiss a controller, if the company has a supervisory body;

4) decides upon the measures on examination and performing control over the operation of the activities;

5) adopt a decision on initiation of a procedure for damage compensation suffered by the company that occurred during the process of its establishment and management against the manager, the members of the supervisory board or the controller (if the company has a supervisory body) and decide regarding the appointment of a representative for disputes conduction, if the company cannot be represented by the manager, that is, the managers or the members of the supervisory board;

6) approve contracts for procurements in amount that exceeds one-fifth of the basic capital;

7) approve conclusion of contracts between the company and a member, a manager or their relatives in direct line without limitations and an indirect line up to a third degree, unless these contracts are concluded under the usual terms of the company's operation;

8) decide on the amendment to the articles of association; and

9) perform other activities determined by this Law.

(2) In the case where the Government of the Republic of Macedonia is the sole member of the company with limited liability, the members meeting, in addition to the activities referred to in paragraph (2) of this Article, shall give consent to the act determining the value of the point for calculation of the salaries of the employees in the company with limited liability.

(3) The articles of association can determine that the members meeting can also decide upon other issues.

(4) The articles of association can determine that for the issues referred to in paragraph (1) of this Article the members can decide by way of correspondence.

Persons who can convene the members meeting

Article 216

(1) The members meeting shall be convened by the manager, unless the right to convening the meeting is assigned to another person by the articles of association.

(2) The members meeting shall be convened at least once a year. The members meeting shall be convened in written form and within the time periods determined by this Law and the articles of association, whenever it is for the interest of the company.

(3) The members meeting shall have to be convened without any delay, even if requested in a written form, stating the reasons by a single member or several members holding at least one tenth of the basic capital.

(4) If the body competent for convening the members meeting does not convene the meeting within a time period of 15 days as from the day of submission of the request referred to in paragraph (3) of this Article, the members who have submitted the request can convene the members meeting wherefore the agenda of the meeting is determined.

(5) The members meeting can be convened by the supervisory board, that is the controller, provided that the company has a supervisory body.

(6) If, upon a request by a single or several members holding at least 51% of the basic capital, the manager, that is, the supervisory board fails to convene the members meeting within a time period of 24 hours as from the day of submission of the request, the members can submit a request to the court for convening the meeting.

Manner for convening and place for holding the members meeting

Article 217

(1) The members meeting shall be convened by a written invitation, that is another written notification delivered via registered mail, other express mail or some other convenient way, with a receipt by each member unless otherwise determined by the articles of association. At least 30 days need to pass from the day the written invitation, that is the other written notification is sent, until the day of holding the members meeting. The agenda for the meeting shall be enclosed with the invitation, that is the other written notification.

(2) The invitation, that is, the notification for convening members meeting shall contain the following data:

- 1) the business name and the head office of the company;
- 2) the place and date of holding the meeting;
- 3) the data determined in the agreement on incorporation of the company, relevant for the attendance at the meeting and for the manner of voting;
- 4) the agenda according to which the meeting is to work; and
- 5) the manner in which the materials prepared for the convened meeting are made available.

(3) If the members meeting is not convened properly, that is not in accordance with paragraph (1) of this Article, the decisions can be adopted only if all members are present and they do not object to the meeting being held.

(4) Any member shall have the right to require a certain issue to be additionally entered in the meeting's agenda. The member shall have to inform the other members of his/her proposal not later than three days prior to the meeting day. The issues not entered in the invitation, that is the ones for which the members are not additionally informed three days prior to the meeting, can be entered in the agenda and discussed at the meeting only if all members are present and do not object to that.

(5) The members meeting shall be held in the head office of the company, unless otherwise determined by the articles of association.

Limitations on the members' right to vote

Article 218

(1) Each amount of the contribution equal to Euro 100 in accordance with the average exchange rate of the National Bank of the Republic of Macedonia on the day the articles of association is concluded or on the day the decision on change of the basic capital is reached, shall confer one vote where parts less than Euro 100 expressed in Denars shall not be taken into consideration when determining the voting right.

(2) The company agreement can provide for the members to have voting rights that differ from the one determined in paragraph (2) of this Article, whereby each member shall be entitled to a minimum of one vote.

Quorum and adoption of decisions

Article 219

(1) The members meeting can operate and decide (operating quorum) if the members who hold the majority votes on the basis of contributions in accordance to Article 218 of this Law are present at the members meeting, unless the articles of association determine larger majority.

(2) At the members meeting, that is decision adoption by way of correspondence, the decisions shall be adopted by the majority of the votes from the quorum referred to in paragraph (1) of this Article, unless this Law and the articles of association determine larger majority.

Limitations while exercising the voting right

Article 220

(1) At the members meeting, that is decision adoption by way of correspondence the member cannot vote, that is cannot declare for a decision relieving him/her from an obligation or a responsibility acknowledging him/her a certain advantage, or a privilege or by which it is decided to conclude a legal activity between the member and the company, for initiation of a court procedure wherein the member and the company shall be the parties and in other cases determined by the articles of association.

(2) The member cannot vote via a attorney in fact for the issues determined in paragraph (1) of this Article.

(3) The provisions of the articles of association contrary to paragraphs (1) and (2) of this Article shall be null and void.

Representation of a member

Article 221

(1) If the company has more than two members, the member can be represented by another member or another person at the members meeting.

(2) When the member exercises the voting right through another member or a another person he/she shall have to issue a letter of attorney to that person. The letter of attorney shall be issued in written form verified by a notary. The scope of authorization of the attorney-in-fact shall be stated in the letter of attorney.

(3) The revocation or reduction of the authorizations of the attorney-in-fact referred to in paragraph (2) of this Article shall be made by a statement verified by a notary.

(4) The authorized representatives of a natural person and representatives of a legal entity, shall represent the members at a members meeting without a letter of attorney and shall be obliged to submit an evidence that

they are authorized representatives, that is a legally authorized representatives.

(5) The actions in the name of member can be performed by a representative holding a written letter of attorney certified by a notary, or another by adequate body at whom the certification of authorization is made in the country whose citizen the foreign natural person is, that is in the country where the company is founded.

Subsection 3

DECISION ADOPTION BY WAY OF CORRESPONDENCE

Manner of decision adoption by way of correspondence

Article 222

(1) If it is determined by the articles of association that the members decide by way of correspondence, the draft of the decision shall be presented to the members in written form with an explanation and a reasonable deadline for reply shall be determined, which cannot be shorter than 24 hours (in working days) and not longer than 8 days, after the day of confirmation that the draft decision in written form has been presented to the members. The draft of the decision shall be clearly stated.

(2) The decision can be adopted within the time period shorter than the time period referred to in paragraph (1) of this Article if all members voted in its favor, or if the voting is done electronically.

(3) Decision adoption by electronic means shall also be considered as a decision adoption by way of correspondence, provided that such manner of decision adoption is determined in the articles of association and provided that it provides security, documentation and possibility to control the conducted adoption via correspondence, as well as accessibility for each member to personally state his/her opinion electronically.

(4) If a member does not answer, that is does not state his/her opinion in the time period referred to in paragraph (2) of this Article, it shall be considered that he/she voted against the proposal.

(5) If it is determined by the articles of association for the members to decide upon a certain question via correspondence, each member has to give a proposal for convening a members meeting where the issue shall be decided.

Subsection Four

LIABILITY FOR THE ADOPTED DECISIONS AND BOOK OF DECISIONS

Liability of the members for the adopted decisions

Article 223

If at the members meeting or by means of correspondence, the members of the company, adopt a decision for which they knew or regarding the

circumstance, should have known that it violates the company's interest, they shall be unlimitedly and jointly liable for the damage caused by such decision.

Book of decisions

Article 224

(1) The decisions adopted at the members meeting, that is the decisions adopted by the members by way of correspondence shall be recorded by the manager in the book of decisions. The decisions shall be recorded in the book of decisions immediately upon the adoption and shall be verified by a signature of at least one member participating in its adoption. The minutes from the held members meetings where the decisions have been adopted, that is the material for stating wherein the adoption by means of correspondence is documented, as well as the adopted decisions shall be an integral part of the book of decisions.

(2) Each member shall have the right to inspect the book of decisions and request copies of the decisions adopted on the members meeting, that is, by means of correspondence, from the manager.

(3) In the company incorporated by a single person, the decisions shall be recorded in the book of decision immediately after the adoption and shall be verified by a signature of the single member.

(4) The manner of maintaining the book of decisions shall be closely regulated by the company agreement.

Subsection 5

NULLITY AND CONTESTING A DECISION ADOPTED AT A MEMBERS MEETING OR DECISION ADOPTION BY A WAY OF CORRESPONDENCE

Nullity of a decision

Article 225

(1) The nullity of a decision adopted on the members meeting, that is a decision adopted by way of correspondence, can be required with a lawsuit, provided that:

- 1) the members meeting at which the decision is adopted has not been convened in accordance with law and the articles of association, that is, if all members were not properly invited at the meeting, except in the case referred to in Article 212, paragraph (2) of this Law;
- 2) the decision has not been adopted in a manner and a form determined by this Law or the articles of association; and
- 3) the content of the decision is contrary to law, the good business practices or the provisions of the articles of association.

(2) The lawsuit regarding the nullity referred to in paragraph (1) of this Article can be submitted by:

- 1) a member that attended the members meeting and expressed his/her objection to

the decision in the minutes from the meeting, or the member has submitted the objection in writing to the company when the decision is adopted by way of correspondence, and

2) the member who was prevented to attend the members meeting or vote at the members meeting, that is to decide by means of correspondence.

(3) The lawsuit referred to in paragraph (1) of this Article can be submitted by any manager, member of a supervisory board, that is, controller (if the company has a supervisory body) if they are ordered, by a decision, to take an action which might make them liable for causing damage, that is, committing a crime.

(4) The lawsuit shall be submitted within a time period of 60 days as from the day the decision has been adopted.

(5) The lawsuit shall be submitted against the company. The company shall be represented by the manager. If the lawsuit is submitted by the manager, the company shall be represented by a member of the supervisory board, determined by the board, that is, the controller, if the company has a supervisory body. If the company does not have a supervisory body or the lawsuit is submitted by a joint manager, a member or the supervisory board, that is, a controller, the court shall appoint a temporary representative in the dispute.

(6) The court, on a proposal of the persons referred to in paragraph (3) of this Article, can by a temporary measure terminate the application of the decision of which a nullity is requested with a lawsuit, provided that by its application, the company has suffer irrecoverable damage consequence.

Legal effects of the nullity

Article 226

(1) If the court, with a legally valid decision, determines that the decision adopted on the members meeting, that is by way of correspondence is null and void, the decision shall have legal effect towards all members, the manager, the members of the supervisory board, that is the controller, if the company has a supervisory body, even when they were not a party in the procedure.

(2) If the court determines that the decision entered in the trade register is null and void, it shall *ex officio* submit the decision to the Central Register of the Republic of Macedonia. The recording of the court's decision shall have to be published in the same manner as the publication of the prevision recording.

(3) If the court determines that the nullity of the decision for amendment to the articles of association, a consolidated text of the agreement together with the decision shall be submitted to the trade register.

Contesting decisions

Article 227

(1) The decision adopted at the members meeting, and the decision adopted by way of correspondence can be contested by a lawsuit. The decision can be contested due to the fact that the member by voting at the members meeting or by decision adoption by way of correspondence

has acquired benefit for himself/herself or enabled someone else to acquire benefit, at the company's or the other members damage.

(2) The decision of the members meeting based on restricted giving of notification influencing the adoption of the decision can be contested.

(3) The lawsuit shall be submitted against the company within sixty days as from the day the decision has been adopted.

(4) A decision of the members meeting and a decision adopted by way of correspondence, cannot be contested, provided that the decision is confirmed with a new decision, and the new decision is not contested within the time period referred to in paragraph (3) of this Article.

(5) The provision referred to in Article 225, paragraph (5) of this Law shall be applied on contesting the members' decision.

Authorization to contest

Article 228

The decision adopted at the members meeting, that is decision adoption by way of correspondence can be contested by:

1) each member who participated in the operation of the members meeting, that is decision adoption by way of correspondence and who stated his/her objection to the decision in the minutes, that is submitted his/her objection to the company in writing;

2) a member who did not participate in the operation of the members meeting, that is decision adoption by way of correspondence, since he/she has not been allowed to participate in its operation contrary to the law and the articles of association, if the meeting has not been properly convened, that is the decision adoption by way or correspondence has not been properly conducted or if the issue subject to the decision adoption at the members meeting, that is decision adoption by way of correspondence has not been properly published or formulated, and

3) any manager and a member of the supervisory board, that is, controller, provided that the company has a supervisory body, if by enforcing the decision an action that is punishable, unlawful or which they can be damage liable can be performed.

Subsection 6

PROTECTION OF THE RIGHTS OF THE MINORITY MEMBERS

Authorized auditor appointment

Article 229

(1) A member, that is the members whose contributions jointly represent at least one tenth of the basic capital shall have the right to appoint an authorized auditor for the purpose of conducting a special audit on the last annual account and the financial reports.

(2) If the company refuses the authorized auditor to conduct the audit referred to in paragraph (1) of this Article, the court can on a proposal of each member of the company, appoint one or more authorized auditors to conduct a special audit.

(3) The member, that is the members referred to in paragraphs (1) and (2) of this Article, at the time when the audit is conducted transfer their shares without the company's consent.

(4) The compensation for the work conducted by the authorized auditor appointed by the court shall be determined by the court. The court can be contingent upon the proposal for appointing authorized auditor by providing assurance from the members, that is members requesting the audit to cover the auditing expenses.

(5) If the audit confirms the regularity of the annual account, that it is determines that the trade books have been properly maintained, the expenses shall be encumbered upon the member, that is the members that have requested the audit.

(6) If with the audit it is not confirmed that the annual account objectively presents the condition and the successfulness of the company, the expense shall be encumbered by the company.

Report of the authorized auditor

Article 230

(1) The auditor shall be obliged to immediately submit the report of the conducted audit to the manager and the supervisory board, provided that the company has a supervisory body.

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

(3) The manager and the supervisory board, that is the controller, if the company has a supervisory body, shall be obliged to submit the report of the conducted audit at the next members meeting and request from the meeting to give opinion thereto. The auditor who conducted the audit shall also be invited at the members meeting. The manager and the supervisory board, that is the controller shall have to disclose all determined irregularities, as well as state the measures they intend to undertake, or propose to be undertaken. The supervisory board, that is the controller shall state their opinion whether the company shall be entitled to damage compensation. If from the report on the performed audit it is determined that the law or the articles of association have been severely violated, a members meeting shall have to be convened within eight days.

Subsection 7

COMPANY'S MANAGEMENT

Requirements for election of a manager

Article 231

(1) The company shall be managed by a manager, that is, managers (hereinafter: manager).

(2) If the company has three or more managers, they can jointly manage the company, as a management body in a manner determines in the articles of association. The composition, organization, operation and

competencies of the management body of the company shall be determined in the articles of association.

(3) A natural person having a capacity to contract can be appointed as a manager.

(4) A person who, by a legally valid decision, fully or partially, has been prohibited to exercise a profession, business or office connected to the office of a manager of the company, cannot be elected as a manager during the validity of the prohibition.

Article 231-a

A person who meets the following requirements may be appointed as a manager in the company with dominant or full ownership of the state:

- 1) to be a citizen of the Republic of Macedonia;
- 2) to have at least 240 credits under ECTS or completed VII/1 degree;
- 3) at the moment of appointment, not to be issued an effective injunction banning him/her from exercising a profession, business or office;
- 4) to have at least five years of work experience;
- 5) to hold one of the following internationally recognized certificates for active knowledge of English Language which is not older than five years, that is, TOEFL IBT - at least 74 points, IELTS - at least 6 points, ILEC (Cambridge English: Legal) - at least B2 level, FCE (Cambridge English: First) - passed, or BULATS - at least 60 points; and
- 6) to have passed a psychological test and an integrity test.

Appointment and term of office

Article 232

(1) The members shall decide upon the appointment of a manager.

(2) Upon the company's incorporation, the first manager can be appointed by the articles of association.

(3) If a member is appointed as a manager, his/her term of office can last for the duration of his/her membership status.

(4) If the articles of association do not specify the duration of the term of office for which a manager, who is not a member, is appointed, it shall be considered that he/she has been appointed for a period of four years.

(5) The manager can be re-elected regardless of the number of terms of offices he/she has been elected for, unless otherwise determined in the articles of association.

Reduction of the number of managers

Article 233

(1) If the company has several managers and if their number is reduced below the number determined in the articles of association, the other managers shall be obliged, in accordance with the articles of association, within a time period of 30 days as of the day when the number of managers has reduced below the number determined in the articles of association, to convene a members meeting or by decision-making by means of correspondence to organize election of managers up to the number determined in the articles of association.

(2) If there is no manager left in the company, and the members have failed to appoint a manager within 30 days as of the day the company is left without a manager, the supervisory board, that is, the controller, shall convene the members meeting. If the company does not have a supervisory body, the court shall convene the members meeting upon the proposal of any party having a legal interest. The court, within a period of eight days as of the day of accepting the proposal, shall also appoint a natural person and shall set a time period in which he/she shall take over all activities regarding the holding of the members meeting. If the company is left without a manager, the court can appoint a temporary manager from among the company's members, for a period not longer than six months, on a proposal of a member or a person having a legal interest. The temporary manager shall perform only the urgent activities in the period until the appointment of a manager.

Registration of a manager

Article 234

(1) The manager, his/her authorization to represent the company, and all amendments, without any delay, shall be entered in the trade register.

(2) The following shall be enclosed together with the registration application:

- 1) the decision for appointment of the manager, unless the appointment has been done by the articles of association;
- 2) the decision for dismissal, provided that the previous manager has been dismissed;
- 3) the resignation in a written form, provided that the term of office of the previous manager has terminated by resignation;
- 4) the act determining the type and scope of representation;
- 5) *abolished* ¹³
- 6) the signatures of the manager, that is, the signatures of the persons authorized for representation, attached and submitted in accordance with Article 65 paragraphs (2) and (3) of this Law.

Authorizations of the manager

Article 235

(1) The authorizations of the manager shall be determined by the articles of association. If the authorizations of the manager are not determined in the articles of association, he/she can undertake all legal actions and activities that are connected and common to the management of the activities and are in the company's interest.

(2) In the relations with third parties, the manager shall be authorized to act in all circumstances in the name of the company, excluding the authorizations which, in accordance with this Law and the articles of association, belong to the members.

(3) If several managers are appointed, all managers of the company shall have equal authorizations and rights regarding the management of the company, unless otherwise determined by the articles of association.

(4) A member who is appointed as a manager or as a member of the supervisory board of the company shall, as a member, have the same rights and obligations as the rest of the members of the company and shall not have the right, when exercising his/her rights and carrying out

the obligations, to call up to his/her authorization, rights and obligation that he/she has as a manager of the company or as a member of the supervisory board of the company.

Authorization for representation

Article 236

(1) The manager shall represent the company in the relations with third parties. The manager shall sign in the manner that, 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, the company shall be represented by all managers, unless otherwise determined by the articles of association. The statement of will against the company expressed to a single manger shall be considered expressed towards all managers.

(3) The manager shall be obliged to respect the limitations on the authorization for representation, determined in the articles of association, the decision of the members meeting or the decision adopted by way of correspondence.

(4) The limitations referred to in paragraph (3) of this Article shall have no legal effect against third parties, even if the limitations have been published.

(5) The manager who has been 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.

Manner of operation of the managers

Article 237

(1) In the case of several managers appointed, and the articles of association do not determine otherwise, none of the managers can independently undertake activities necessary for conducting the operations of the company, except if the delay or failure to take certain action may result in damage to the company or may endanger its interests in any other way.

(2) If each of the managers are authorized by the articles of association to conduct independently the necessary activities regarding the company's operation, each manager can object to the undertaken activity, unless otherwise determined in the articles of association.

(3) If the managers fail to settle the dispute referred to in paragraph (2) of this Article, the members meeting shall adopt a decision on the contentious issue.

(4) The objections referred to in paragraph (2) of this Article shall have no legal effect against third parties.

Prohibition on competition

Article 238

(1) Without an approval from the members meeting, the manager of the company cannot:

1) for his/her behalf or on behalf of another person perform activities within the scope of operation of the company;
2) be a member with unlimited liability in another company having the same or similar scope of operations as the company,
3) be a member of a management body or a supervisory body, that is a controller in another company performing same or similar scope of operations as the company, and
(4) in the company's premises performs activities on his/her behalf or on a behalf of another person.

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

1) that he/she compensates for the damages;
2) that he/she consigns to the company the legal matters concluded on his/her behalf or on the behalf of another person and transfers the benefit arising from the legal matters concluded on his/her behalf or on the behalf of another person.

(3) If the manager fails to compensate the damage or fails to consign to the company the legal matters concluded on his/her behalf or on the behalf of another person and fails to transfer the benefit arising thereof, the other managers, as well as the members of the supervisory board, that is, the controller, if the company has a supervisory body, or any member can file a lawsuit for exercising the rights referred to in paragraph (2) of this Article.

(4) The right to exercise the rights referred to in paragraph (2) of this Article shall reach the time barred status within a time period of 90 days as of the day the other managers, members of the supervisory board, that is the controller, if the company has a supervisory body, and any member have learned about the action on the basis of which there is the right for damage compensation, that is the right to require to consign the legal matters concluded on his/her behalf or on the behalf of another party and transfer the benefit arising thereof exist. After the expiry of the time period of five years as of the day of occurrence of the violation of the prohibition, the right for exercising the request referred to in paragraph (2) of this Article cannot be realized.

(5) In the case of violation of the prohibitions referred to in paragraph (1) of this Article, the manager can be dismissed without prior notice and without the right to be damage compensated, unless otherwise determined in the agreement regulating the relations between the manager and the company.

Conflict of interests

Article 239

(1) For each contract or other business activity of the company wherein the company is a party thereof, and in which the manager, the member of the supervisory board, that is, the controller, has interest, even in an indirect manner, it has to be acted in accordance Articles 457, 459 and 460 of this Law. The manager, the member of the supervisory board, that is, the controller, if the company has a supervisory body, having interest thereon, shall be obliged to immediately report such interest.

(2) If the manager, a member, a member of the supervisory board, that is, the controller, becomes aware that some of the requirements referred to in paragraph (1) of this Article is fulfilled, he/she shall immediately inform the members meeting, the supervisory board, that is the controller

and submit all material proves concerning the nature and the scope of that interest. The manager, the member of the supervisory board, that is the controller, shall have the right to be heard, but he/she cannot participate in the debate or in the decision adoption or another business activity, nor in the adoption process for granting the approval referred to in Article 460 of this Law.

(3) If the members meeting, the supervisory board, that is, the controller do not grant an approval, or if the decision by which they have granted or rejected to grant an approval is contrary to a law, that is, the articles of association, they cannot raise request 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 decision, that is, its contradiction with the articles of association or, taking into account all circumstances, must have known thereof.

Responsibility to maintain the trade book and to prepare the annual account

Article 240

(1) The manager shall be responsible to duly maintain the trade books of the company in accordance with the law and other regulations.

(2) The manager shall be responsible to timely prepare the annual account and the annual report on the operations of the company for the previous business year, and shall be obliged within the time period determined by this Law, at the latest, to submit it to the members meeting.

(3) The documents referred to in paragraph (2) of this Article, as well as the draft decisions whose adoption is proposed by the manager and, if necessary, the audit report, shall be submitted to the members in a manner and within the time period determined by the articles of association.

(4) In connection with the documents referred to in paragraph (3) of this Article, the members can ask written questions and request additional explanations to which the manager shall be obliged to respond during the members meeting.

Due diligence and liability of the manager

Article 241

(1) The manager shall be obliged to carry out the activities of the company with prudence of a meticulous and conscientious commercial entity, and to keep the business secret of the company.

(2) The manager shall be personally and unlimitedly liable, and if the company has two or more managers jointly liable towards the company and towards third parties for the activities conducted contrary to law and other regulations, as well as for failing to adhere to the articles of association. If there are several managers, they shall be unlimitedly and jointly liable.

(3) The manager shall particularly compensate for the damage, if, contrary to this Law and the articles of association, he/she divides the assets of the company, that is if fully or partially returns the members contributions,

pays them interest or profit, or if he/she acquires own share in 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 in his/her name or in the name of a third party, but for his/her own behalf, if he/she did not receive a prior approval thereof by the supervisory board, and in case there is no supervisory board, an approval by the other managers, if the members have appointed several managers.

(5) In the case of dispute, the manager has to prove that he/she has acted in the interest of the company and with prudence of a meticulous and conscientious commercial entity. If several 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 lawsuit for damage compensation they suffered personally, the members can individually or jointly file a lawsuit against the manager for compensation of the damage on the company. Plaintiffs can request compensation for the damage suffered by the company.

(7) Each provision in the articles of association conditioning the filing of a lawsuit upon prior opinion or approval by the members meeting, or any provision containing a prior waiver to file a lawsuit shall be null and void.

(8) Any decision of the member's meeting cannot have such force as not to file a lawsuit for determining the responsibility of a manager for faults done during the exercise of his/her duties.

(9) The lawsuit due to the liabilities referred to in paragraphs (3), (4) and (6) of this Article shall reach the time barred status within a period of three years as of the day of the performed harmful action, that is the day of the caused damage, or, if the action was concealed, after it was discovered. If the action is qualified as a criminal act, the lawsuit shall reach the time barred status within a time period of ten years.

Dismissal of a manager and termination of the term of office due to resignation

Article 242

(1) A manager can, at any time, be dismissed by a decision of the members in a manner identical to the one in which they have decided regarding his/her appointment with or without an explanation. Any other provision in the articles of association shall be considered null and void.

(2) Upon a request by a member, the court can adopt a decision for dismissal of a manager, who is also a member.

(3) A manager can resign at any time by filing a written notification to all members, unless otherwise required by the interests of the company.

(4) The term of office of the manager shall be considered terminated as of the day stated in his/her resignation submitted in a written or electronic form to all members. The manager's signature on the resignation shall be certified by a notary. If the resignation is given in electronic form, the manager must sign it with an electronic signature in accordance with the E-registration System. No decision shall be made upon the acceptance of the submitted resignation. If the interests of the company require so, the

members can oblige the manager to carry out the office until the appointment of a new manager, but not longer than 30 days. The resignation in a written or electronic form shall be submitted to the trade register in accordance with the E-registration System in order to delete the entry of the manager in the trade register. If the company has one manager, and the company has not appointed a manager, the court shall appoint a temporary manager in a manner determined by this Law.

(5) The dismissed manager shall have the right to damage compensation if it is determined by the agreement regulating the relations between the manager and the company.

Management of a single-member company

Article 243

(1) A single-member limited liability company shall be managed by the member personally or a manager appointed by that member. If the single member is a legal entity, the company shall be managed by a person appointed thereon.

(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. The provisions of this Law referring 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 single member as a founder of the company, as a member and as a manager of the company.

(3) The agreements between the single member and the company in which the single member is also a manager shall be entered in minutes or concluded in a written form.

(4) The provisions of this Law referring 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 8

SUPERVISION OVER THE OPERATION OF THE COMPANY

General Provision

Article 244

(1) A supervisory board or controller can carry out the 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.

(2) The provisions of this Law regulating the supervisory board, that is the controller shall apply only if this Law, that is, the articles of association provide for a supervisory board to be established.

Part One

SUPERVISORY BODIES

Election of supervisory bodies

Article 245

The articles of association may provide for establishment of a supervisory board, that is, an election of a controller of the company who shall monitor the implementation of the articles of association, take care of the operations related to the assets of the company and its protection, control the manner in which the manager conducts the management of the company and submit reports to the members meeting.

Manner of election and dismissal of the supervisory body

Article 246

(1) The members meeting shall elect and dismiss the members of the supervisory board that is the controller, unless otherwise determined by the articles of association. The first supervisory board, that is, controller, can be appointed by the articles of association.

(2) If a member has decided to establish a supervisory board in a limited liability company with one person, the single member shall personally decide on the election and dismissal of members of the supervisory board, that is the controller.

(3) The following persons cannot be elected as members of the supervisory board, that is, a controller:

- 1) the manager and the employees of the company;
- 2) the spouses, relatives in a direct line or an indirect line up to a third degree with the manager;
- 3) persons who have been deprived of the right to carry out auditing activities, by a court decision, for the duration of the prohibition, or
- 4) a natural person who is a member in five supervisory boards of joint stock companies or limited liability companies.

Composition and term of office of a supervisory board

Article 247

(1) The supervisory board shall consist of at least three members.

(2) Unless otherwise determined by the articles of association, the term of office of the members of the supervisory board shall be four years.

(3) The members of the supervisory board can be re-elected regardless of the terms of offices they have been elected for, unless otherwise determined by the articles of association.

Organization and operation of the supervisory board

Article 248

(1) The members of the supervisory board shall elect a president of the supervisory board from among their ranks. The president of the

supervisory board shall convene and preside the sessions of the supervisory board, as well as organize its operations.

(2) All members of the supervisory board shall have equal rights, liabilities and obligations.

(3) The decision adoption and the manner of operation of the supervisory board shall be regulated by the articles of association.

(4) The supervisory board shall meet at least three times over the course of one business year.

Competence of the supervisory body

Article 249

(1) The supervisory board, that is the controller, shall supervise the operations of the company. During the supervision over the operation of the company, the supervisory board, that is the controller, can review and assess the trade books of the company, the acts and the other documents of the company, the assets, and especially the treasury, and the condition of the company's securities. The supervisory board can assign the performance of these activities to its member, or assign certain activities to an expert who is not a member of the supervisory board.

(2) The supervisory board, that is the controller, shall review the annual account of the company and the other financial reports, the proposal for distribution of the profit and shall assess the annual report for the operations of the company in the previous business year, and notify the members meeting thereof. The supervisory board, that is the controller, shall separately describe in the report 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 and the annual report for the operation of the company in the previous business year.

(3) The supervisory board, that is the controller can convene the members meeting, provided that it is in the company's interest.

(4) The articles of association can determine the activities that cannot be performed without the approval of the supervisory board, that is the controller.

Application of the provisions regarding the conflict of interest, prohibition on competition and liability

Article 250

The provisions referred to in Articles 238, 239 and 241 of this Law regulating the prohibition on competition, the conflict of interest and the liability of the manager shall respectively apply to the members of the supervisory board, that is the controller.

Part Two

CONDUCTING DIRECT SUPERVISION BY THE MEMBERS

Control authorizations of the member

Article 251

(1) The members, through the members meeting, shall perform regular supervision by review and adoption of the annual account and the annual report for the operations of the company in the previous business year.

(2) Each member shall be also entitled to personally be acquainted with the operation of the company, to review the annual accounts and the reports regarding the operation and the other trade books, acts, and the other documents of the company, the reports for the operations of the company submitted by the manager, the reports by the authorized auditors, as well as to carry out control over the operation of the company in the manner and under the terms and conditions determined in this Law and the articles of association.

(3) When the exercising of the right to 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 managerial person, the court shall decide about the exercising of the right, upon a proposal by a member.

(4) Each member can, in writing and at any time, bring to the attention of the supervisory board, that is 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 one tenth of the basic capital, the supervisory board, that is 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 of the supervisory board, that is, the controller, fails to call the members meeting, the supervisory board, that is, the controller shall convene the meeting without any delay. If the company does not have a supervisory board, that is, a controller, the members meeting shall be convened by the members referred to in paragraph (4) of this Article.

SECTION 8

AMENDMENT TO THE ARTICLES OF ASSOCIATION

Subsection One

GENERAL PROVISIONS REGARDING THE AMENDMENT TO THE ARTICLES OF ASSOCIATION

Decision to amend the articles of association

Article 252

(1) The articles of association can be amended only by a decision of the members, adopted with at least three-fourths majority of the total number of votes of members in the company. The articles of association can determine a larger majority or can also anticipate additional requirements for its amendment.

(2) The decision regarding the amendment of the scope of operations of the company determined in the articles of association shall be unanimously adopted by the members, unless otherwise determined in the articles of association.

(3) The decision to increase the determined liabilities of the members, arising from the articles of association, or to reduce the member's rights belonging to them in accordance with the articles of association shall be adopted with the consent of all members of the company affected by the increased liabilities, or the reduced rights.

(4) The provisions of the articles of association contrary to the provisions referred to in paragraphs (1), (2) and (3) of this Article shall be null and void.

(5) The members, by the decision regarding the amendment to the articles of association, shall authorize the manager, that is, the supervisory board, that is, the controller, provided that the company has a supervisory body, to prepare a consolidated text of the articles of association, wherein the amendments arising from the decision regarding the amendment of the articles of association have to be entered.

Legal effect of the decision regarding the amendment to the articles of association

Article 253

(1) The registration application for entry of the decision for amending the articles of association for the purpose of its entry in the trade register shall be submitted by the manager, or by a person authorized thereon with a letter of attorney verified by a notary, except when the letter of attorney is given in electronic form and signed with an electronic signature in accordance with the E-registration System.

(2) The decision for amending the articles of association and the consolidated text of the articles of association shall be enclosed with the registration application.

(3) The entry of the decision for amending the articles of association in the trade register shall be published by indicating the number of the decision and the date of its adoption.

(4) The decision for amending the articles of association shall have legal effect against the members as of the day of its adoption.

Subsection 2

INCREASE OF THE BASIC CAPITAL

Manners of increasing the basic capital

Article 254

(1) The basic capital shall be increased by a decision of the members meeting having the effect of a decision amending the articles of association.

(2) The increase of the basic capital can be done by taking over new contributions, or by adding the reserves and the profit of the company to

the basic capital.

(3) The basic capital can be increased only if all the previous contributions have been fully paid.

Requirements for increasing the basic capital

Article 255

(1) The decision on increase of the basic capital shall determine the following: the amount of the increase of the basic capital, the manner in which the persons taking over the contribution are going to participate in the distribution of the profit and as of what time in the business year in which the basic capital was increased they shall exercise this right, the amount of the part of the basic capital to be paid prior to submitting the application registration in the trade register, the time period for payment of the contributions and the manner of payment, 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 basic capital.

(2) Only with a decision for increasing the basic capital it can be required from the person entering and acquiring contributions up to the amount of the increase, to make payment over the nominal amount of the acquired contribution, as well as to determine special rights regarding the new contributions. If payment is required over the nominal amount of the entered contribution, the excess has to be paid in before the submission of the registration application in the trade register for increase of the basic capital.

(3) If the increasing of the basic capital is made by entering non-monetary compensations, it has to be clearly determined with the decision for increase of the basic capital, wherefore the time period for entering the non-monetary compensations has to be determined. The non-monetary compensations have to be entered in the company before the submission of the registration application for increase of the basic capital in the trade register.

(4) The provision of this Law regarding the minimum amount of the contribution, the manner of payment, the maturity of the payment of the contribution, as well as the legal consequences arising from the delay in the payments shall also apply to the new contributions.

(5) If the increase of the basic capital is done by entering a non-monetary contributions, the provisions referred to in Article 35 of this Law regarding the appraisal 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.

Acquiring new contributions by the members

Article 256

(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 priority right to take over new contributions proportionally to the previously acquired contributions in the basic capital of the company, unless otherwise determined in the articles of association or the decision on increase of the basic capital.

(3) The manager shall, by registered mail, offer to the members to acquire contributions in the amount corresponding to the increase of the basic capital, belonging to them in accordance with paragraph (2) of this Article. If a member, within 15 days as of the day of delivery of the registered letter, fails to acquire the contribution, the manager, in accordance with the same procedure, shall offer such contribution to the other members. If the other members fail to acquire the contribution within eight days as of the day 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 determined in the articles of association or the decision on increase of the basic capital.

(4) The contribution shall be acquired by a statement for acquiring the contribution given in a written form or electronic form. In addition to the amount of the acquired contribution, the statement shall also contain data on all other liabilities arising from the articles of association, that is, the decision on increase of the basic capital. If the person acquiring the contribution is not a member, the statement shall contain his/her consent that he/she becomes a member and that he/she assumes the rights and liabilities determined in the articles of association. The statement given in a written form shall be submitted as verified by signatures of the members with an electronic signature of the registration agent, or in an electronic form signed with an electronic signature of the members of the company through the E-registration System.

Recording of the increase of the basic capital by acquiring new contributions

Article 257

(1) After the payment of the monetary contributions, that is the entering of the non-monetary contributions increasing the basic capital, in accordance with the decision for increase of the basic capital, a registration application for entry of the increase of the basic capital shall be submitted in the trade register.

(2) The following shall be enclosed with the registration application:

- 1) the decision for increase of the basic capital,
- 2) the statements for acquiring the contributions verified by a notary,
- 3) the list of persons, acquiring new contributions signed by the applicant, indicating the amounts of the acquired and the paid contributions, in what they are paid and the proof of payment enclosed with the list, and the contribution is acquired by the existing members of the company-the total amount of their contributions,
- 4) a contract by which non-monetary contributions were made, if the basic capital is increased by a non-monetary contributions, and
- 5) a proof of ownership containing a note recorded in a public book of immovable things, and if a movable is entered for which a law provides for the obligation for entry (register) a proof of ownership of the movable thing, and if securities are invested, a proof of ownership of those securities shall be submitted to the trade register together with a note that they are invested in a trade company and that the owner cannot manage them. For that purpose, the owner of the securities shall submit a notary verified statement to the Central Securities Depository that the securities are invested in a trade company and that it agrees a limitation for management until their transfer to the trade company to be recorded for these securities.

(3) The registration application for entry of the increase of the basic capital in the trade register shall be submitted by the manager, or the person authorized by him/her with a letter of attorney certified by a notary.

(4) The company shall not mention the increase of the basic capital in its business publications and correspondence prior to the announcement of the entry of the increase of the basic capital in the trade register.

(5) In the publication of the entry regarding the increase of basic capital of the company, the content of the entry shall be indicated, and if non-monetary contributions are entered the contracts for making the non-monetary contributions shall also be indicated. It shall be enough to only make reference in the publication for the entry to the documents enclosed with the registration application for the entry.

Increase of the basic capital from the reserves

Article 258

(1) The members can adopt a decision to increase the basic capital by transforming the reserves into basic capital, having the effect of a decision for amending the articles of association. The increase of the contributions shall be made proportionally to the previous contributions of the members.

(2) The members can adopt the decision to increase the basic capital in accordance with paragraph (1) of this Article only after adopting the annual account, according to which the company does not have any current and uncovered losses from the previous years, and after adopting the report of the authorized auditor confirming the facts in the annual account . If from the day of adoption of the annual account and the report of the authorized auditor more than eight months pass prior to the submission of the registration application for entry of the decision for increase of the basic capital in the trade register, a new report on the regarding the balance sheet shall have to be prepared and audit shall have to be performed by an authorized auditor.

(3) The profit and the reserves of the company can be used for increasing the basic capital in accordance with the purposes for which they are intended. When the members decide to increase the basic capital of the company with the profit, in the process of deciding about the distribution, they shall distribute the profit into reserves, by indicating that it shall be used for increasing the basic capital.

(4) The increase of the basic capital shall be conducted by increasing the nominal amounts of the existing shares in the company. Thereby, the provisions referred to in Article 174, paragraph (4) of this Law shall be appropriately applied..

(5) The increase of the basic capital shall be conducted in a manner that the total amount of the increased contributions corresponds to the increased basic capital of the company.

(6) The increased shares of the members of the company shall be proportional to those prior to the increase of the basic capital of the company.

(7) The personal shares acquired by the company shall have an equal part in the increase of the basic capital.

(8) Unless otherwise determined by the decision for increase of the basic capital, the increased shares shall participate in the profit of the company generated during the entire business year in which the decision to increase the basic capital has been adopted.

(9) The provision from the decision for increase of the basic capital contrary to the provisions of this Article shall be null and void.

Recording of the increase of the basic capital from the reserves

Article 259

(1) The registration application for entry in the trade register of the increase of the basic capital from the company's reserves shall have to be submitted without delay.

(2) The following shall be enclosed with the registration application:

1) the decision for increase of the basic capital by transforming the reserves into basic capital;

2) the adopted annual account on the basis of which the decision for increase of the basic capital is adopted, for which the auditor stated an auditor's opinion without hesitation or with hesitation that does not question the objectivity of the annual account, and

3) a statement by the manager, certified by a notary, stating that as of the day to which the annual account or the balance sheet refers, until the day of the submission of the registration application, no changes in the property of the company have occurred that would hinder the adoption of the decision for increase of the basic capital.

(3) An entry of the decision for increase of the basic capital in the trade register shall be made if the submitted annual account is not older than eight months as of the last day covered in the submitted annual account until the day of submission of the registration application for the entry of the increase of the basic capital in the trade register.

(4) The accuracy of the balance sheet and its compliance with the law shall not be checked and examined during the entry.

(5) During the entry, it shall be indicated that the basic capital has been increased with the assets of the company.

Admission of new members in a single-member company

Article 260

(1) If the single-member limited liability company, for the purpose of increasing the basic capital, admits persons that are to make new contributions and become new members, the members shall be obliged to harmonize the organization and operations of the company in accordance with the provisions of this Law referring 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 submit a registration application for the purpose of entry of the conducted harmonization in the trade register.

Subsection 3

DECREASE OF THE BASIC CAPITAL

Manners of decreasing the basic capital

Article 261

(1) The basic capital of the company can be decreased only by a decision of the members to decrease the basic capital, having the effect of a decision for amending the articles of association. The decision shall determine the scope and the purpose for the decrease of the basic capital, as well as the manner in which the decrease shall be conducted.

(2) Any decrease of the amount of the basic capital, determined in the articles of association, 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, that is partially exempting the members of the company or their legal predecessors from the obligation to pay the contributions in full, shall be considered as a decrease of the basic capital.

(3) The basic capital of the company cannot be decreased below Euro 5,000 in Denar counter value. If the decrease of the basic capital is conducted by returning the paid contributions or by exempting the members from the obligation to pay the contributions in full, the remaining amount of the other contributions in the company cannot be decreased below Euro 2,500 in Denar counter value, thereby simultaneously adoption a decision for increase of the basic capital to at least Euro 5,000 in Denar counter value.

Entry and publication of the intention to decrease the basic capital

Article 262

(1) The manager shall submit an application for entry in the trade register for the decision regarding the intention to decrease the basic capital.

(2) The manager shall, immediately after the entry of the decision regarding the intention to decrease the basic capital in the trade register, publish an announcement for the intended decrease of the basic capital in the "Official Gazette of the Republic of Macedonia". In the announcement the company shall publish that upon a request by the creditors, it accepts to settle the claim or to provide a guarantee. It shall be considered that all creditors agree with the intended decrease of the basic capital, if no claims have been filed following the expiry of ninety days as of the day of publication of the announcement.

(3) A written notification shall be submitted to the known creditors.

Entry of the decrease of the basic capital

Article 263

(1) The application for entry of the decrease of the basic capital in the trade register shall be submitted for the purpose of recording in the trade register after the expiry of the time period given to the creditors for filing their claims.

(2) The following shall be enclosed with the application:

- 1) a copy of the announcement for the intended decrease of the basic capital published in the "Official Gazette of the Republic of Macedonia";
- 2) a proof that the company has guaranteed to the creditors that filed claims shall be settled;
- 3) a statement by the manager that all known creditors have received the notification for the intended decrease of the basic capital and that no other creditors of the company have appeared, except those to whom the company has settled the claims or has given guarantee that their registered claims are to be settled, and
- 4) a transcript from the book of shares.

(3) If the submitted proof that the company has settled the claims of the creditors or has given guarantee that the filed claims are to be settled is false, the manager shall be personally and unlimitedly liable with his/her entire property for the damages caused to the creditors whom he/she provided with false information, but only up to the amount that could not be covered with the property of the company.

(4) A 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.

Payment of the members and exemption from obligations

Article 264

(1) The payments of the members based on the decrease of the basic capital shall be allowed after the entry of the decision for amending the articles of association has been entered in the trade register.

(2) As of the day of entry of the decision on decrease of the basic capital in the trade register, the exemption from the obligation to pay the full amount of the unpaid contributions for the made decrease of the basic capital shall take effect.

Section 9

TERMINATION OF THE COMPANY

Grounds for termination

Article 265

(1) The following shall be grounds for termination of the company:

- 1) expiration of the period determined in the articles of association;
- 2) decision of the members;
- 3) accession of the company to another company, merger with another company, that is division;
- 4) bankruptcy procedure; and
- 5) court's decision.

(2) The company shall also terminate in other cases determined by this and another law.

(3) The articles of association can also anticipate other grounds for termination of the company.

(4) In the cases of termination of the company on the basis of points 1, 2 and 5 of paragraph (1) of this Article, a procedure for liquidation of the company shall be conducted.

Grounds for termination of a single-member company

Article 266

(1) The single-member company, where the owner of a share is a natural person, shall terminate with the death of that person, provided that, following the inheritance procedure, the inheritors do not want the company to continue its operations.

(2) As for the share of the deceased member, until the completion of the inheritance procedure, the voting right shall be exercised by the joint representative, determined by the inheritors of the deceased member with a written letter of attorney, verified by a notary.

(3) If a legal entity is an owner of a share in a single-member company, the company shall terminate with the termination of the legal entity, unless, during the bankruptcy procedure, the share is acquired by another person.

Decision of the members to terminate the company

Article 267

(1) The members shall adopt the decision regarding the termination of the company with at least three fourths majority of the total number of votes.

(2) The provision in the articles of association contrary to paragraph (1) of this Article shall be null and void.

Termination of the company on the basis of court decision

Article 268

(1) The court can, upon a lawsuit of one or more members, whose contributions represent at least one tenth of the basic capital, with a decision announce the termination of the company, provided that the fulfillment 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 lawsuit shall be filed within a time period of 90 days as of the day of becoming aware of the reasons, but not longer than one year as of the day of the occurrence of the reason.

Registration of the company's termination in the trade register

Article 269

(1) The application for registration of the termination of the company in the trade register due to the expiry of the time period for which it has been incorporated or due to a decision of the members on termination of the company shall be submitted by the manager without any delay.

(2) If the manager does not act in accordance with paragraph (1) of this Article, he/she shall be personally and unlimitedly liable for the damage caused.

(3) After the completion of the liquidation procedure, that is the bankruptcy procedure, the deletion of the company shall be entered in the trade register. The registration application shall be submitted by the liquidator, that is the bankruptcy judge. The decision for deletion of the company shall be published at the expense of the company. The costs for entering the deletion shall be covered by the company.

CHAPTER FOUR

JOINT- STOCK COMPANY

SECTION 1

JOINT PROVISIONS

Definition

Article 270

(1) The joint- stock company shall be a trade company in which the stockholders participate with contributions in the basic capital that is divided in stocks.

(2) The stockholders shall not be liable for the obligations of the joint-stock company.

(3) Exceptions from the provisions of this Law regulating the joint- stock companies shall be allowed only in the manner and under the conditions determined by this Law and other laws.

Business name

Article 271

The business name of the joint- stock company (hereinafter in chapter four section five: company) shall have to contain the words "akcionersko drustvo" (joint-stock company), or the abbreviation "AD".

Number of stockholders

Article 272

The company can have one or more stockholders.

Minimum nominal amount of the basic capital and the stock

Article 273

(1) The minimum nominal amount of the basic capital when a company is incorporated simultaneously without a public notice for subscription of stocks, shall be Euro 25,000 in Denar counter value, in accordance with

the average exchange rate of the National Bank of the Republic of Macedonia published on the day prior to the day of adoption of the statute, that is on the day prior to the adoption of the decision on change of the basic capital, and when the company is incorporated successively with a public notice for subscription of stocks, it shall be at least Euro 50,000 in Denar counter value, unless other law determines other smallest amount of the basic capital.

(2) The nominal amount of the stock cannot be less than Euro 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 day to the adoption of the company's statute, that is the day prior to the adoption of the decision on change of the basic capital.

SECTION 2

STOCKS

Issuance, transfer and registration of stocks

Article 274

(1) The stocks shall be issued, transferred and kept in a form of an electronic record in the Central Securities Depository, of the Republic of Macedonia (hereinafter: Central Securities Depository), in accordance with law.

(2) The stocks shall be unlimitedly transferable and free to be traded with at the secondary securities market.

(3) The stocks, against the company, shall be inseparable.

Nominal and issue amount of stocks

Article 275

(1) Each stock shall have to have a nominal amount at which the stock is registered.

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

(3) The stocks can be issued at an amount greater than their nominal amount (issue amount).

Split and reverse split of stocks

Article 276

(1) A company can, by amending the statute, split the stocks, and simultaneously reduce their nominal amount, provided that the basic capital remains unchanged.

(2) The company can, by amending the statute, perform reverse split of the stocks, and simultaneously increase their nominal amount, provided that the basic capital remains unchanged.

Types and classes of stocks

Article 277

(1) A company shall issue common stocks, and can also issue other stocks with different rights.

(2) The stocks providing the same rights shall comprise same type of stocks. According to the rights, the stocks can be common or preferred.

(3) The preferred stocks can be from several classes and cannot be issued at a nominal value lower than the nominal value of the common stocks. Preferred stocks of identical class provide identical rights.

(4) For the issuance of stocks to which special rights are attached (priority stocks) the company can request special one-off monetary payment during the issuance of the stocks.

Rights contained in the stocks

Article 278

(1) The common stocks shall be stocks that provide their owners with:

- 1) voting right in the company's assembly;
- 2) right to payment of part of the profit (dividend), and
- 3) right to receive distributions of portion of the remainder of the liquidation, that is the bankruptcy estate of the company.

(2) The preferred stocks, having a voting right, besides the rights referred to in paragraph (1) of this Article shall have other priority rights, such as the right to dividend in a predetermined ex-monetary amount or percentage of the nominal amount of the stock, the priority right to payment of dividend, the right to distribution of the remainder of the liquidation, that is bankruptcy estate, and other rights determined by the statute and the decision on issuance of stocks, in accordance with law. The preferred stocks, which do not have a voting right, shall acquire such right, when it is determined by this Law, that is the statute.

(3) The rights referred to in paragraph (2) of this Article can be exercised separately or jointly.

Classes of priority stocks

Article 279

(1) The priority stocks can be cumulative and participating.

(2) The cumulative priority stocks shall entitle its owner right to payment of the accumulated unpaid dividends prior to payment of any dividends to the owners of common stocks.

(3) The participating priority stock shall entitle its owner, beside the determined (fixed) dividend, right to payment of the dividend belonging to the owner of common stocks.

Voting right

Article 280

- (1) Each stock with a voting right, provides a right to one vote at the company's assembly(hereinafter: the general meeting of stockholders).
- (2) Each common stock shall provide a voting right at the assembly.
- (3) The preferred stocks, in accordance with the provisions of this Law, can be issued as voting stocks or as non-voting stocks. The total nominal amount of the preferred nonvoting stocks cannot exceed 30% of the basic capital of the company. The total nominal amount of the preferred stocks, with or without the voting right cannot exceed the total nominal amount of the common stocks in the basic capital of the company.
- (4) The issuance of stocks of identical type that for the same nominal amount provide different voting right at the assembly shall be prohibited.

Stocks free of charge or stocks at preferential price

Article 281

Deleted 14

Decision of stocks issuance

Article 282

The decision on issuance of stocks shall be adopted by the company's assembly by majority votes that cannot be lower than two thirds of the voting stocks represented at the assembly, unless if with the statute greater majority is determined.

Book of stocks (Stockholders book)

Article 283

- (1) The stocks shall be recorded in the book of stocks of the company (hereinafter: book of stocks) maintained by the Central Securities Depository in electronic form by indicating the surname and the name and surname of the stockholder, PIN, passport number, that is personal identification card number if the stockholder is a foreign natural person or any other document aimed at determining the identity- valid in his/her country and his/her citizenship, as well as the place of residence, that is the business name, the head office, PINE, if the stockholder is a legal entity and other information.
- (2) The data, determined in the decision for issuance of stocks, all encumbrances of the stocks determined by the law and the statute, the prohibitions imposed by a court decision, shall also be recorded in the list of stockholders.
- (3) Each person registered in the list of stockholders in a manner determined by the law shall considered as a stockholder against the company.
- (4) The initial entry and the entry of stocks issued while increasing the basic capital in the book of stocks shall be carried out upon the company's order. The changes in the book of stocks shall be registered according to the transfer of the stocks by trading on the stock exchange or according to the transfer carried out in another manner allowed by law.

(5) Upon a request of the company, the Central Securities Depositary shall notify the company regarding the changes performed in the book of stocks.

(6) Each stockholder shall be entitled, upon his/her request, to access all data recorded in the book of stocks of the company wherein a stockholder. The access shall be enabled by the Central Securities Depositary. The stockholder requesting urgent access in the book of stocks, has to be enabled access within a time period not longer than one working day as of the day of the requested access, submitted in a written form. In all other cases the stockholder requesting access in the book of stocks shall specify the day of the intended access. The data obtained from the access shall be used exclusively for the purpose of exercising the stockholders' rights.

(7) Each stockholder shall be entitled to a copy of the data recorded in the book of stocks of the company wherein a stockholder, upon a prior submitted request to the Central Securities Depositary. The copy and the data thereon can be only used for exercising the rights of the stockholder.

Issuance of other securities and financial derivatives

Article 284

(1) The company in accordance with law and the statute can up to the amount of the basic capital issue bonds that are not convertible bonds, bonds that provide the creditors with the right to exchange the bonds for stocks in a determined period on a determined option or any time period of validity of the bond and bonds not exercising the right to a priority purchase of stocks issued by the company. The bonds can be issued at the amount greater than the amount of the basic capital, only if the issuance of the bonds is completely secured by a pledge of the company's assets or in any other manner. ¹⁵

(2) The company in accordance with law and the statute, can up to the amount of half of the basic capital issue convertible bonds providing the creditors with the right to exchange the bonds for stocks in a determined period on a determined option or any time period of validity of the bond and to issue bonds not exercising the right to a priority purchase of stocks issued by the company

(3) The stockholders shall have the priority right in acquiring the bonds referred to in paragraph (2) of this Article.

(4) The bonds can be purchased with cash.

(5) The provisions of this Law referring to the priority right to recording the newly issued stocks, shall accordingly apply to the procedure of exercising of the priority right to subscribe the newly issued convertible bonds.

(6) The company can in accordance with law conclude option contracts for sale or purchase of stocks and bonds, as well as futures contracts, in a manner and under the conditions determined in the statute.

(7) The statute shall determine the manner and condition under which the company issues the securities, concludes the option contracts for sale or purchase of stocks and bonds, as well as futures contracts.

SECTION 3

INCORPORATION AND ENTRY OF THE COMPANY

Subsection 1

JOINT PROVISIONS

Founders

Article 285

- (1) The company can be incorporated by one or more persons.
- (2) The persons having signed the statute shall be the company's founders.
- (3) The statute may be in a written form bearing signatures of the members verified by the electronic signature of the registration agent, or in an electronic form signed with an electronic signature of the members of the company through the E-registration System.

Manners of incorporation

Article 286

- (1) The founders shall incorporate the company simultaneously or successively.
- (2) The company shall be considered incorporated upon its entry in the trade register.

Content of the statute

Article 287

- (1) The statute shall contain provisions on:
 - 1) the business name and the head office of the company;
 - 2) the scope of operations of the company;
 - 3) the amount of the basic capital;
 - 4) the nominal value of the stocks, the number of stocks of each type and class, the rights, liabilities, limitations and privileges;
 - 5) the duration of the company, if the company is incorporated for a definite period;
 - 6) the privileges that founders retain for themselves;
 - 7) the procedure for calling and convening the assembly;
 - 8) the name and surname, PIN, the passport number, that is the number of the personal identification card, provided that the founder is a foreign natural person or other document aimed at determining the identity, valid in his/her country, and his/her citizenship, as well as place of residence, the head office, PINE, if the founder is a legal entity;
 - 9) the type, composition and manner of election of the management body, that is the supervisory board and their competencies;
 - 10) the name and surname of the first members of the management body, that is the supervisory body, their PIN, passport number, that is the number of the personal identification cards for a foreign person or any other aimed at determining his/her identity valid in their country, their

citizenship, as well as the place of residence, that is the business name, the head office, PINE, provided that the first members of the management bodies, that is the supervisory board are appointed with the statute, and 11) the form and the manner of publication carried out by the company.

(2) In addition to the provisions referred to in paragraph (1) of this Article, the statute can contain provisions for issues that in accordance with this Law, shall be regulated by the statute.

(3) In addition to the provisions referred to in paragraphs (1) and (2) of this Article, the statute can also contain other provision of importance for the company, provided that they are not prohibited by law.

(4) Other issues of importance for the company, not regulated by the statute, can in accordance with this Law, be regulated by other acts of the company.

Relation between the law, the statute and the other acts

Article 288

(1) Any provision of the statute or the acts of the company that are contrary to the provisions of this Law shall be null and void.

(2) The provisions of the statute shall be applied, if a provision of another act of the company is not in accordance with the statute.

Special privileges of the founders and incorporation costs

Article 289

(1) Each special privilege of the founders and third parties shall be determined with the statute.

(2) The total amount of the costs, borne by the company and refunded to the founders or the third parties as a compensation or remuneration for the incorporation or for the participation in the preparations for the company's incorporation, shall be determined with the statute.

(3) If the certain privileges, the costs or the compensation referred to in paragraphs (1) and (2) of this Article are not determined with the statute, the contracts and the legal actions providing such privileges or by which the costs and the compensations are refunded shall have no legal effect.

(4) Following the recording of the company in the trade register, the nullity of the contracts, that is the legal actions referred to in paragraph (3) of this Article cannot be eliminated by amending the statute.

Payment of stocks

Article 290

(1) The issued stocks can be paid in cash, by entering a non-monetary contribution, or both.

(2) The stocks shall be paid in cash on a temporary bank account of the founders.

(3) If the contributions are paid in cash prior to the submitting the application for entry of the company in trade register, at least 25 % of the nominal amount of each stock shall be paid, and if the stock is issued at an amount greater than its nominal amount, the whole amount exceeding its nominal amount shall also be paid. The payment of the remaining amount shall be completed in one or several installments, on the basis of the decision for issuance of stocks, within a time period not longer than three years as of the day of recording of the company in the trade register, unless a shorter time period is determined by law. Prior to submitting the application for entry, the total amount of all payments in cash shall not be less than Euro 12.500, that is Euro 25.000 in Denar counter-value, unless other law determines other smallest total amount of all payments prior to the submission of the application for entry.

(4) If the stock is partially paid in cash, and partially by entering a non-monetary contribution, prior to submitting the application for entry of the company in the trade register, the share paid in cash shall have to be fully paid.

Non-monetary contribution and its entering

Article 291

(1) Prior to submitting the application for entry of the company's incorporation, the non-monetary contribution shall be fully entered. If, at the moment of submission the application for entry of the company's incorporation, the value of the non-monetary contribution does not correspond to the amount of the acquired contribution, the stockholder shall pay the difference in cash prior to the entry of the company in the trade register.

(2) The full entering of the non-monetary contributions shall be carried out as to enable the company to freely dispose with the non-monetary contributions at of the day of the entry of the company's incorporation in the trade register.

(3) The acquiring of non-monetary contributions for the purpose of exchange for stocks shall be carried out in accordance with the contract for acquiring stocks.

(4) If the contribution of the non-monetary contribution of the founders consists of assuming an obligation to transfer a thing to the company, than the transfer shall have to be completed no later than five years as from the entry of the company in the trade register. The right to lien shall not be exercised on a non-monetary contribution transferred as a contribution to the company, referring to a claim that does not refer to the transferred non-monetary contribution. The appraised value of the non-monetary contribution that is entered has to correspond to the nominal amount of the stocks, and if the stocks are issued at an amount higher than their nominal amount, the value of the non-monetary contribution shall correspond to that higher amount.

(5) If the person referred to in paragraph (4) of this Article does not fulfill the obligation referred to in paragraph (4) of this Article, he/she shall be obliged to pay the value of the thing for which the obligation for transfer as a non-monetary contribution to the company was assumed.

(6) If in the statute, that is the decision for issuance of stocks it is determined that the stocks acquired by the stockholders, shall not be fully or partially paid by a monetary contribution, but by entering existing or

future non-monetary contributions, the statute shall determine the non-monetary contributions that are entered, the persons that enter the non-monetary contributions in the company and the nominal amount of the stocks to be given for the entered non-monetary compensation or the compensation to be given for the entered non-monetary contributions considered as a part of the non-monetary contribution.

(7) The contracts for entrance of the non-monetary contributions and the legal actions through which it is exercised, shall have no effect on the company, if they are not determined in a manner referred to in paragraph (3) of this Article. If the company is registered in the trade register, the contracts and actions having no legal effect on the company shall not affect the validity of the statute. If the contract for entrance of non-monetary contributions has no legal effect against the company, the stockholder shall be obligated to pay in cash the total nominal amount of the stocks or the greater amount at which they have been issued.

(8) Following the entry of the company in the trade register, the nullity of the contract, that is the legal actions referred to in paragraph (7) cannot be eliminated by amending the statute.

(9) The value of the non-monetary contribution entered in exchange for stocks shall be determined with the appraisal report, prepared by an authorized appraiser, in accordance with Article 35 of this Law.

Prohibitions during payment of stocks

Article 292

(1) The payment of the issued stocks and the other securities in a form of labor and services, including services and labor already performed, shall be contrary to this Law.

(2) The company cannot lend money or in any other way credit the stock recorder during their payment.

Subsection 2

SIMULTANEOUS INCORPORATION

Definition

Article 293

(1) The company can be incorporated in a way that the founders themselves or together with other persons, without a public announcement, acquire all stocks and sign the statute.

(2) The founders shall acquire the stocks, by a statement, given in written form, that they are incorporating the company and thereof assume the obligation to pay in the stocks. The statement can be enclosed to the statute or be contained in the statute, which is signed by the founders. The statement shall indicate the person acquiring the stocks, the number and the type of stocks and their nominal amount, and shall designate the manner, the time and the place of payment of the stocks.

Appointment of the first members of the board of directors, that is the supervisory board

Article 294

- (1) The founder with the statute shall appoint the members of the first board of directors, that is the members of the first supervisory board.
- (2) The first members of the board of directors, that is the supervisory board shall be appointed for a period no longer than the time of convening the first annual assembly.

Report on the course of incorporation (incorporation report)

Article 295

- (1) The founders shall compose a report in a written form on the course of the incorporation of the company (hereinafter: incorporation report).
- (2) The incorporation report shall present the essential circumstances being of importance for the company's incorporation. It shall particularly indicate:
 - 1) the amount of the paid in monetary contributions, that is the value of the entered non monetary contributions;
 - 2) the legal operations on the basis of which the company acquired non-monetary contributions;
 - 3) the procurement or production costs related to the non-monetary contributions entered in the last three years;
 - 4) if an enterprise is contributed to the company, the profit for the last three years, that is the period shorter than three years, presented in the annual account for the previous business year audited by an authorized auditor;
 - 5) the number of stocks, acquired during the incorporation on behalf of a member of the management body, that is the supervisory board; and
 - 6) whether and in which manner a member of the management body, that is the supervisory board has acquired a special privilege, that is reimbursement or compensation for participation in the company's incorporation.

Dispute over the incorporation report and report on the audit regarding the incorporation

Article 296

- (1) If a during the company's incorporation or in connection to the incorporation report a dispute arises each founder, subscriber and the person acquiring the stocks shall have the right to request an audit of the incorporation, and particularly of the data in the incorporation report.
- (2) The audit referred to in paragraph (1) of this Article shall be carried out by an authorized auditor. The management body of the company shall be obliged to provide the auditor all explanations and documents necessary for carrying out the audit.
- (3) The authorized auditor shall check the data, determined by the founders in connection with the acquired stocks by entering non-monetary contributions, whether the total nominal amount of the acquired stocks corresponds to the appraised value of the entered non-monetary contributions, and whether the company can freely dispose with them.

(4) The authorized auditor for the performed audit shall submit a report on the audit of the incorporation, stating therein the findings and conclusions. The auditor shall be materially and criminally liable for the finding, thoroughness and compliance of data, subject to the audit, with the law, the other regulations and the international auditing standards, as well as for the check of the appraised value of the entered non-monetary contributions, that is that their appraised value is not essentially lower than the nominal amounts of the stocks given in their exchange, and that the company can freely dispose with the entered non-monetary contributions.

(5) The audit expenses shall be borne by the person requesting the audit.

Entry application

Article 297

(1) The company's incorporation shall be recorded in the trade register.

(2) The entry registration shall be submitted to the Central Register of the Republic of Macedonia by the management body, that is an authorized member of the management body, unless otherwise determined by this Law.

(3) The persons referred to in paragraph (2) of this Article shall be personally, unlimitedly and jointly liable to the founders for the omissions and detrimental consequences arising from unduly submission of the entry application.

Entry data

Article 298

(1) The following data shall be recorded in the trade register:

- 1) the business name and the head office of the company;
- 2) the scope of operations of the company;
- 3) the amount of the basic capital and the number of the issued stocks;
- 4) the total number of paid in stocks;
- 5) the name and surname, PIN, passport number, that is the number of the identification card, if the founder is a foreign natural person or other document aimed at determining the identity valid in his/her country and his/her citizenship, as well as the place of residence, that is the business name, the head office, PINE, if the founder is a legal entity,
- 6) the name and surname of all members of the management body, that is the supervisory body, their PIN, passport number, that is the number of the identification card, if the founder is a foreign natural person or other document aimed at determining the identity valid in his/her country and his/her citizenship, as well as the place of residence, that is the business name, the head office, PINE, if the founder is a legal entity,
- 7) the duration of the company, if it is incorporated for a definite period, and
- 8) the authorizations for representation of the members of the management body and of other persons, authorized to represent the company.

(2) Each change of the data referred to in paragraph (1) of this Article, except the data referred to in paragraph (1) point 5 of this Article, shall be recorded in the trade register.

(3) The following shall be enclosed to the entry application:

- 1) the statute;
- 2) copy of the passport or of the personal identification card of the foreign natural person or any other document aimed at determining his/her identity valid in his/her country and his/her citizenship, that is a proof of registration if a legal entity is the founder;
- 3) proof of the paid amount issued by the bank wherein the payment of the stocks is carried out,
- 4) if stocks are acquired by entering non-monetary contributions - the contracts by which they are determined and implemented, the appraiser's report, and a proof of ownership containing a note recorded in a public book of immovable things, and if a movable is entered for which a law provides for the obligation for entry (register), a proof of ownership of the movable thing, and if securities are invested, a proof of ownership of those securities shall be submitted to the trade register together with a note that they are invested in a trade company and that the owner cannot manage them. For that purpose, the owner of the securities shall submit a notary verified statement to the Central Securities Depository that the securities are invested in a trade company and that it agrees a limitation for management until their transfer to the trade company to be recorded for these securities.
- 5) the decisions on election of the members of the management body, that is the supervisory board if they are not appointed by the statute;
- 6) if during incorporation special privileges have been granted, the contracts on their determination and enforcement;
- 7) the calculation of the incorporation related costs, by indicating separate items and the total costs;
- 8) the incorporation report and the audit report regarding the incorporation, if such has been prepared;
- 9) an approval or other act of a state body or other competent body, if such obligation is determined with law for recording of the company in the trade register;
- 10) statement of a the legally authorized representative of a legal person, that is a statement of a natural person, that there is no obstacle for the person to be an founder of the company in accordance with Article 29 of this Law, and
- 11) a statement, in accordance with Article 32 of this Law.

(4) The executive members of the board of directors, that is the members of the management body, as well as other persons authorized to represent the company according to the statute shall submit signatures- certified, attached and given in accordance with Article 65, paragraphs (2) and (3) of this Law.

(5) The founders of the company shall be liable for the reliability, accuracy and validity of the data contained in the entry application and the attachments that with this Law are determined to be enclosed together with the application for registration of the company's incorporation in the trade register.

Liability of the founders

Article 299

(1) The founders of the company shall be jointly and severally liable for the damage suffered by the company and the creditors due to illegal activities, false or incomplete data they provided in connection with the company's incorporation, contained in the incorporation report or recorded in the trade register ,or contained in the attachments, which in accordance

with this Law, are determined to be enclosed with the application for registration of the company's incorporation in the trade register.

(2) The founders cannot refer to the fact of their unawareness of the difference in the data, if they have signed the statement referred to in Article 32 of this Law.

(3) If the founders cause damage by entering a non-monetary compensations or have incurred costs in connection with the incorporation, they shall be obliged to compensate the damage as joint debtors. The founder who acted with prudence of as a meticulous and conscientious commercial entity shall not be liable for that damage.

(4) In addition to the founders, the persons on behalf of whom the founders have acquired the stocks shall be also liable for the damage in an identical manner. Those persons cannot refer to the fact of their unawareness of the circumstances, which the founders that acted on their behalf knew or must have known.

Liability of other persons

Article 300

In addition to the founders and the persons on behalf of whom the founder have acquired the stocks of the company as a joint creditor the damage shall be also compensated by the:

- 1) the one who has received payment, which contrary to the Law is not accepted as an incorporation 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 one who with premeditation or due to gross negligence, by entering a non-monetary contributions, caused damage to the company or enabled the damage to be caused, and
- 3) the one who prior to the entry of the company in the trade register or in the first two years following the entry, publicly announces that he/she shall issue stocks, although he/she had been aware of the inaccuracy and the incompleteness of the data in connection to the company's incorporation, 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 a meticulous and conscientious commercial entity with due care and consideration.

Liability regarding false statements

Article 301

(1) If in the procedure for the company's incorporation a false statement has been given, the founders or the other persons giving the statements, shall be unlimitedly and jointly liable against the company. If a false statement is given regarding the paid amount, the liability shall also include an obligation to pay to the company the difference of the amount for which the obligation has been acquired to be paid.

(2) If a false statement has been given regarding the incorporation costs, the liability shall include an obligation to pay or to compensate to the company all costs that exceed the costs stated in incorporation report.

(3) The company cannot waive or offer settlement for its claims for which it has right in accordance with this Article, if the payment of the claims is

necessary for the payment of the claims of the company's creditors, unless the creditors agree to a different solution.

Prohibition on stocks issuance

Article 302

- (1) Prior to the entry of the company's incorporation in the trade register, stocks cannot be issued.
- (2) The action contrary to paragraph (1) of this Article shall be null and void.
- (3) The person acting contrary to the provision referred to in paragraph (1) of this Article shall be obliged to compensate the damage caused.

Subsection 3

SUCCESSIVE INCORPORATION

Definition

Article 303

- (1) A company can be incorporated in a manner that the founders shall adopt the statute, record certain number of stocks, and publish a public announcement for the recording of the stocks.
- (2) The shares that are not entered on the basis of public announcement shall be acquired and paid in by an appropriate application of the provisions of this Law refereeing to acquiring stocks when the company is simultaneously incorporated.

Public announcement

Article 304

- (1) The public announcement for recording of the stocks shall be prepared in accordance with the provisions of the statute, adopted by the founders.
- (2) The public application for recording of stocks, in addition to the business name, the head office and the scope of operations of the company that is being incorporated, has to contain the following data:
 - 1) the date of adoption of the statute, on the basis of which the public announcement is published;
 - 2) the amount of the basic capital;
 - 3) the non-monetary contributions;
 - 4) the number, the type, and if more types, that is the classes of stocks that are being issued, all types and classes of stocks offered for recording, their nominal amount and selling price, as well as the number and type, that is the classes of shares that were acquired without recording and the rights attached to the issued stocks, the privileges, limitations and other conditions connected with the type and the class of the issued stocks;
 - 5) the name and surname of each founder, PIN, the passport number, that is the number of the personal identification card, if the founder is a foreign natural person or any other document aimed at determining his/her identity valid in his/her country and his/her citizenship, as well as place of residence, that is the business name, the head office, PINE, if the founder

is a legal entity

6) the head office of the bank where the stocks are recorded and a notification that the company's statute, the prospectus can be reviewed, and in accordance with the case, the incorporation report, the incorporation audit report, if such a report in accordance with this Law has been prepared on a request of the founder, that is the other persons;

7) the day of commencement and completion of the shares' recording;

8) the day as of which the recorder's obligation ceases if the entry of the company's incorporation is not entered in the trade register;

9) when and how much of the recorded stocks have to be paid before the submission of the application for entry of the company in the trade register, that is from when it is considered successful, as well as the consequences arising from the failure to pay the installments in correct and timely manner;

10) the data regarding the special privileges;

11) the costs incurred during the company's incorporation, the special payments, the compensations and remunerations, as well as the maximum amount of the costs that can be paid by the founders in case of unsuccessful incorporation of the company;

12) the manner of convening the incorporation assembly, and

13) the highest amount of the incorporation costs, borne by the company.

(3) The public announcement can also contain other data of importance for the issuance and sale of stocks.

(4) The public announcement shall be null and void if it does not contain the data referred to in paragraph (2) of this Article limiting the rights of the stock recorders. The recorder of stocks cannot refer to the fact that he/she is not bound by the recording of stocks or to the nullity of the public announcement, if the company has been entered in the trade register, and he/she voted on the incorporation assembly or later, as a stockholder, exercised a right within the company or fulfilled an obligation to the company. The limitation that is not stated in the public announcement shall have no legal effect on the company.

(5) The data regarding the incorporation and other information for the company shall be determined in a prospectus, enclosed with the public announcement.

(6) The primary issuance of stocks shall be considered successful if the percentage of issued stocks determined in the public announcement is recorded, not less than the amount determined in this law as a condition for a successive incorporation of a joint stock company.

Registration form

Article 305

(1) Each recorder shall sign three copies of the statement on entry of the stocks (registration form), one copy for himself/herself and two copies for the company. If the registration is carried out through an attorney in fact, the letter of attorney shall be enclosed with the registration forms.

(2) The registration form shall contain:

1) number, type and the class of the recorded stocks, their nominal amount, and, if necessary, the issue value;

2) the statement of the recorder that he/she commits to pay the stock in accordance with the conditions determined in the public announcement;

3) the monetary amount that the recorder pays upon the recording;

4) the statement of the recorder on being acquainted with the statute and

the public announcement, that is the prospectus, the incorporation report and the audit report on the incorporation if such report upon a request of the founders, that is other persons, in accordance with this Law, has been prepared and on providing consent with the statute and the manner of the company's incorporation;

5) the recorder's signature, by indicating the name and surname, that is the name and surname of his/her attorney in fact, PIN, passport number, that is the personal identification number, if the recorder is a foreign natural person or other document aimed at determining his/her identity valid in his/her country and his/her citizenship, as well as the place of residence, that is the business name, the head office, PINE if the recorder is a legal entity, and

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

(3) The registration form shall have binding effect upon the recorder only if the company is going to be incorporated.

(4) The registration form shall be null and void if it does not contain the data referred to in paragraph (2) of this Article, that contrary to the Law, restrict the liability for the obligations assumed by the recorded.

Deadline for entry and unsuccessful entry of the stocks

Article 306

(1) The time period for recording of the stocks cannot be longer than 90 days as from the day of commencement of the recording.

(2) If, within the time period referred to in paragraph (1) of this Article, all stocks offered for recording are not recorded and duly paid in accordance with the public announcement, the founders can within 15 days following the expiry of the time period for recording, record or acquire the unrecorded and unpaid stocks by themselves. In this case the deadline for distribution of the stocks shall be 15 days following the expiry of the previous time period.

(3) If, within the time period referred to in paragraph (2)2 of this Article, the founders fail to acquire or record and pay the stocks offered for recording in accordance with the conditions determined in the public announcement, the incorporation shall be considered unsuccessful, and the founders shall be obliged, within the next 15 days, to invite the recorders by an announcement to withdraw their paid amounts. The announcement shall be published in the same manner as the public announcement.

Distribution of the recorded stocks

Article 307

(1) If stocks are recorded in a portion by which the incorporation is considered successful, the founders shall, within 15 days following the expiry of the time period for recording of the stocks determined in the public announcement, distribute the stocks to the recorders.

(2) A complete list of the stocks shall be made available to the recorders for inspection at each place where the recording is made, indicating how many stocks have been recorded from each type, as well as how many stocks of each type have been distributed to each recorder. The list shall

also contain an invitation for the recorders to whom a single stock has not been assigned or to whom all recorded stocks have not been distributed, to withdraw the paid amounts for which no stocks were distributed.

Untimely payments

Article 308

(1) If a certain obligation for payment maturing prior to the entry of the company in the trade register is not preformed in a timely manner, the founders can declare the acquiring, that is the further recording of stocks as invalid and the stocks can be thereupon acquired, that is recorded by themselves or by any other party.

(2) The payments performed by the former recorder or by the person that acquired the stocks shall be refunded, reduced for the costs incurred by the company with respect to the unsuccessful entry of the stocks referred to in paragraph (1) of this Article, in a manner determined in the public announcement.

Payments disposal

Article 309

(1) The founders cannot dispose with the payments for the stocks. The management body can dispose with the payments following the entry of the company's incorporation in the trade register.

(2) The special compensations, the refund of a payment and the remuneration cannot be paid at the expense of the basic capital.

Calling the incorporation assembly

Article 310

(1) The incorporation assembly shall be convened not later than 60 days following the expiry of the deadline for recording of the stocks, determined in the public announcement, unless the stocks are recorded within a shorter time period determined for stocks recording. The founders shall call the incorporation assembly by an announcement, that has to be published in the same manner as the public announcement for recording of shares. At least 15 days shall pass between the day of the last publication of the public announcement and the day of convening of the incorporation assembly.

(2) The founders shall be obliged, within the time period referred to in paragraph (1) of this Article, to provide the recorders to whom stocks have been distributed in the bank at which the stocks are recorded with the access to the company's statute, the incorporation report, the public announcement, the list of the registration forms, the founders' report on the incorporation-related costs, the list of the stocks' distribution and the list of the persons that have acquired stocks without recording on the basis of the public announcement, by indicating the portion and the type and class of the stocks each of them acquired, as well as the report on the audit of the incorporation, if such report was prepared upon request by the founders, that is other parties.

(3) The court, on the territory of which the head office of the company is located, can, upon a request of the founders, provided that there are

justified reasons thereof, extend the time period for convening the incorporation assembly for 30 days.

(4) The provisions of this Law regarding the incorporation assembly shall be appropriately applied to the convening of the incorporation assembly, unless otherwise determined by this Law.

Consequences arising from the unconvened incorporation assembly

Article 311

(1) If the incorporation assembly is not convened within the determined time period, the company's incorporation shall be considered as unsuccessful.

(2) The founders shall, within 15 days upon the expiry of the time period for convening the incorporation assembly, call the recorders of stocks to withdraw their payments by an announcement, published in the same manner as the public announcement.

(3) If the founders fail to act in accordance with (2) of this Article, the announcement shall be published by the court, upon a proposal of any of the stocks' recorders, and at the expense of the founders.

Requirements for valid decision-making at the incorporation assembly

Article 312

(1) The incorporation assembly shall be convened at the company's head office, unless another place is determined in the announcement.

(2) The founders and stocks' recorders having the majority of all stocks shall be present at the establishment assembly, and if the company has issued stocks of more types, the founders and stocks' recorders having majority of each type of stocks, shall also be present.

(3) The establishment assembly shall be opened by a notary, previously determined by the founders. The notary shall compile a list of all present founders and recorders of stocks, that is their representatives thereof, and shall determine whether all requirements for convening the establishment assembly are met.

(4) If at the establishment assembly the requirements determined in paragraph (2) of this Article are not met, and if the court has not extended the time period for convening the establishment assembly in accordance with Article 310, paragraph (3) of this Law, the founders can re-convene the meeting not later than 15 days as from the day of the non-convened establishment assembly was supposed to be convened. No less than 8 days, and no more than 15 days shall pass between the day on which the establishment assembly is re-called and the day of its convening. The re-convened meeting shall operate and decide with the quorum determined in paragraph (2) of this Article.

Course of the incorporation assembly

Article 313

(1) The chairman of the incorporation assembly and two votes counters shall be elected following the opening of the incorporation assembly. The incorporation report and the auditors' report for the incorporation if such report, upon a request of the founders, that is other persons has been prepared in accordance with this Law shall be read thereafter. The attachments to the mentioned reports shall be read only if requested by the present and represented founders and recorders of stocks, possessing at least one tenth of the total number of the voting stocks.

(2) The notary shall keep the minutes from the incorporation assembly In addition to the notary, the chairman of the incorporation assembly and the votes counters shall also sign the minutes.

Competence of the incorporation assembly

Article 314

The incorporation assembly shall:

- 1) adopt the incorporation report, and the report on the audit of the incorporation, if such report has been prepared;
- 2) determine whether all stocks are recorded, acquired and distributed, whether all contributions, which in accordance with law and the company's statute had to be entered until the convening of the establishment assembly are entered, and whether the company can freely dispose with everything that is entered following the recording in the trade register;
- 3) determine the amount of the incorporation-related costs that shall be borne by the company; and
- 4) elect the company's bodies, which in accordance with the law and the company's statute, are elected by the meeting, unless if in accordance with this Law, are appointed with the statute.

Voting at the incorporation assembly

Article 315

(1) Each stock confers the right to one vote at the incorporation assembly, except in case of election of the board of directors, that is the supervisory board, for which only the voting stocks provide the right to vote.

(2) For the issues referred to in Article 314, point 2 of this Law referring to the non-monetary compensation it has to be voted for each non-monetary compensation separately. The founders and the recorders of stocks on the basis of the non-monetary contribution, shall have no right to vote. The founders shall not be allowed to vote with respect to the issues referred to in Article 314, points 1 and 3, of this Law.

(3) The incorporation assembly shall decide with majority votes of the quorum determined in Article 312, paragraph 2, of this Law, excluding thereof the stocks represented at the incorporation assembly that in accordance with paragraph (2) of this Article, are excluded from voting.

(4) As an exception to paragraph (3) of this Article, the election of the board of directors, that is the supervisory board shall be carried out by a majority of the present founders and recorders of the voting stocks, provided that the majority of founders and recorders of voting shares are present at the incorporation.

(5) As for the amendment of the provisions of the statute referred to in Article 287 paragraph (1) of this Law a consent from all founders and stocks' recorders shall be necessary.

Application and entry data

Article 316

(1) The entry application of the successive incorporation of the company in the trade register shall be submitted in the manner and under the conditions referred to in Article 297 of this Law.

(2) The data determined in Article 298, paragraph (1) of this Law shall be entered in the trade register. Each change of the entered data, except the data referred to in Article 298, paragraph (1), point 5 of this Law, shall be entered in the trade register.

(3) The following shall be enclosed to the entry application:

- 1) the statute;
- 2) the copy of the passport or the personal identification card for foreign natural persons or other document aimed at determining the identity valid in their country, that is proof for registration, if the founder is a legal entity;
- 3) a proof of the paid amount issued by the bank wherein the payment of the stocks is carried out, and if a non-monetary compensation in an immovable thing is entered - together with the appraiser's report, a proof of ownership containing a note recorded in a public book of immovable things is submitted, and if a movable thing is entered for which a law determines the obligation for entry (register) - a proof of ownership over the movable things and a copy of the prospectus on the basis of which the total or part of the basic capital is subscribed, and if securities are invested, a proof of ownership of those securities shall be submitted to the trade register together with a note that they are invested in a trade company and that the owner cannot manage them. For that purpose, the owner of the securities shall submit a notary verified statement to the Central Securities Depository that the securities are invested in a trade company and that it agrees a limitation for management until their transfer to the trade company to be recorded for these securities.
- 4) the minutes of the incorporation assembly, the invitation thereof, and the list of participants;
- 5) the decision on election of the members of the management body, that is the supervisory board, provided that they are not appointed with the statute;
- 6) the incorporation report and the report on audit of the incorporation, if such report has been prepared on a request of the founders or other parties, in accordance with this Law;
- 7) the contracts by which non-monetary contributions are determined or entered, if in the course of incorporation non-monetary contributions are entered;
- 8) a license or other act of a state body or other competent body, if such obligation is determined by law for entry of the company in the trade register;
- 9) a statement of a legally authorized representative of a legal entity, that is statement of a natural person, that there is no obstacle for the person to be a founder of the company in accordance with Article 29 of this Law; and
- 10) the statement, in accordance pursuant to Article 32 of this Law.

(4) The executive members of the board of directors, that is the members of the management board, as well as other persons who in accordance with the statute, are authorized to represent the company shall submit certified signatures- verified, attached and given in accordance with Article 65 paragraph (2) and (3) of this Law.

(5) The founders of the company shall be liable for the reliability, accuracy and validity of the data contained in the application form and the attachments for which it is determined by this Law to be enclosed together with the application for entry of the company's incorporation.

Appropriate application of other provisions to the successive incorporation

Article 317

(1) The provisions referred to in Article 296, paragraph (4), Articles 299, 300, and 301 of this Law shall respectively apply to the liability for damage caused during the incorporation procedure, that is 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 23 shall apply to the proceeding on a behalf of the company prior its recording in the trade register.

SECTION 4

ACTS, DOCUMENTS AND INFORMING THE STOCKHOLDERS

Manner of publication of the data and reports

Article 318

Unless otherwise determined by this Law, the management body shall determine the manner of publication of the data and reports which, in accordance with the statute, have to be mandatory published in a company's bulletin, in a daily newspaper, on Internet or in other manner and shall determine the data and reports which are published and which are considered significant for the stockholders and the company.

Acts and documents that have to be kept

Article 319

The company shall in its head office keep the following acts and documents:

- 1) the statute and the other acts, as well as their amendments, together with the consolidated text;
- 2) the minutes and all other documents from the stockholders assemblies;
- 3) the minutes and the decisions from the meetings of the management body, that is the supervisory board;
- 4) the annual accounts and the financial reports that have to be kept in accordance with law;
- 5) all attachments (documents and proofs) submitted to the trade register;
- 6) all public announcements and prospectuses for issuance of stocks and other securities of the company;
- 7) total written communication of the company with its stockholders;
- 8) an updated list of names and addresses of all elected members of the management body, that is the supervisory board;
- 9) pledge and mortgage documents;

- 10) the reports of the authorized auditor and of the authorized appraiser;
- 11) the voting ballots and letter of attorneys for participation at the assembly in original or copy;
- 12) the collective agreement on the company's level, and
- 13) the complete documentation related to the approval of the deal with the interested party;
- 14) other acts and documents anticipated by law and the statute.

Information right

Article 320

- (1) Each stockholder shall be entitled to inspect the acts and the documents of the company referred to in Article 319 of this Law, at the company's head office in a manner determined in the statute.
- (2) The stockholder shall exercise the right to information regarding the minutes and the decisions of the management bodies through the non-executive members of the board of directors or through the supervisory board.
- (3) The company can require from the stockholder, requesting inspection, to inform the company regarding the inspection, within a time period not longer than three days prior to the day of the intended inspection. The company can require the stockholder to cover the cost of the requested copies, which cannot be higher than the actual cost.
- (4) If the company does not allow the stockholder to inspect and copy the acts and the documents, the stockholder can submit a proposal to the court for the purpose of allowing inspection of the acts and the documents. The proposal shall indicate the acts and documents that the stockholder wishes to inspect or receive, as well as the form in which the acts or the documents shall be submitted.
- (5) The court shall, within a time period of eight days as from the submission of the proposal, adopt a decision, obliging the company to allow the stockholder – the submitter of the proposal, to inspect the acts and the documents stated in the proposal or to give a transcript of the acts and the documents, at the expense of the company.
- (6) The stockholder cannot publicly announce or present the information, except to the stockholders, provided that before a competent body a certain right determined by law, with the statute or other act of the company, or if they are already published.

SECTION 5

LEGAL RELATIONS BETWEEN THE COMPANY AND THE STOCKHOLDERS

Principle of equal status of the stockholders

Article 321

- (1) The stockholders shall, under equal conditions, have equal status in the company.

(2) Each concluded contract or any other legal activity undertaken by a stockholder, violating the rights and interests of other stockholders, shall be null and void, unless all stockholders provide their consent for such contract or the legal activity.

Main obligation of the stockholder

Article 322

(1) The stockholder shall be obliged to pay to the company the nominal amount of the stock, that is the greater amount if the stock is issued at a greater amount than the nominal one, as well as to enter the non-monetary contribution, if the stock is acquired on the basis of non-monetary contribution.

(2) The conditions for payment of stocks that the stockholders have subscribed but not paid shall be equal for all stockholders according to the type and the class of the stock.

(3) The stockholder cannot set off his/her claims against the company by means of payments for the stocks nor exercise the right to lien on the non-monetary contributions, except in the cases of a loan that is transformed in company's contribution.

(4) The company cannot defer the payment of certain stockholders, nor release them from the obligation to pay or accept as payment some means that differ from the means determined in the statute. The non-monetary contribution that comprises claim, shall be considered paid only after the company collects it, that is assumes it. The company shall be liable to the stockholder, if it does not handle the payment with the prudence of a meticulous and conscientious commercial entity.

Consequences from untimely payment

Article 323

(1) The stockholder shall have to pay the stocks upon the announcement of the management body of the company in accordance with the requirements under which the stocks were entered. The announcement shall be carried out by means of personal notification of the stockholders, unless otherwise determined in the statute.

(2) The stockholder, who in accordance with paragraph (1) of this Article does not make the payment shall not be entitled to vote until he/she executes the due payment and the legally determined default interest. The stockholder, who failed to pay the stocks within the determined time period, shall be obliged to pay the legally determined default interest.

(3) The shareholder who fails to enter the non-monetary contribution shall be obliged to pay the contractual penalty under the conditions determined in the contract on acquiring non-monetary contribution in accordance with the statute.

Exclusion of a stockholder

Article 324

(1) The stockholder, who fails to pay the entered stocks within the determined time period and under the condition by which the stocks were

entered ,can, through a registered letter, be given an additional time period, with a notice that the failure to fulfill the obligation for payment in the additional time period, shall lead to dispossession of the partially paid stock to which the warning for payment refers. The additional time period shall be announced in a daily newspaper.

(2) If, despite the notice referred to in paragraph (1) of this Article, the stockholder fails to pay the due amount to the company, he/she shall be dispossessed of the stocks and shall be excluded from the company. The announcement referred to in paragraph (1) of this Article shall indicate the stocks dispossessed from the stockholder for the benefit of the company.

(3) The stockholder shall be notified regarding the exclusion from the company in a written form by means of registered mail or personally delivered mail.

Rights and obligations of the excluded stockholder

Article 325

(1) If the company sells the stocks dispossessed from the excluded stockholder:

1) below their nominal value, and the funds are not sufficient to pay in the unpaid portion of the contribution as well as the costs and the legally determined default interest, the excluded stockholder shall be obliged to pay the difference to the company;

2) in accordance with their nominal value, following the payment of the costs and the legally determined default interest, the company shall refund to the excluded stockholder the previously paid amount after deducting the costs and the legally determined default interest, and

3) above their nominal value, following the payment of the costs and the legally determined default interest, the company shall refund to the excluded stockholder the previously paid amount after deducting the costs and the legally determined default interest up to the nominal amount of the stock, and shall retain the difference.

(2) The excluded stockholder shall also be obliged to pay a contractual penalty if such obligation is determined in the public announcement, due to non-timely entering of the non-monetary contribution. The payments referred to in paragraph (1) of this Article shall not exclude the liability of the excluded stockholder for the damage caused to the company due to the failure to execute the payment.

Sale of the stocks of the excluded stockholder

Article 326

(1) The company can sell the stocks of the excluded stockholder on the stock exchange or on any other organized market. The stocks can be sold and transformed into cash in another manner only with consent of the excluded stockholder.

(2) Any provision of the statute and other legal actions and activities contrary to the provisions of Articles 324 and 325 of this Law and paragraph (1) of this Article shall be null and void.

Liability of a holder of a partially paid stocks

Article 327

(1) Each owner of partially paid stocks shall be personally liable for the unpaid portion of the amount at which the stocks were issued. The company shall not exempt the owner of the partially paid stocks from the liability to pay the unpaid amount of the entered stocks.

(2) As an exception to paragraph (1) of this Article, the company can exempt the stockholder from the liability to pay the entered stocks only in case of regular reduction of the basic capital of the company by withdrawing stocks up to the amount for which the basic capital is reduced in the manner and under the conditions determined by this Law.

Prohibition for refund of a contribution and payment of interest

Article 328

(1) Except in cases anticipated by this Law, the paid in contribution shall not be refunded to the stockholders. The payment of the purchase price in cases of allowed purchase of stocks 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 stockholders.

Participation of the stockholders in the profit

Article 329

(1) The stockholders shall be entitled to participate in the profit, unless if in accordance with the decision of the assembly on utilization of the profit, adopted on the basis of the law and the statute, the profit is excluded from the distribution among the stockholders.

(2) The participation of the stockholders in the profit shall be determined in accordance with the type and the class of the stocks.

(3) The dividend referring to each type and class of stocks shall be paid proportionally to each owner of the corresponding type or class of stocks. If the contributions in the basic capital are not paid in full, or if all stocks are not paid in equal ratio, the stockholders who comply with their obligations in a timely manner shall participate in the profit distribution in proportion to the paid portion of the stocks. 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 can be distributed to stockholders.

Liability of a stockholder who received prohibited payment

Article 330

(1) A stockholder 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 contrary to law.

(2) The refund of the payments referred to in paragraph (1) of this Article received contrary to the law, can be also claimed by the creditors, if they cannot collect their claims from the company. During a bankruptcy procedure, if such procedure is initiated on the company, the bankruptcy administrator shall exercise the right of a creditor in relation to the stockholder.

(3) The right for submission of a lawsuit for the cases referred to in paragraphs (1) and (2) of this Law shall reach the time barred status within a period of five years upon receiving the prohibited payment.

Co-owners of a stock

Article 331

(1) The co-owners of a stock shall exercise their rights through a single joint representative.

(2) The legal actions undertaken by the company against the co-owners shall be performed against the joint representative, provided that the representative is registered with the company. If the joint representative is not registered with the company, the company can undertake a 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 Securities Depositary.

(4) As for the obligations arising from the stocks the co-owners shall be liable as joint owners.

Prohibition on entering personal stocks

Article 332

(1) The company cannot subscribe personal stocks.

(2) Any person that has acquired stocks for the account of the company cannot refer to the fact that the stocks were not acquired on his/her behalf. The person that has acquired the stocks shall not be entitled to any right attached to the stocks until he/she acquires the stocks on his/her behalf.

(3) If stocks are entered contrary to paragraph (2) of this Article, the founders or the members of the management body shall be obliged to personally pay those stocks, provided that they have not acted with prudence of a meticulous and conscientious commercial entity.

Acquisition of personal stocks with repurchase

Article 333

(1) The company can acquire personal shares with repurchase, by itself or through a certain party acting in its name and on the behalf of the company. The repurchase of personal stocks shall be valid under the following conditions:

1) the assembly to adopt a decision for acquiring personal stocks with repurchase, determining the manner of repurchasing, the maximum

number of stocks to be acquired, the time when the repurchase should be executed, which shall not be longer than 12 months as of the day of adopting the decision on acquiring personal stocks, and the minimum and maximum counter value that can be paid for the stocks;

2) the nominal value of the acquired stocks, along with the stocks previously acquired by the company, that is that are in possession of the company not exceeding one tenth of the basic capital;

3) the acquiring of the personal stocks shall not lead to reduction of the assets of the company below the amount of the basic capital and the reserves, which, in accordance with the law or the statute the company is obliged to maintain, and which cannot be used for payments to the stockholders; and

4) only stocks fully paid can be acquired with repurchase.

(2) As an exception, the company can acquire personal stocks contrary to the conditions determined in paragraph (1), point 1 of this Article, when the acquisition of personal stocks is indispensable in order to prevent a severe and direct damage that the company can suffer. The decision shall be adopted by the board of directors, that is the management board upon a prior consent of the supervisory board. In this case, the board of directors, that is the management board is obliged to inform the assembly on its first next assembly regarding the reasons and the objective of the carried out acquisition of personal stocks, the number and the nominal value of the acquired stocks, the portion of the basic capital represented by the acquired stocks, the price at which they are acquired, as well as of the source of funds utilized for their acquisition.

(3) If the members of the board of directors, that is the members of the management board and the supervisory board, with the decision for acquiring personal stocks referred to in paragraph (2) of this Article cause damage to the company or the stockholders, shall be obliged to compensate the damage as joint debtors with their entire property.

(4) The provision referred to in paragraph (1) point (1) of this Article shall not apply to personal stocks 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 stocks to the employees of this company or to the employees of a related company. The distribution of such stocks shall have to be performed within a time period of one year as from the day of acquisition of these stocks.

Procedure for proportional acquisition of personal stocks from the stockholders

Article 334

(1) When acquiring personal stocks proportionally from all stockholders, the company shall, on the basis of the decision on acquisition of personal stocks, put forth a public announcement for acquisition of stocks to all stockholders. The public announcement shall state the number of stocks the company intends to acquire by indicating the type and the class of the stocks, the proportionate number of stocks the stockholder can offer for sale in relation to the number of stocks 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 time period by which all stockholders have to offer their stocks for sale to the company. The publication of the public announcement shall last for at least 30 days.

(2) If the total number of stocks offered for sale by the stockholders exceeds the number of stocks the company can acquire in accordance with this Law, the company shall proportionally purchase from each stockholder the number of stocks that each stockholder offered for sale in relation to the number of stocks he/she possesses, except in case when it is necessary to avoid purchase of parts of stocks.

Special manners for acquisition of personal stocks

Article 335

(1) The acquisition of the personal stocks shall be carried out without application of the requirements determined in Article 333 paragraph (1) of this Law, if:

- 1) on the basis of a decision of the assembly the withdrawal of stocks is carried out in accordance with the provisions of this Law regarding the reduction of the basic capital;
- 2) free of charge or when a bank, investment fund or other financial institution purchases stocks in its own name out of the commission obtained from the purchase of stocks;
- 3) as a consequence of an universal succession of the property;
- 4) in the 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 transformation of the company, if the company, in accordance with this Law is obliged to purchase the stocks of the stockholders that have not accepted the offer to receive stocks;
- 6) in case of exclusion of a stockholder 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 in accordance with the Law on Bankruptcy.

(2) The stocks acquired in the cases referred to in paragraph (1) of this Article shall be paid in full and dispossessed within a time period of three years as of the day of their acquisition, unless the nominal amount of the acquired stocks, including the personal stocks acquired in accordance with Article 333 of this Law, does not exceed one tenth of the basic capital.

(3) If the stocks that are acquired in accordance with paragraph (1) of this Article are not dispossessed and they are previously put up for sale by means of a public offer within the time period referred to in paragraph (2) of this Article, but the sale has not been successful, then the acquired stocks in accordance with paragraph (1) shall be canceled without delay. When the cancellation of the personal stocks results in reduction of the company's assets below the nominal amount of the basic capital, a procedure for an appropriate reduction of the basic capital must be conducted.

Disposition of personal stocks

Article 336

The stocks acquired contrary to paragraphs 333, 334, 335 shall be disposed within a time period of one year as of the day of their acquisition. The provisions referred to in Article 335 paragraph (1) of this Law shall be applied, if the stocks are not disposed within that time period.

(2) No matter the way the personal stocks are acquired, that is, in accordance with or contrary to the provisions of Articles 333, 334 and 335 of this Law, and no matter the deadlines for their dispossession, before they are annulled, the personal stocks must be previously offered for sale by means of a public offer.

Notification regarding the acquired personal stocks

Article 337

The following shall be mandatorily stated in the annual report of the company's operations:

- 1) the reasons due to which the personal stocks have been acquired during the year,
- 2) the number, the nominal value of the personal stocks acquired and dispossessed on any ground in the previous financial year, their participation in the basic capital and the counter value paid for them;
- 3) the number and price at which the personal stocks have been acquired and dispossessed in the previous years and their participation in the basic capital, and
- 4) the number, the nominal amount of the acquired personal stocks distributed to the employees and their participation in the basic capital.

Rights arising from personal stocks

Article 338

The rights arising from the personal stocks shall be in abeyance.

Stocks with a right of repurchase by the company

Article 339

(1) The company can be authorized by its statute to issue stocks with the right of the company to repurchase those issued stocks within a certain time period. The repurchase shall have legal effect provided that the following conditions are met:

- 1) the conditions and the manner of repurchase to be determined by the company' statute;
- 2) the assembly to adopt a decision on repurchase of such stocks before their subscription;
- 3) the stocks have to be fully paid;
- 4) the repurchase has to be conducted only by funds that exceed the basic capital and the reserves which in accordance with this Law and the statute cannot be distributed to the stockholders, and
- 5) the amount which is not less than the nominal amount of the issued stocks has to be put in the reserves, which in accordance with this Law and the statute cannot be distributed, except in case of decrease of the basic capital.

(2) The provision referred to in paragraph (1), point 2 of this Article shall not apply to repurchases wherefore the funds for issuance of new stocks for repurchase of the existing stocks are used, including the right of repurchase by the company.

(3) If there is a provision referring to payment of a premium to the stockholders during the repurchase, the premium shall be paid only from the reserves that can be distributed to the stockholders.

(4) The company's statute shall have to determine the time period for repurchase of the stocks, including the right of purchase by the company.

(5) The notification regarding the repurchase of the stocks referred to in paragraph (1) of this Article shall be published in the "Official Gazette of the Republic of Macedonia".

Null and void legal actions

Article 340

(1) The legal actions by which the company provides some party with an advance payment, loan, credit, or other type of security for the purpose of acquiring stocks in that company, shall be considered null and void. This shall not refer to the current legal activities of the banks, as well as the other financial institutions, unless otherwise determined by a separate law, or when the company acquires personal stocks in order to distribute them among the company under the conditions determined by this Law.

(2) The legal action shall be null and void in cases when the company acquired personal stocks from the reserves necessary to preserve the nominal amount of the basic capital, or from the reserves, which in accordance with Law and the statute, cannot used for other purposes.

(3) The legal action between the company and other party, that authorize or oblige the other party to acquire stocks in other company for the account of the company, the controlled company or the company in which the company has majority share, shall be considered null and void, provided that the acquisition of stocks by the company is contrary to Article 333 paragraphs (1) and (2) of this Law.

(4) The acquisition of personal stocks, on any grounds, shall be null and void if it the nominal amount at which the stocks are issued is not fully paid.

Taking personal stocks as pledge

Article 341

(1) Taking personal stocks as pledge or any other type of security by the company or a person acting in his/her own name, but on behalf of the company shall be considered as acquisition of personal stocks in accordance with Articles 333, 335, 337 and 339 of this Law.

(2) Paragraph (1) of this Law shall not be applied to the current legal transactions of the banks, as well as the other financial institutions, unless otherwise determined by a separate law.

Section 6

BODIES OF THE COMPANY

Subsection 1

JOINT PROVISIONS

Management systems

Article 342

(1) The management of the company can be organized either as one-tier system (board of directors) or two-tier system (management board or manager and supervisory board).

(2) The company shall choose the management system. By amending the statute the one-tier management system can be replaced with the two-tier management system and vice versa.

(3) The provisions governing the assembly shall be applied to the companies with either one-tier, as well as the companies with two-tier management system.

(4) The participation of the employees in the management of the company shall be regulated by law.

Election conditions

Article 343

(1) Only natural persons having a capacity to contract can be elected as members of the management body, that is the supervisory board.

(2) A person against whom a safety measure is pronounced, that is misdemeanor sanction prohibition on performing activity from a certain profession which is partly or entirely included in the company's scope of operations, for the time period of the duration of that prohibition, cannot be elected as a member of the management body, that is the supervisory board.

Election bodies

Article 344

(1) The members of the board of directors and the members of the supervisory board shall be elected by the assembly by majority votes of the voting stocks, out of the quorum for operation of the assembly determined with this Law, unless higher majority is determined by the statute, in the manner and according to the conditions determined in the statute.

(2) If it is determined by the statute, the election of the members of the board of directors or supervisory board can be executed by cumulative voting. The stockholder having the right to vote shall be entitled to use the votes arising from the stocks, multiplied by the number of members who need to be elected, for one candidate or can distribute the votes 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 considered elected.

(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 data 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/she is or has been a member of the management body, that is the supervisory board, and other important positions occupied by him/her, number of

stocks he/she owns in the company and in other companies, as well as loans and other obligations he/she has towards the company.

(4) The data determined in paragraph (3) of this Article shall be delivered to the stockholders at least seven days before carrying out the election at the assembly. The data shall be available to any stockholder.

(5) The decision of the assembly on the election of the board of directors, that is the supervisory board, or a member thereof, shall enter into force on the day of adoption. The application for entry in the trade register of the elected board of directors, the supervisory board, or a member thereof, shall be submitted by the person specified with a decision of the assembly. The decision for entry in the trade register, in accordance with the decision of the assembly, has to be delivered within a time period of 48 hours as of the day of submission of the application.

Term of office

Article 345

(1) The members of the management body, that is the supervisory board shall be elected for a time period determined in the statute, which cannot be longer than six years. If the statute does not determine the duration of the term of office of the members of the management body, that is the supervisory board, their term of office shall be four years.

(2) The members of the management body, that is the supervisory board can be re-elected, regardless of the number of terms of office they have been previously elected for, unless otherwise determined by the statute.

Election limitations

Article 346

(1) A non-executive member of the board of directors, that is a member of the supervisory board cannot 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 with a head office in the Republic of Macedonia.

(2) An executive member of the board of directors and a member of the management board cannot be elected as executive member of the board of directors, that is a member of a management board of other joint stock companies with head office in the Republic of Macedonia, except in banks, insurance companies, and other companies provided that is determined by Law.

(3) An executive member of the board of directors, and a member of the management board, can be elected as a non-executive member, as well as a member of the supervisory board in maximum five other joint stock companies with head office in the Republic of Macedonia.

(4) The limitations referred to in paragraph (1) of this Article shall not be applied to legal entities.

Incomplete composition

Article 347

(1) If certain members of the board of directors, that is the supervisory board cease to perform, or are hindered to perform their duties during the term of office, the other members of the board of directors , that is the supervisory board shall continue to work until the vacancy is filled.

(2) If the number of members in the board of directors, that is the supervisory board is reduced below the number determined by the statute, but is not less than the minimum number determined by Law, the board of directors , that is the supervisory board can, within a time period of 90 days as of the day the office of the member has terminated, complement its composition by electing an acting member of the board of directors , that is the supervisory board until the next assembly. The adopted decisions and the undertaken legal actions and activities by the board of directors, that is the supervisory board shall remain valid.

(3) If the number of the members in the board of directors, that is the supervisory board is reduced below the number determined by Law, the remaining members of the board of directors, that is the supervisory board shall convene an assembly within a time period of three days, in order to complement the composition of the board of directors, that is the supervisory board. If the assembly is not convened within that time period, the assembly shall be convened by the non-executive members of the board of directors, that is the management board, within a time period of three days after the expiration of the previous time period.

(4) If the board of directors, that is the supervisory board fails to conduct the election of an acting member of the board of directors , that is the supervisory board, or if the remaining members of the board of directors, that is the supervisory board fail to convene the assembly, or if the non-executive members of the board of directors , that is the management board fail to convene the assembly within the time periods referred to in paragraphs (2) and (3) of this Article, any person having legal interest can give a proposal to request from the court to appoint a natural person who shall convene the assembly.

Prohibition against competition

Article 348

(1) The members of the board of directors, that is the supervisory board, as well as the members of their families (spouses, parents and children) without an approval of the board of directors, that is the supervisory board, cannot:

- 1) for their own account or for the account of a third party, perform matters within the scope of operations of the company,
- 2) for their own account or for the account of a third party, perform other activity paid or unpaid, in other company, with the same or similar scope of business activities,
- 3) be a member of a management body or a member of a supervisory board, that is a controller in another company having the same or similar business activities as the company, and
- 4) perform activities in the premises of the company for his/her own 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 in writing notify the company body authorized for his/her election of all, paid or unpaid, actions and activities in other company, undertaken for his/her own account or for the account of third parties.

(3) The assembly shall have to be notified on the first following meeting about the approvals referred to in paragraph (1) of this Article.

(4) If the member of the board of directors, that is, the supervisory body acts contrary to the prohibitions referred to in paragraph (1) of this Article, that is, keeps silent about a relevant fact in the notification referred to in paragraph (2) of this Article, the company can:

1) request damage compensation, or

2) request from the member to concede to the company the legal matter concluded for his/her own account, and to give the benefits arising from the legal matter concluded for his/her own account or for the account of a third party.

(5) If the member of the board of directors, that is the management board does not compensate the damage or does not concede to the company the legal matter concluded for his/her own account, or does not give to the company the benefits arising from the legal matter concluded for his/her own account or for the account of a third party, or does not transfer to the company the claim arising from that legal matter, the remaining members of the board of directors, the management board or the supervisory board, and any stockholder can submit a complaint in order to realize the requests stated in paragraph (4) of this Article.

(6) The right to realize the requests stated in paragraph (4) of this Article shall be reached the time barred status within a time period of 90 days as of the day when the day when the non-executive members of the board of directors, the members of the supervisory board, that is the stockholder learned about the action on the basis of which the damage compensation right exists, that is the right of the company to request concession of the legal matter concluded for his/her own account. After the expiration of a period of five years as of the day of violation of the prohibition occurred, the requests referred to in paragraph (4) of this Article cannot be exercised.

Conflict of interests

Article 349

(1) For any contract or other business activity of the company, in which the company is a party, and in which a member of the management body, that is the supervisory board has interest, even in an indirect way, it shall have to be acted upon in accordance with Articles 457, 459 and 460 of this Law.

(2) Any member of the management body, that is the supervisory board having an interest shall be obliged to declare it immediately.

(3) If a member or an interested member of the management body, that is the supervisory board becomes aware that any of the conditions referred to in paragraph (1) of this Article is fulfilled, he/she shall immediately notify the board of directors, that is the supervisory board thereof. The interested member shall be entitled to be heard, but he/she cannot participate in the debate or in the decision adoption related to the contract or the other legal matter, nor in the decision adoption for granting the approval referred to in paragraph (1) of Article 460 of this Law.

(4) Claims against third parties cannot be raised in case if the board of directors, that is the supervisory board, that is the assembly does not grant an approval, or if the decision for granting an approval is illegal, unless the company proves that the third party knew about the non-

existence of the approval or about the irregularity of the decision, or, taking into account all circumstances, the party must have known thereof.

Rights and obligations

Article 350

The rights and obligations of the executive members of the board of directors, the members of the management board, that is, the manager , in addition to the rights and obligations determined by this Law, can be determined by the contract regulating the relations between the company and the executive member of the board of directors, a member of management board, that is, 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 by the supervisory board, and it shall be signed by the president of the supervisory board.

Equal position

Article 351

(1) The members of the management body, the supervisory board, that is, the manager, in accordance with their position determined 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, in accordance with the authorizations determined by this Law, and according to the activities entrusted to them in accordance with this Law and the statute. A different manner of managing and carrying out these activities can be determined by the statute, but only according to the authorizations of the members of the management body, that is the supervisory board, determined by this Law.

(2) The acts, that is the decisions of the management body, that is the supervisory board adopted beyond the authorizations determined by this Law and the statute, shall bind the company in regard to third parties, unless the third party knew or, taking into account the circumstances, must have known thereof.

(3) The management body, that is the supervisory board shall operate and adopt decisions in a manner determined by this Law, the statute and its rules of procedure. The rules of procedure shall be adopted in the manner determined by the statute.

Report regarding the company's operation

Article 352

(1) The executive members of the board of directors, the members of the management board, that is, the manager shall submit to the board of directors, that is, the supervisory board a written report on the company's operations, at least once every three months, and upon the expiry of the business year they shall also submit an annual account, annual financial statements and an annual report on the company's operations.

(2) Upon a request of the non-executive members of the board of directors, that is, the supervisory board, the executive members of the board of directors, the members of the management board, that is, the manager shall prepare a special report on the condition of the company or on particular issues related to its operations.

(3) The non-executive members of the board of directors, that is the supervisory board can personally or through other persons, undertake actions for the purpose of carrying out inspection over the company's operations and the management by the executive members of the board of directors, the members of the management board, that is, the manager. Upon a 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, that is, the members of the management board, that is, the manager shall be obliged to prepare all documents and notifications necessary to enable the supervision over the operations.

(4) Each non-executive member of the board of directors, that is the supervisory board, for the purpose of exercising his/her function, shall have the right to inspect all reports, acts and documents delivered by the executive members of the board of directors, that is, the members of the management board, that is, the manager to the non-executive members of the board of directors, that is, the supervisory board.

Preparation and implementation of the decisions of the assembly

Article 353

The management body, during the preparation and implementation of the decisions of the assembly shall be, in particular, obliged:

- 1) upon a request of the assembly prepare the general acts and decisions whose adoption is within the competence of the assembly;
- 2) to prepare the contracts which can be concluded solely with the consent of the assembly;
- 3) to implement the decisions which are adopted by the assembly within the scope of its competencies, and
- 4) to perform other activities which in accordance with this Law are prepared by the assembly and which are within the scope of its competencies.

Liabilities in case of loss, over-indebtedness and insolvency

Article 354

(1) If, during the operation, and especially if according to the quarterly or semi-annual calculations, that is the annual statement it is determined that the company has new losses that are higher than 30% of the value of the assets of the company, that is 50% of the basic capital, the executive members of the board of directors, that is the management board shall immediately prepare a written report explaining the reasons for the loss and suggest measures for covering the loss. The report shall be approved by the board of directors, that is the supervisory board. Within a time period of 48 hours from the moment when they learned that the company showed losses, the management body shall convene the assembly at which it shall notify the stockholders about the condition and the undertaken measures.

(2) If there is a circumstance which, in accordance with law is determined as a requirement for opening a bankruptcy procedure, the management body shall, no later than 21 days as of the day when the condition for opening bankruptcy occurred, convene an assembly at which it shall notify the stockholders about the condition and the undertaken measures, as well as the measures which need to be undertaken and approved by the stockholders at the assembly.

(3) Following the occurrence of insolvency of the company or its over-indebtedness, the management body shall not propose or make any payments, except the payments needed for the regular operations of the company and which are made with prudence of a meticulous and conscientious commercial entity.

(4) The members of the management body shall be jointly liable to the creditors and to the stockholders for the damages, provided that they acted contrary to paragraphs (1), (2), and (3) of this Article.

Operation and decision adoption quorum

Article 355

(1) The board of directors can operate and adopt decisions, if at least one half of all its members are present at the meeting, out of which the number of the present non-executive members of the board of directors shall have to be higher than the number of the present executive members of the board of directors.

(2) The management board, that is the supervisory board can operate and adopt decisions provided that the meeting is attended by at least half of all its members.

(3) A provision in the statute contrary to the paragraphs (1) and (2) of this Article shall be null and void.

(4) The management body, that is the supervisory board shall adopt the decisions with majority vote of the quorum determined in paragraphs (1) and (2) of this Article, unless greater majority is determined by this Law and the statute.

(5) The vote of the president of the management body, that is the supervisory board, and in his/her absence, the vote of the chairman authorized by the president to replace him/her, shall be decisive in case of even splitting of the votes, unless otherwise determined by statute.

(6) The decisions of the management body, that is the supervisory board shall enter into force as of the day of their adoption, unless otherwise determined by this Law.

Meetings and notification

Article 356

(1) The management body shall hold meetings when it is required for the performance of the activities in the scope of its competences.

(2) Any member of the management body can by submitting a written request to the president, stating the reasons and the purpose to require from the president to convene a meeting of the management body.

(3) If the member who has requested a meeting to be convened obtains the support of at least one third of the members of the management body for convening the meeting, the president of the management body shall convene the meeting within 15 days as of the day when the request has been submitted.

(4) The convening of the meeting referred to in paragraph (3) of this Article shall be done by a notification delivered to all the members of the management body, which is usual for convening the meetings of the management body, stating the reasons, time and place of the meeting.

Meetings via teleconference

Article 357

(1) Unless prohibited by the statute, the members of the management body, that is the supervisory board can 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, that is supervisory board, signed by all members participating at the meeting organized in the manner referred to in paragraph (1) of this Article.

Decision adoption without holding a meeting

Article 358

(1) The statute can provide for the management body, that is the supervisory board to adopt decisions without holding a meeting, if all members of the management body, that is the supervisory board give their consent for the decision to be adopted without holding a meeting.

(2) The president of the management body, that is the supervisory board or the natural person authorized by the president shall prepare minutes for recording all the decisions adopted in the manner referred to in paragraph (1) of this Article. The minutes shall be signed by the president of the management body, that is the supervisory board, and in his/her absence, by a member of the management body, that is the supervisory board, within 30 days at the latest as of the day of giving the consent for the decision that was adopted without holding a meeting.

(3) The decisions adopted in the manner referred to in paragraph (1) of this Article 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, that is the supervisory board, unless the decision specifies another day for entry into force. The giving of the consent can be conducted by personal signature, or by signature sent by fax or electronically on the draft decision.

Commissions

Article 359

- (1) The management body, that is the supervisory board can form one or more commissions from among its members and other persons.
- (2) The commission cannot decide upon issues under the competence of the management body, that is the supervisory board, nor have the rights and obligations transferred to them.
- (3) The composition, conditions, the scope of the activity and the manner of operations of such commissions shall be regulated with the statute and the other acts of the company adopted in accordance with the statute.
- (4) All activities of the commissions shall be subject to approval by the management body, that is the supervisory board.

Meeting minutes

Article 360

- (1) Minutes shall be prepared for the activities of each meeting of the management body, that is the supervisory board and the commissions, regardless of how the meeting was held.
- (2) The minutes shall have to be prepared within a time period of three days as of the day when the meeting was held, unless otherwise determined by this Law.
- (3) The minutes shall have to contain data about the manner of operations of the management body, that is the supervisory board (at a meeting or in other manner), the place and the time of holding 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" the decisions adopted at the meeting. Upon a request of the member who voted "for" or "against" the reason why he/she voted this way can be stated in the minutes. If a certain 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, that is the supervisory board present the meeting. The minutes shall be also signed by the president of the management body, that is the supervisory board, and in his/her absence, by the member of the management body, that is the supervisory board who, upon an authorization given by the president, chaired the meeting.

Obligations arising during the performance of the authorizations

Article 361

- (1) The member of the management body, that is the supervisory board shall be obliged to perform the authorizations given to him/her by this Law and the statute, in the interest of the company and in the interest of the stockholders, with prudence of a meticulous and conscientious commercial entity, and cannot transfer his/her authorizations to another member of the management body, that is the supervisory board.
- (2) The members of the management body, that is 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, that is the supervisory board, in accordance with the obligations undertaken by the contract regulating the relations between the company and an executive member of the board of directors, member of the management board, that is, the manager.

(4) The obligation referred to in paragraph (2) of this Article shall continue after the termination of the term of office of a member of the management body, that is, the supervisory board.

(5) During the performance of his/her activities, in accordance with paragraph (1) of this Article, the member of the management body, that is the supervisory board can 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, wherefore it shall not be considered that they are release from their obligation to act with prudence of a meticulous and conscientious commercial entity.

(6) The limitations on the authorizations for representation of the executive members of the board of directors, that is the members of the management board shall have no legal effect against third parties, even if those limitations were disclosed.

Damage liability

Article 362

(1) If the members of the management body violate their obligations they shall be liable to the company for the damage caused as joint debtors, if they have failed to operate and act with prudence of a meticulous and conscientious commercial entity. The member of the management body, who acted on the basis of a decision adopted by the assembly although he/she had pointed out that the decision is contrary to this Law, as well as the member of the management body who was opposed to the decision by separating his/her opinion in the minutes of the meeting of the management body and voting "against" the decision, shall not be held liable.

(2) The members of the management body shall, in particular, be liable for the caused damage, if contrary to this Law, they:

- 1) return to the stockholders their contribution in the company;
- 2) pay interest or dividends to the stockholders;
- 3) subscribe, acquire, take as pledge or withdraw the stocks 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) submit false annual account and financial statements;
- 7) misuse and use without authorization the assets of the company, and
- 8) in case of conditional increase of the basic capital, they issue stocks contrary to the purpose or issue stocks 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 in accordance with paragraph (2) of this Article, the stockholders shall be entitled to request damage compensation from the members of the management body.

(4) If the member of the management body severely violates his/her responsibility to act with prudence of a meticulous and conscientious commercial entity, the creditors of the company can request damage compensation provided that they have failed to settle their claims from the company.

(5) The non-executive members of the board of directors, that is, the members of the supervisory board shall be jointly liable with the executive members of the board of directors, that is, the members of the management board for the damage caused, if they, when giving the prior consent, did not act with prudence of a meticulous and conscientious commercial entity.

(6) The right to realize the request for damage compensation contained in this Article shall reach the time barred status within a time period of five years.

Dismissal of members of the management body, that is the supervisory board

Article 363

(1) The general meeting can dismiss all members of the board of directors, that is the supervisory board, that is a member of these bodies even before the expiration of their term of office. The majority of the votes from the voting stocks represented as the assembly shall be necessary for the adoption of the decision for dismissal, unless otherwise determined by this Law, or if the statute determines a higher majority. Other requirements regarding the adoption of the decision can be determined by the statute.

(2) An executive member of the board of directors can be dismissed by the board of directors, at any time with or without an explanation. The membership of the dismissed executive member in the board of directors shall be in abeyance until the following assembly at which it shall be decided if he/she shall be dismissed before the expiration of his/her term of office.

(3) If the assembly has adopted a decision for dismissal of all members of the board of directors, that is the supervisory board, that is a member of those bodies, it shall elect at the same meeting new members of the board of directors, that is the supervisory board, that is a new member on the place of the dismissed member, if the assembly decides so, and if the data regarding the candidates to be elected are provided in writing to the stockholders at the assembly.

(4) The supervisory board can at any time with or without an explanation, dismiss all members of the management board, that is a member of this body. The supervisory board shall, at the same meeting, elect new members of the management board, that is a new member on the place of the dismissed members, that is the dismissed member. The decision on dismissal shall enter into force on the day of its adoption.

(5) An executive member of the board of directors, a member of the management board, that is, a manager who is dismissed, shall be entitled to request damage compensation, if it is determined in the contract referred to in Article 350 of this Law.

(6) When the requirements determined in Article 384 paragraph (8) of this Law is met, the term of office of a member of the management body, that

is the supervisory board shall cease .

(7) If one member of the board of directors, that is the supervisory board, who has been elected by cumulative voting, is dismissed, he/she shall be regarded as dismissed if the stockholders having more than 90% of the voting shares represented at the general assembly voted in favor of the dismissal.

(8) If the assembly dismisses more than one member of the board of directors, that is the supervisory board, voting shall be conducted for dismissal of all members of the board of directors, that is the supervisory board. It shall be considered that the members of the board of directors, that is the supervisory board are dismissed in case of majority vote of the stockholders having the voting stocks represented at the assembly, unless the statute prescribes a higher majority. The election of the new members of the board of directors, that is the supervisory board shall be conducted by cumulative voting.

(9) The decision of the assembly regarding the dismissal of the board of directors or the supervisory board, that is, a member of these bodies, shall enter into force on the day of its adoption.

(10) The application for entry in the trade register of the elected, that is the dismissed members of the bodies referred to in this Article shall be submitted by the person authorized with the decision on election, that is dismissal. In accordance with the decision of the assembly, the decision regarding the entry in the trade register, has to be adopted within a time period of 48 days as of the submission of the application.

Resignation

Article 364

(1) A member of the management body, that is, the supervisory board can submit a resignation at any time, by submitting a written notification to the body that has elected him/her, unless the interests of the company require otherwise.

(2) The signature of the member of the management body, that is, the supervisory board on the resignation notification shall be certified by a notary.

(3) Upon the submitted resignation it shall not be decided regarding its acceptance. If the interests of the company require so, the management body, that is the supervisory board can oblige the member who has resigned to continue exercising his/her office until the election of a new member in the management body, that is the supervisory board, but for not longer than 60 days. The term of office of a member of the management body, that is the supervisory board shall be considered terminated on the day of submitting the written notification on the resignation, unless other date is stated in the notice. On the basis of the resignation notification, an application for deletion from the trade register of the resigned member of the management body, that is the supervisory board shall be submitted to the court.

Remuneration for the members of the management body and the supervisory board

Article 365

(1) The assembly shall by a decision determine the monthly lump sum or the lump sum per meeting of the non-executive members of the board of directors, that is the members of the supervisory board. The non-executive members of the board of directors, that is the members of the supervisory board shall be entitled to reimbursement of all other expenses (travel and other expenses), right of life insurance and other types of insurance, as well as other rights related to the performance of their office (usage of the business premises, needed equipment for work and alike).

(2) The executive members of the board of directors, the members of the management board, that is, the manager shall be entitled to a salary, that is, monthly compensation, right of life insurance and other types of insurance, reimbursement of the travel and other expenses and other rights.

(3) The assembly can, by a decision, approve the executive members of the board of directors, the members of the management board, that is, the manager to participate in the profit. Such participation, as a rule, shall consist of a share in the annual profit of the company (payment in cash, stocks, royalty, bonus 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 of the company that remains after the reduction of the realized profit for the amount of the total losses transferred from the previous years, and the amounts are set aside as legal and statutory reserves. A decision contrary to this provision shall be null and void.

(4) The rights of the executive members of the board of directors, the members of the management board, that is, the manager referred to in paragraphs (2) and (3) of this Article, shall be regulated by the contract referred to in Article 350 of this Law, in accordance with the type and scope of the responsibilities entrusted, the employment status, and their personal contribution to the successfulness of the operation of the company.

(5) The contract referred to in Article 350 of this Law shall determined the situations when the financial condition of the company is considered to be significantly deteriorated, due to which the earnings of the member of the management body present a great burden to the company, due to which the assembly, the non-executive members of the board of directors, that is the supervisory board can reduce the total earnings and other rights of a member of the management body referred to in paragraphs (2) and (4) of this Article. The reduction of earnings shall not affect the relations between the member of the management body and the company, and the executive member of the board of directors, that is the member of the management board can cancel the contract and resign as early as the end of the next quarter, with a resignation period that cannot be shorter than 30 days, unless the assembly, the non-executive members of the board of directors, that is the supervisory board accept a shorter time period.

(6) The funds paid to the members of the management body, the manager, that is, the 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, that is, the manager or a member of the supervisory board, additional remuneration can be acknowledged to that member and paid out of the operating costs.

(7) The company cannot give a credit neither to a member of the management body, a member of the supervisory board, that is, the

manager and to their close family members, nor to a member of the management body, a supervisory board, that is, the manager of a controlled company or to member of his/her close family. The prohibition shall not apply to the obligations assumed by the company in accordance with the contract referred to in Article 350 of this Law, if the decision has been approved by the assembly, with two thirds of the voting stocks represented at the assembly.

Status of the members of the management body and the managerial persons

Article 366

(1) The rights and the obligations arising from the labor relation, determined by the employment contract, acquired by an executive member of the board of directors, a member of the management board, that is, the manager who has been in labor relation in the company prior to the election, shall be in abeyance. The abeyance shall commence as from the day of election of the person.

(2) An executive member of the board of directors, a member of the management board, that is, a manager, within the time period he/she was elected for, and unless he/she performs the office without an established labor relation, shall exercise the rights arising from the labor relation, in accordance with the requirements determined in the contract regulating the relations between an executive member of the board of directors, a member of the management board, that is, a manager and the company, in accordance with this Law.

(3) Paragraph (1) of this Article shall respectively apply to the persons who, in accordance with the decision of the management body, shall be appointed as persons with special authorizations and responsibilities (hereinafter: managerial persons). The managerial person shall exercise the rights and obligations arising from the labor relation in accordance with the requirements determined in the contract for regulating the relations between the management body and the managerial person (hereinafter: contract regulating the relations with the managerial person). The contract regulating the relations with a managerial person shall determine the salary, the salary allowances, the participation in the profit, the reimbursement of expenses, the reimbursement for life insurance and other types of 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 managerial person shall correspond to the types and scope of the entrusted duties and the responsibilities of the managerial person, and to his/her personal contribution to the successfulness of the operation of the company. The contract with a managerial person on behalf of the management body, be signed by the president of the management body.

(4) The provisions from the collective agreements, as well as the provisions from the Law on Labor Relations, referring to establishment and termination of the labor relation, the disciplinary responsibility, the salary, the salary allowances, and protection of employees' rights, shall not apply to the executive members of the board of directors, members of the management board, that is, the manager and the managerial persons. These persons shall exercise the rights deriving from the provisions of the Law on Labor Relation in the manner and under the conditions determined in the contract referred to in Article 350 of this Law and the contract referred to in paragraph (3) of this Article.

(6) The provisions referred to in this Article and Article 365 of this Law, shall respectively apply to the manager in other types of trade companies, in the manner and under the conditions determined by the articles of association, unless he/she performs the office without establishing a labor relation.

Subsection 2

ONE-TIER MANAGEMENT SYSTEM (BOARD OF DIRECTORS)

Composition

Article 367

(1) The board of directors shall consist of at least three, and 15 members at the most.

(2) The assembly shall elect the members of the board of directors.

(3) 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. The independent members of the board of directors shall be elected from among the non-executive members of the board of directors.

(4) 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 cannot 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).

(5) If 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. If the board of directors has more than four non-executive members, at least one quarter of them shall be independent members of the board of directors.

Article 367-a

(1) A person who meets the following requirements may be appointed as a member of board of directors of a company with dominant or full ownership of the state:

- 1) to be a citizen of the Republic of Macedonia;
- 2) to have at least 240 credits under ECTS or completed VII/1 degree;
- 3) at the moment of appointment, not to be issued an effective injunction banning him/her from exercising a profession, business or office;
- 4) to have at least three years of work experience;
- 5) to hold one of the following internationally recognized certificates for active knowledge of English Language which is not older than five years, that is, TOEFL IBT - at least 30 points, IELTS - at least 3 points, KET (Cambridge English) - passed, or BULATS - at least 20 points; and
- 6) to have passed a psychological test and an integrity test.

(2) A person who meets the following requirements may be appointed an executive member of board of directors of a company with dominant or full

ownership of the state:

- 1) to be a citizen of the Republic of Macedonia;
- 2) to have at least 240 credits under ECTS or completed VII/1 degree;
- 3) at the moment of appointment, not to be issued an effective injunction banning him/her from exercising a profession, business or office;
- 4) to have at least five years of work experience;
- 5) to hold one of the following internationally recognized certificates for active knowledge of English Language which is not older than five years, that is, TOEFL IBT - at least 74 points, IELTS - at least 6 points, ILEC (Cambridge English: Legal) - at least B2 level, FCE (Cambridge English: First) - passed, or BULATS - at least 60 points; and
- 6) to have passed a psychological test and an integrity test.

Manner of electing executive members

Article 368

(1) The manner of electing executive members of the board of directors shall be determined in the statute. The statute can provide for the election of an executive member to be carried out by a unanimous decision of all members of the board of directors.

(2) One of the executive members of the board of directors can bear the title which is typical for the exercise of the office (general director, chief executive director, and other appropriate titles), and the other executive members can bear the title which is typical for the exercise of the office entrusted to them as executive members of the board of directors.

(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.

President of the board of directors

Article 369

(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 can dismiss the president and elect a new one at any time.

(3) The president of the board of directors shall convene and chair the meetings, and shall be responsible for keeping records of the meetings and organizing other matters (forms) of operation and decision adoption of the board of directors.

(4) If the president, for any reason, is not able to exercise his/her office, or if he/she is absent, the meetings of the board of directors shall be convened 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.

Authorizations of the board of directors

Article 370

The board of directors, within the scope of the authorizations determined by law and the statute, and the authorizations explicitly awarded to them by the assembly, shall manage the company. The board of directors 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.

Authorizations of the executive members

Article 371

(1) As an exception to the authorizations explicitly awarded to the board of directors in accordance with this Law, the executive members shall manage the operations of the company and shall have the broadest authorizations to undertake all matters related to the management, implementation of the decisions 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.

(2) The board of directors shall entrust to the executive members the representation of the company in relations with third parties.

(3) If the board of directors elects more than one executive member, it shall determine the member who shall manage the activities of the executive members and upon a proposal the board of directors shall determine the internal organization and the manner of coordinating the management of the company's operations.

(4) The board of directors shall submit an application for entry into the trade register of the executive members authorized to represent 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 to sign the application. Upon the entry in the trade register the executive members shall submit signatures- verified, attached and given in accordance with Article 65, paragraphs (2) and (3) of this Law.

(5) The executive members, for the purpose of exercising the authorizations referred to in paragraph (1) of this Article, can appoint managerial persons who shall run the daily management of the activities of the company, in accordance with the decisions, directions, and orders of the executive members of the board of directors.

Authorizations of the non-executive members during supervision

Article 372

(1) The non-executive members, in addition to the authorizations determined by this Law concerning the exercise of the right of supervision over the management by the executive members, shall be entitled to inspect and check the books and documents of the company as well as the assets, and in particular the treasury of the company and the securities and goods. The non-executive members can 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, the authorized auditor or other person determined by the statute, or the stockholders representing at least one tenth of the voting stocks, can request convening of a meeting of the board of directors. The request shall be submitted to the president of the board of directors.

Authorizations that cannot be transferred to the executive members

Article 373

(1) The board of directors cannot transfer the authorizations to the executive members when it is decided upon:

- 1) closure (termination) or transfer of the enterprise or any part thereof, 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, determined by a an act of the company;
- 4) establishment of long-term cooperation with other companies, being of essential importance for the company or its termination;
- 5) establishment and termination of a trade company participating in the basic capital of the company with more than one tenth in the basic capital of the company, and
- 6) establishment and termination of subsidiaries of the company.

(2) The statute can prohibit the transfer of the authorizations to the executive members for the decision adoption on other issues within the competence of the board of directors.

(3) The prohibitions anticipated in paragraphs (1) and (2) of this Article cannot be raised 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.

Article 373-a

Convening a meeting

The board of directors, during the year, shall mandatory hold at least four regular meetings every three months, wherefore one is mandatory held within a time period of one month before the annual assembly.

Subsection 3

TWO-TIER MANAGEMENT SYSTEM (MANAGEMENT BOARD AND SUPERVISORY BOARD)

Subsection One

MANAGEMENT BOARD

Composition and election

Article 374

- (1) The management board shall have at least three, and 11 members at the most.
- (2) As an exception of paragraph (1) of this Article, in companies having a basic capital less than 150.000 EURO, a manager can be elected instead of a management board, having all the rights and obligations of the management board.
- (3) The members of the management board, that is, the manager shall be elected by the supervisory board. One of the members of the management board shall be elected as a president of the management board, with the decision for election of the members of the management board.
- (4) The supervisory board can at any time dismiss the president of the management board and elect a new one.
- (5) No person shall be at the same time a member of the management board, that is, a manager and a member of the supervisory board.
- (6) The president of the management board shall convene and chair the meetings, and shall be responsible for keeping the minutes of the meetings and organizing other forms through which the management board operates and decides.
- (7) If the president, for any reason, is not able to exercise his/her function, or if he/she is absent, the meetings of the management board shall be chaired by a member of the management board, appointed by the supervisory board.

Article 374-a

- (1) A person who meets the following requirements may be appointed as a member of a management board of a joint stock company with dominant or full ownership of the state:
 - 1) to be a citizen of the Republic of Macedonia;
 - 2) to have at least 240 credits under ECTS or completed VII/1 degree;
 - 3) at the moment of appointment, not to be issued an effective injunction banning him/her from exercising a profession, business or office;
 - 4) to have at least three years of work experience;
 - 5) to hold one of the following internationally recognized certificates for active knowledge of English Language which is not older than five years, that is, TOEFL IBT - at least 30 points, IELTS - at least 3 points, KET (Cambridge English) - passed, or BULATS - at least 20 points; and
 - 6) to have passed a psychological test and an integrity test.
- (2) A person who meets the following requirements may be appointed as a president of the management board of the company referred to in paragraph (1) of this Article:
 - 1) to be a citizen of the Republic of Macedonia;
 - 2) to have at least 240 credits under ECTS or completed VII/1 degree;
 - 3) at the moment of appointment, not to be issued an effective injunction banning him/her from exercising a profession, business or office;
 - 4) to have at least five years of work experience;
 - 5) to hold one of the following internationally recognized certificates for active knowledge of English Language which is not older than five years, that is, TOEFL IBT - at least 74 points, IELTS - at least 6 points, ILEC (Cambridge English: Legal) - at least B2 level, FCE (Cambridge English:

First) - passed, or BULATS - at least 60 points; and
6) to have passed a psychological test and an integrity test.

Authorizations

Article 375

(1) The management board shall manage the company, and within that framework, shall conduct the operations of the company at its own responsibility. The management board shall have the broadest authorizations in managing the company, undertaking all matters related to the management of the operations and the day-to-day activities of 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 assembly 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 statute can 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, can appoint managerial persons who shall conduct the day-to-day management of the activities of the company, in accordance with the decisions, directions and orders of the management board.

Decision adoption upon a prior approval by the supervisory board

Article 376

(1) The management board shall, with a prior approval by the supervisory board, decide on the issues determined in Article 373, paragraph (1) of this Law.

(2) The statute can determine other cases when prior approval by the supervisory board shall be necessary for the decisions of the management board.

(3) The lack of prior approval by the supervisory board cannot be raised against third parties.

Company's representation

Article 377

(1) The members of the management board shall jointly represent the company in its relations to third parties, unless otherwise determined by the statute.

(2) The management board, with an approval of the supervisory board, can authorize one or more members of the management board to represent the company. In that case, the other members of the management board shall be excluded from the representation. The supervisory board can at any time revoke the representation authorization.

(3) The management board shall submit an application for entry of the members of the management board, authorized to represent the company, in the trade 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 the entry in the trade register, the members of the management board authorized to represent, shall submit signatures verified, attached and given in accordance with Article 65, paragraph (2) and (3) of this Law.

(4) The limitations on the representation authorizations of the members of the management board shall have no legal effect against third parties.

(5) The members of the management board representing the company can bear the titles general director or other title.

Section Two

SUPERVISORY BOARD

Composition and election of the members of the supervisory board

Article 378

(1) The supervisory board shall have at least three, and 11 members at the most.

(2) The assembly shall elect the members of the supervisory board. During the election of the members of the supervisory board, it shall be specified which members are elected as independent members of the supervisory board.

(3) If the supervisory board has up to 4 members, at least one of the members shall be an independent member. If the board of directors has more than four members, at least one quarter of its members shall be independent members of the supervisory board.

Article 378-a

A person who meets the following requirements may be appointed as a member of a supervisory board of a joint stock company with dominant or full ownership of the state:

- 1) to be a citizen of the Republic of Macedonia;
- 2) to have at least 240 credits under ECTS or completed VII/1 degree;
- 3) at the moment of appointment, not to be issued an effective injunction banning him/her from exercising a profession, business or office;
- 4) to have at least three years of work experience;
- 5) to hold one of the following internationally recognized certificates for active knowledge of English Language which is not older than five years, that is, TOEFL IBT - at least 30 points, IELTS - at least 3 points, KET (Cambridge English) - passed, or BULATS - at least 20 points; and
- 6) to have passed a psychological test and an integrity test.

President of the supervisory board

Article 379

(1) The supervisory board shall, from among its members, with majority votes from the total number of members of the supervisory board elect the president of the supervisory board.

(2) The supervisory board can dismiss the president at any time and elect a new president.

(3) The president of the supervisory board shall convene and chair the sessions, and shall be responsible for keeping records of the meetings and organizing other manners (forms) of operation and decision adoption of the supervisory board.

(4) If the president of the supervisory board, for any reason, is not able to exercise the function, or if he/she is absent, the meetings of the supervisory board shall be chaired by a member of the supervisory board elected by majority votes of the present members of the supervisory board.

Article 379-a

A person who meets the following requirements may be appointed as a president of a supervisory board of a joint stock company with dominant or full ownership of the state:

- 1) to be a citizen of the Republic of Macedonia;
- 2) to have at least 240 credits under ECTS or completed VII/1 degree;
- 3) at the moment of appointment, not to be issued an effective injunction banning him/her from exercising a profession, business or office;
- 4) to have at least five years of work experience;
- 5) to hold one of the following internationally recognized certificates for active knowledge of English Language which is not older than five years, that is, TOEFL IBT - at least 74 points, IELTS - at least 6 points, ILEC (Cambridge English: Legal) - at least B2 level, FCE (Cambridge English: First) - passed, or BULATS - at least 60 points; and
- 6) to have passed a psychological test and an integrity test.

Supervisory board authorizations

Article 380

(1) The supervisory board shall supervise the management of the company performed by the management board.

(2) The supervisory board can inspect and check the books and documents of the company, as well as the assets, in particular the treasury of the company and the securities and goods. The supervisory board can oblige certain members of the board, the authorized auditor or experts, to carry out certain expert matters of supervision.

(3) Unless otherwise determined by this Law, the authorizations related to management and conducting of the operations of the company cannot be transferred to the supervisory board. As an exception, the statute can determine that for certain activities the management board can decide only with prior approval by the supervisory board. If the supervisory board refuses to grant an approval, the management board can request an approval from the assembly by submitting an explanation in writing. The decision of the assembly granting an approval, shall be adopted by majority vote which cannot be less than two thirds of the voting stocks represented at the assembly, unless the statute determines a greater majority. The statute can determine other conditions for adoption of the decision.

(5) The supervisory board shall represent the company against the members of the management board.

Convening a meeting

Article 381

(1) The supervisory board shall hold meeting provided that it is required by the performance of the matters under its competences.

(2) Any member of the supervisory board or the management board can, by a request submitted in written form, stating the reasons and the purpose, require from the president of the supervisory board to convene a meeting of the supervisory board. The meeting shall be convened within a time period of 15 days as of the day when the request has been submitted.

(3) The supervisory board, during the year, shall mandatory convene at least four regular meetings one in every three months, provided that one of the meetings shall have to mandatory convened within a time period of one month prior to convening the annual assembly.

(4) In addition to the obligation for convening meetings, determined in paragraph (2) of this Article, the supervisory board can hold other meetings convened by the president of the supervisory board, or which are convened upon a written request by a member of the board, the authorized auditor or other person determined by the statute, the stockholders who represent at least one tenth of the voting stocks. The request shall be submitted to the president of the supervisory board. If the president does not convene the meeting after the submitted written request within the time period referred to in paragraph (1) of this Article, the members of the supervisory board can convene the meeting in the manner determined in Article 356, paragraph (3) of this Law.

Subsection 4

ASSEMBLY OF THE COMPANY

Subsection One

GENERAL PROVISIONS ON THE ASSEMBLY

Assembly

Article 382

(1) Unless otherwise determine by this Law, the stockholders shall exercise their rights in the company at the assembly.

(2) Each stockholder registered in the stockholders list shall have, from the day of the entry, the right to participate in the operations of the assembly and the right to vote, unless otherwise determined by this Law.

(3) The members of the management body and supervisory board shall participate in the operation of the assembly without having the right to vote, unless they are stockholders.

Competences of the assembly

Article 383

(1) The assembly shall decide only on issues explicitly determined by this Law or the statute, and in particular on:

- 1) amendment the statute;
- 2) approval of the annual account, financial statements and the annual report of the company's operation for the previous business year, and deciding on the distribution of the profits;
- 3) election and dismissal of the members of the board of directors and members of the supervisory board;
- 4) approval of the operation and management of the company's operation by the members of the management body and the supervisory board;
- 5) amendment of the rights attached to particular types and classes of stocks;
- 6) increasing or decreasing the company's basic capital;
- 7) issuing stocks and other securities;
- 8) appointment of the authorized auditor to audit the annual account and other financial statements, if the company is obliged to prepare them;
- 9) transformation the company into another type of company, as well as reorganization of the company; and
- 10) termination of the company.

(2) In the case where the Government of the Republic of Macedonia is the founder of the company, the assembly, in addition to the issues referred to in paragraph (1) of this Article, shall give consent to the act determining the value of the point for calculation of the salaries of the employees in the joint stock company.

(3) The assembly shall elect a chairman of the session of the assembly, minutes taker and two stockholders to verify the minutes, unless the minutes are taken by a notary. The assembly shall also elect a commission for conducting a secret vote, and other natural persons (to votes counters or others), if necessary for performing other activities necessary to enable continuous operation of the assembly in the manner and under the conditions determined by this Law and the statute.

(4) If the assembly decides on data amendment which, in accordance with Article 298 of this Law, is entered in the trade register, the minutes shall be taken by a notary.

(4) The assembly cannot decide on matters related to management of the company, that is the conducting the company's operations, which are under the competence of the management bodies, unless otherwise determined by this Law.

Annual assembly

Article 384

(1) The assembly shall be convened by the management body, no later than three months after the composition of the annual account, the financial statements and the annual report on operation of the company for the previous business year, but not later than six months after the end of the calendar year or 14 months from the last held annual assembly.

(2) The annual meeting assembly shall:

- 1) examine and adopt the annual account, financial statements and annual report on the company's operation 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 convene the annual assembly in due time, the non-executive members of the board of directors, that is the supervisory board shall immediately convene the annual assembly.

(4) If the annual assembly is not convened by the non-executive members of the board of directors, that is the supervisory board, or if it is not convened due to other reasons within the time period determined in paragraph (1) of this Article, the court can adopt a decision to convene the annual assembly upon a proposal by any stockholder.

(5) At the end of each business year, the annual assembly 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 discussion and the approval of the operation of the management body, that is the supervisory board, that is the manner of management of the company's operations, shall be related to the discussion about the annual account, financial statements and the annual report on operation of the company in the previous business year.

(7) In the annual report on the operations of the company for the previous business year, the management body shall be obliged to objectively present and explain the main factors and circumstances which had influence on determining the operations, including any changes in the environment in which the company operates, the response of the company to such changes and their impact, the investment policy for maintenance and support of the successfulness of the operations of the company, including the dividend policy, the sources of the company's assets, the policy of the long term debt in relation to the basic capital and the policy of risk management, major transactions and interested party transactions with data regarding the amount of the transactions conducted on the basis of the deal with the interested party, name, surname and address of the interested party, if it is a natural person, or name and head office if the interested party is a legal entity, as well as the assets of the company the value of which is not covered in the balance sheet according to the international financial notification standards, the tendencies of the future development of the company and its business venture, activities in the field of research and development, as well as information in relation with acquisition of own shares or stocks, depending on the relevant circumstances. The annual report of the company shall disclose the earnings of each executive member of the board of directors and member of the management board (salary, salary allowances, bonuses, insurance and other rights), that is the compensation of the non-executive members of the board of directors and members of the supervisory board. Detailed data on the earnings from other companies (salary, salary allowances, membership compensations, bonus, insurances and other rights) for the executive members of the board of directors, the members of the management board, the non-executive members of the board of directors, and the members of the supervisory board, provided that they are members in management bodies of other companies, shall be mandatorily published in the annual report of the company. Detailed data on employment (name of the employer, business activity, amount of the salary, salary allowances, bonus, insurances and other rights) for the executive members of the board of directors, the members of the

management board, the non-executive members of the board of directors, and the members of the supervisory board, provided that they are employed by other employers, shall be mandatorily published in the annual report of the company.

(8) If the annual assembly does not approve the operation of the management body, that is the supervisory board, or of any of the members of these bodies, the assembly can decide, at the same session, to elect all the members of the management body, that is the supervisory board, or new members in these bodies in the place of those whose work was not approved by the assembly. The assembly can decide for the members of the management body, that is the supervisory board, whose work was approved, to continue performing the urgent matters in the company until the election of the full composition of these bodies, which is done on a continued session held within a time period not less than 8 days, but not more than 15 days from the day of publication the date of continuation of the session of the assembly. The day of convening the continuation of the session shall be published in a daily newspaper.

(9) The decision on approval of the operation of all the members of the management body, that is the supervisory board shall not exclude the right to request damage compensation.

(10) Unless otherwise determined by this Law, the provisions of this Law regulating the assembly shall also apply to the annual assembly.

Sub-section Two

CONVENING AND HOLDING AN ASSEMBLY

Convening an assembly

Article 385

(1) An assembly, can be convened within the time period between two annual assemblies when the interest of the company and the stockholders require so.

(2) The management body, the supervisory board, that is the non-executive members of the board of directors can, with majority votes of its members, when it is anticipated by this Law, upon their own initiative or upon a request of any stockholder, adopt a decision for convening the assembly.

(3) The request for convening the assembly can be submitted by stockholders holding at least one tenth of all voting shares. In the request submitted in writing, the shareholders requesting the convening of the assembly shall have to state the purpose and reasons for convening the assembly, their name and surname, place of residence and PIN, that is the business name, head office, and PINE if the stockholder is a legal entity. Together with the request the stockholders shall enclose an excerpt from the stockholders book, issued by the Central Securities Depository, stating the number of voting stocks they own in the company.

(4) The request shall be submitted to the management body, at the company's head office. The request can be contained in a single document, or it can consist of two or more documents signed by the stockholders holding at least one tenth of the total number of voting stocks.

(5) The management body, shall, within a time period of eight days as of the day of acceptance of the request of the stockholders for convening the assembly, adopt a decision to accept or refuse the request. The decision for refusal of the request shall state the reasons for the refusal.

(6) If the management body, that is the supervisory board, upon the request of the stockholders having majority of all voting stocks, does not call the assembly within a time period of 24 hours from the day of submission of the request, the shareholders can submit a proposal for convening the assembly to the court.

Convening an assembly on a basis of a court decision

Article 386

(1) If the management body, the supervisory board, that is the non-executive members of the board of directors fail to adopt a decision within the time period referred to in paragraphs (5) and (6) of Article 385, or reject the request for convening a meeting, the court can upon a proposal adopt a decision for convening the assembly.

(2) The court shall, within a time period of 8 days from the day of submission of the proposal referred to in paragraph (1) of this Article, adopt a decision for convening the assembly, if the conditions, the manner and the procedure for convening the assembly determined by this Law are met and if the issues proposed for the agenda of the meeting are within the competence of the assembly as determined by this Law or the statute.

(3) In the decision for convening the assembly referred to in paragraph (2) of this Article, the court shall order the convening the assembly and undertaking other activities necessary to accomplish the purposes for which the assembly is convened, including the appointment of a natural person who shall convene the assembly. The person determined by the court shall specify the time and place of the holding the assembly, the date for recording of the stockholders entitled to vote, and shall submit a request to the joint stock company listed on the stock exchange, that is the company which in accordance with the Law on Securities has special notification obligation for publication of the convening of the assembly of the official web page of the company and the official web page of the stock exchange wherein the company's stocks are listed, as well as other necessary activities for the purpose of successful convening and holding of the session of the company's assembly. The joint stock and the stock exchange shall be obliged without delay and in timely manner to met the necessary requirements sent to them by the person convening the assembly in accordance with the provisions of this Law for convening of a session of the assembly and its publication of the internet. The person responsible for undertaking activities for convening an assembly can use the services of a lawyer.

(4) The assembly whose convening is imposed by a decision referred to in paragraph (2) of this Article, shall be convened within a time period of eight days as of the day of delivery of the adopted decision of the court, imposing the convening of the assembly, to the person determined by the court to convene the assembly.

(5) The costs for holding the assembly, as well as the court expenses and the lawyer costs referred to in paragraph (3) of this Article, provided that the company accepts the request, shall be borne by the person who made the proposal.

Invitation and public announcement for convening an assembly

Article 387

(1) The assembly can be convened by an invitation or with a publication of a public announcement, or with invitation and publication of a public announcement to the stockholders.

(2) The assembly shall be convened by sending invitations to all stockholders whose stock give them the right to participate in the operation of the assembly that is being convened. The invitation shall be sent according to the excerpt from the stockholders book, which is not older than three days as of the day to sending of the invitation.

(3) The public announcement regarding the convening of the assembly shall be published on a half spread in at least one daily newspaper, printed on the territory of the Republic of Macedonia. The company whose stock are listed on the stock exchange and the company which in accordance with the Law on Securities has special notification obligation shall have to also publish the content of the public announcement on the front page of their official web page, and when their stocks are listed on the stock exchange to also submit it for publication on the internet page of the stock exchange.

(4) The sending of 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 stockholder.

(5) The period that starts to run as of the day of publication of the public announcement, that is the day of sending the invitation for participation at the assembly, until the day when the assembly is to be convened, cannot be shorter than 30 days as to the day of holding the assembly.

(6) The management body shall determine the day (recording date) that shall be used for sending the invitations according to the excerpt from the stockholders book, which cannot be longer than three days .

(7) Provided that the company has an established or uses an electronic system that shall enable each stockholder to vote electronically, the assembly can adopt a decision for convening a session of the assembly which is not a regular annual assembly in one of the manners prescribed in paragraph (1) of this Article in a time period which cannot be later than the fourteenth day prior to the day of convening the session of the assembly. The decision for convening a session of the assembly, shall be adopted by the company's assembly with majority of the votes which cannot be less than two thirds of the stocks having voting right presented at the assembly, and the time period of its validity cannot be later than the holding of the following first annual assembly of the company.

(8) If the session of the assembly convened in the manner as prescribed in paragraph (7) of this Article is not held due to lack of quorum, in a time period not longer than 15 days as of the day when the duly convened session of the assembly, a new date for convening the assembly shall be scheduled (postponed session of the assembly). The convening of the postponed session of the assembly, as well as each subsequent convening can be in a time period different than the time period determined in paragraph (7) of Article, provided that a new point has not been put on the agenda and that at least ten days have passed since the date of the

last convening and the date when the session of the assembly was to be held.

(9) The costs for publication of the public announcement, that is sending the invitations for the purpose of convening the session of the company, shall be borne by the company.

Content of the invitation, that is the public announcement

Article 388

(1) The invitation, that is the public announcement for the purpose of convening the assembly shall contain the following data:

- 1) the business name and head office of the company;
- 2) the location and the date of convening the assembly;
- 3) other procedure formalities prescribed by the statute, being of importance for the attendance at the assembly and the voting manner;
- 4) the agenda of the meeting; and
- 5) the manner in which the materials prepared for the convened assembly shall be made available.

(2) The statute can determine additional data that shall have to be contained in the invitation, that is the public announcement, being of importance for the exercise of the rights of the stockholders in relation with convening and holding the meeting.

(3) The materials shall have to be made available to the stockholders on the day of sending the invitations, that is the publication of the public announcement.

Content of the invitation, that is the public announcement of the company whose stocks are listed on the stock exchange, that is the company which in accordance with the Law on Securities has special notification obligations

Article 388-a

(1) In the public announcement, that is the invitation for holding a session of the assembly of a company whose stocks are listed on the stock exchange, that is a session of an assembly of a company which in accordance with the Law on Securities has special notification obligation the date and the hour of holding the meeting shall be indicated, the location of holding the session shall be stated and the proposed agenda of the session of the assembly shall be attached.

(2) The public announcement, that is the invitation for holding a session of the assembly of the company's referred to in paragraph (1) of this Article shall contain a description of the procedures in accordance with which the stockholders participate and vote at the session of the assembly, and in particular for how:

- 1) the stockholders can include points in the agenda of the assembly and propose decisions with an information how can this be done following the delivery of the invitation, that is following the publication of the announcement, how can the stockholders raise questions to the company regarding the points of the agenda of the session of the assembly and information regarding the time period they can do so. As an exception, the

public announcement, that is the invitation can contain only the last time periods up to which the points on the agenda can be proposed, that is propose decision in the invitation, that is the public announcement shall have to contain the official web page of the company with a note that detail information regarding the manner of proposing points of the agenda, raising question and proposing decision by the stockholders can be found therein.

2) the procedure for voting via representative is conducted, how the voting form shall be made available through a representative of the stockholders when the company has prepared such forms and information on how the company is ready to accepts the electronic notifications by the stockholders for the given authorization of the representatives, and

3) how the procedure for voting via correspondence or electronically when the company enables such voting shall be conducted.

(3) The public announcement, that is the invitation for holding the session of the assembly if the company referred to in paragraph (1) of this Article shall have to contain the address of the official internet page of the company wherein the information referred to in Article 388-b of this Law shall be available.

Information that need to be published on the web page of the company whose stocks are listed on the stock exchange, that is the company who in accordance with the Law on Securities has special notification obligation for the time of convening the session of the company's assembly

Article 388-b

(1) In the time period which cannot commence no later than the twenty first day prior to holding the company's assembly, as well as the day of holding the company's assembly, the company whose stocks are listed on the stock exchange, that is the company which in accordance with the Law on Securities has special notification obligation on its web page to publish the following information:

1) the content of the public announcement, that is the invitation for convening a session of the company's assembly

2) the total number of stocks and the total number of voting rights arising from the stocks with voting rights on the day of publication of the public announcement, that is the day of sending the invitation, including the total number of each type and class;

3) documents and materials that are to be reviewed on the session of the company's assembly;

4) proposed decision that are to be adopted or when such decisions are not proposed, opinions from an authorized body or a company's body on each point from the proposed agenda of the session of the company's assembly;

5) proposed decisions of the stockholders of the company that need to be published by the company immediately upon their receiving, and

6) the forms for voting via representative or the forms for voting via correspondence prepared for electronic take over by the stockholders. In case the company does not make available the forms for electronic take over on the its web page, than the company shall on the same page publish can be received in written form and on personal expanse, and upon a request of the stockholders shall deliver the forms.

(2) In case a session of the company's assembly is being convened on the bases of Article 387 paragraph (7) of this Law, and the public announcement is published, that is the invitation is sent later than the twenty first day prior to day of holding the session, the time period referred to in paragraph(1) of this Article shall be determined in accordance with Article 387 paragraph (7) of this Law.

Manner of notification, delivery and reception of materials and other information

Article 389

(1) When it is determined by this Law and the statute to notify, that is deliver materials and other information from the company to the stockholders and to the company, it shall have to be carried out via registered mail, telegram, fax, e-mail or daily newspaper.

(2) The notification, that is the delivery of materials and other information as referred to in paragraph (1) of this Article, from the company to the stockholders, shall be considered completed, if:

- 1) it is sent via registered mail or telegram via mail, at the place of residence reported by the stockholder in the Central Securities Depository; or
- 2) it is sent by fax, e-mail, or electronic address reported by the shareholder; or
- 3) it is published in a daily newspaper.

(3) The notification, that is the delivery of materials and other information referred to in paragraph (1) of this Article, from the company to the stockholders, shall be considered as received:

- 1) if it has arrived at the place of residence of the stockholder and recorded in of the stockholders book;
- 2) if it has been personally available, that is accepted by an authorized person of the company, a member of the management body, that is a stockholder who is a natural person;
- 3) if it has been received electronically, which allows to confirm the sending and the receipt; and
- 4) as of the day 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, that is telegram.

(4) The notification, that is the delivery of materials and other information from the stockholder to the company shall be considered received when:

- 1) it has arrived at the registered office of the company entered in the trade register;
- 2) it has been received personally by an authorized person of the company, that is a member of the management body;
- 3) it has been received electronically, which allows to confirm the sending and the receipt; or
- 4) as of the day 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, that is telegram.

Agenda and inclusion of new points on the agenda

Article 390

(1) The assembly can only decide on issues duly included in the agenda.

(2) The assembly also discuss, without the right to decide upon issues that are not duly included in the agenda.

(3) Any stockholder shall have the right at any time to submit initiative for inclusion of points on the agenda of the assembly that is to be convened.

(4) The stockholders that individually or jointly own at least 5% of the total number of the voting stocks can request amendment of the agenda by adding new points provided that they simultaneously provided an explanation for the proposed point that is to be added on the agenda or if they propose a decision upon a proposed point. The proposal for adding points on the agenda can be enabled by the company by using electronic means.

(5) The stockholders that individually or jointly own at least 5% of the total number of the voting stocks can request in writing to propose adoption of a decision on each of the points included or to be included in the agenda of the session of the company's assembly. The decision proposal can be enabled by the company by using electronic means.

(6) The request for including one or more points on the agenda for the assembly that is being convened and/or the proposal for decision adoption shall be sent to management body of the company, that is the person who is convening the assembly appointed by the court in accordance with this Law, within a time period of eight days from the day when the invitation was sent, that is the day of publication of the public announcement for convening a session of the company's assembly.

(7) The request for including one or more points on the agenda of the assembly that is convened cannot be refused, except in the following cases:

- 1) if the stockholder, that is stockholders have missed the time period referred to in paragraph (6) of this Article,
- 2) if the stockholder, that is stockholders do not own sufficient number of voting stocks in the company, in accordance with paragraph (4) of this Article;
- 3) if the proposal does not fulfill other conditions anticipated by this Law, and
- 4) if the point, that is points requested to be included in the agenda of the assembly are not under the competence of the assembly or are not in accordance with the Law and the statute.

(8) If the request referred to in paragraph (6) of this Article is not put on the agenda, except in the cases referred to in paragraph (7) of this Article, the final decision upon the request shall be adopted by the assembly when adopting the agenda.

(9) The body that convened the assembly, that is the person determined by the court to convene the assembly, shall send the request for including one or more points to the agenda of the convened assembly to all stockholders, that is shall publish it in the same manner in which the invitations were sent, that is in which the public announcement for participation at the convened assembly was announced, no later than eight days prior to convening the meeting.

(10) Where the exercise of the right of stockholders referred to in paragraphs (4) and (5) of this Article entails amendment of the agenda of the session of the assembly, already submitted / published to the stockholders, the company shall make available the revised agenda the same way as the previous agenda prior to day of convening the session of the company's assembly. The revised agenda shall be considered duly

available if the stockholders can in timely manner authorize representatives or vote via correspondence.

Registration and recording of participation at an assembly

Article 391

(1) Each stockholder that intends to participate at the convened assembly shall be obliged to register his/her participation at the assembly (registration for participation at the assembly), before the beginning of session of the scheduled assembly, at the latest.. The list of registered stockholders shall be prepared by the management body, that is the person authorized to convene the assembly.

(2) The list of registered stockholders referred to in paragraph (1) of this Article shall be made available for inspection at the head office of the company.

(3) Prior the beginning of the assembly, the management body, that is the person authorized to convene the assembly shall compare the list of registered stockholders in accordance with the stockholders book, obtained from the Central Securities Depository, 48 hours prior to holding the session of the assembly.

(4) Prior to the beginning of holding the assembly, the list referred to in paragraph (3) of this Article shall be signed by each present stockholder, that is his/her representative, by which he/she verifies his/her presence at the assembly(verified participant at the assembly). The signed list shall be verified by the signatures of the Chairman of the assembly and the minutes taker. After the verification of the list, the Chairman of the assembly shall confirm the quorum for work.

(5) All participants at the assembly shall have access to the verified list referred to in paragraph (4) of this Article, prior to the first voting. Each verified participant at the assembly can request a copy of the signed list at his/her own expense, which cannot be greater than the actual cost.

Participation of stockholders on a session of an assembly by electronic mean at a company whose stocks are listed on the stock exchange, that is the company which in accordance with the Law on Securities has special notification obligations

Article 391-a

(1) The company whose stocks are listed on the stock exchange and the company which in accordance with the Law on Securities has special notification obligations can enable the stockholders to participate on a session of the assembly by using at least one of the following electronic means:

- 1) direct transmission of the assembly;
- 2) two-way audio and video communication in live, enabling the stockholders to address the assembly from any remote location, and
- 3) electronic means for voting, before or during the assembly without the need to authorize a representative who would attend the session.

(2) The companies referred to in paragraph (1) of this Article which allow the stockholders to participate in the session of the company's assembly in the manner as prescribed in paragraph (1) of this Article shall need to have established a system of electronic registration and recording of the stockholders for the purpose of their identification and preservation of electronic security during the participation of the stockholders at an assembly in some of the manners prescribed in paragraph (1) of this Article and shall not require the stockholders to submit documents verified by a notary or verified by another domestic or foreign authorized authority.

(3) The companies referred to in paragraph (1) of this Article shall be obliged at their own expense to provide certified court translator from Macedonian to English and from English into Macedonian, at session of an assembly when participation of a stockholder not being a Macedonian citizen have been announced.

Right to raise questions

Article 391-b

(1) Each stockholder shall have the right to raise questions on each of the points on the agenda of the session of the company's assembly.

(2) The company through its authorized body or a representative shall be obliged to respond to questions raised by the stockholders.

(3) The right to raise questions from the stockholders and the obligation of the company to answer the raised questions can be pre-conditioned by the need to verify the personal identity of the stockholders raising the questions, maintain the order in chairing and operation of the assembly, or to undertake actions in order to preserve the confidentiality of the work and the business interests of the company.

(4) The company can give a collective response to questions with the same content.

(5) The questions raised by the stockholders shall be considered to be answered if the answers are available on the web page of the company in the form of questions and answers.

(6) The company whose stocks are listed on the stock exchange and the company which in accordance with the Law on Securities has special notification obligation shall be obliged to answer the raised questions of the session of the company's assembly to publish on its web page in the format of a question and an answer .

Article 392

Attorney in fact of a stockholder at an assembly

(1) A stockholder can with a letter of attorney authorize other natural person or a legal entity as his/her attorney in fact on a session of the company's assembly (hereinafter: attorney in fact), who shall participate and vote at the assembly's session in his/her behalf. The attorney in fact shall enjoy the same rights as the stockholder who authorized him/her with a letter of attorney, including the right to speak, to hold a discussion and to raise question at the session of the company's assembly.

(2) The stockholder shall have to inform the joint stock company in writing regarding the appointment of a personal attorney in fact at a session of the company's assembly.

(3) Where the letter of attorney contains no restrictions or instructions for voting, the attorney in fact can vote in accordance with his/her personal belief, but always taking into account the interests of the stockholder who has given him/her the letter of attorney.

(4) Unless otherwise prescribed by Law, the authorization of a attorney in fact on a session of the company's assembly shall be given in written form, verified by a notary.

(5) In a company whose stocks are listed on the stock exchange, that is the company which in accordance with the Law on Securities has special notification obligation shall provide a letter of attorney to an attorney in fact on a session of the company's assembly shall be given in the manner as prescribed in Articles 392-b and 392-c of this law.

(6) The validity of the letter of attorney can be up until its revocation, but not longer than two years as of the day it has been given.

(7) The attorney in fact can be given a letter of attorney from one or more stockholders and the number of person that can authorize the same person as an attorney in fact shall be indefinite.

(8) The attorney in fact has to keep a record of the received instructions regarding the manner of voting provided that there were such and keep them at least one year from the day of holding the session of the company's assembly wherein he/she participated and voted, and to verify that he/she conducted the instructions he/she received provided it is required by the company or the stockholder who gave him/her the letter of attorney.

(9) When the attorney in fact is empowered by several stockholders, he/she can act and vote for a certain stockholder differently than for the other stockholder.

(10) The proxy can be canceled unilaterally, without stating the reasons, by the stockholder or the attorney in fact by submitting a written notification to the other party. If the stockholder personally registers his/her presence at the session of the assembly with all stocks he/she possess and if he/she declares that he/she shall personally discuss, decide and vote with all stocks he/she possess, it shall be considered that the letter of attorney of the attorney in fact for that session of the assembly has been canceled and the stockholder can personally exercise his/her voting right without restrictions.

Conflict of interest of the attorney in fact

Article 392-a

(1) The company cannot restrict people to be attorney in fact at an assembly, except when a conflict of interest in terms of paragraph (2) of this Article exists.

(2) A state of conflict of interest exists when there is a risk the person to have an interest other than the interest of the stockholder from whom he/she received the authorization to be his/her attorney in fact, and particularly in cases when the person is:

- 1) a member of the management body, that is a member of the supervisory body of the company, including members of his/her close family;
- 2) managerial person in the company or a member of his/her closes family;
- 3) a member of the management body, that is the supervisory, employee or auditor of related or dependent companies with the company, including members of his/her close family;
- 4) representative by law or other authorized natural person from the company or other legal entity that is owned by the company, and
- 5) employee or authorized auditor of the company.

(3) In case when there is conflict of interest in terms of the provisions referred to in paragraph (2) of this Article, the person cannot be a attorney in fact.

(4) As an exception to paragraph (3) of this Article, authorized person who have conflict of interest in terms of paragraph (2) of this Article, can be attorneys in fact of a company whose stocks are listed on the stock exchange and the company which in accordance with the Law on Securities has special notification obligation, provided that they:

- 1) have previously disclosed to stockholders that they have a conflict of interest, and
- 2) they have received specific voting instructions in writing from the stockholders who have authorized them as their attorneys in fact for each proposed decision to vote on the points of the agenda of the session of the assembly for which the letter of attorney is valid.

(5) As an exception to paragraph (3) of this Article, legal entities can by a letter of attorney authorize a a person who is a member of their management body or is employed therein, to participate and vote at the session of the assembly.

(6) Anyone can notify the company referred to in paragraph (4) of this Article for the existence of a conflict of interest for any person who has received letter of attorney from a stockholder. The management body or the supervisory board of the company after receiving the information about the existence of a conflict of interest with a person shall have to mandatorily check that information and require from the person wherefore the company has been notified that there is conflict of interest to disclose all information regarding the possible existence of such condition.

(7) The company referred to in paragraph (4) of this Article shall without delay on its web page publish the identity and the reasons for the existence of a conflict of interest among the attorneys in fact.

(8) The letter of attorney given in accordance with paragraph (4) of this Article, to the person with whom there is a conflict of interest in accordance with paragraph (2) of this Article shall be valid from the day when the identity of the person has been published with the reason for the existence of a conflict of interest on the web page of the company.

(9) The actions carried out by attorneys in fact for which there was a conflict of interest, but it has not been previously disclosed to the stockholders of which they have been authorized as attorneys in fact, as well as the company shall be considered for persons who have been given letter of attorney.

Authorizing attorneys in fact in writing with the company whose stocks are listed on the stock exchange and the company which in accordance with the Law on Securities has special notification obligations

Article 392-b

(1) The stockholders can authorize an attorney in fact on a session of the company's assembly by giving a letter of attorney in writing without an obligation to certify the letter of attorney with a notary of the company whose stock are listed on the stock exchange and the company which in accordance with the Law on Securities has special notification obligations. The stockholders shall have to immediately notify the company for any letter of attorney given in writing. A stockholder who fails to notify the company regarding the given letter of attorney shall be considered not to have given the letter of attorney.

(2) If the company referred to in paragraph (1) of this Article has a determined form for providing a letter of attorney in writing, then the form shall have to be sent at the expense of the company personally to each stockholder or made available for download from the web page of the company so that the stockholders can take it electronically in order to print it out, fill it in and sign it thereon. When a stockholder of any technical reason cannot take the form providing a letter of attorney from the web page of the company or if it has been personally sent by mail, and it has not been received, he/she can use other forms for providing a letter of attorney in writing.

(3) The company referred to in paragraph (1) of this Article shall be obliged to accept a letter of attorney given in writing if it has been informed in writing by the stockholder who is providing the letter of attorney. The company can require a determination of the personal identity of the stockholder as a requirement for accepting the letter of attorney, but it cannot require for the letter of the attorney to be certified by a notary or verified by a domestic or foreign competent body as a requirement for accepting the letter of attorney, that is the voting instructions.

(4) The provisions of this Article shall apply to the cancellation of the letter of attorney in writing.

Authorizing attorneys in fact electronically for the company whose stocks are listed on the stock exchange and the company which in accordance with the Law on Securities has special notification obligations

Article 392-c

(1) The stockholders of the company whose stocks are listed on the stock exchange and the company to securities which in accordance with the Law on Securities has special notification obligations can authorize attorneys in fact and /or give them instructions for voting using electronic means.

(2) The companies referred to in paragraph (1) of this Article shall be obliged to provide use of an electronic system through which the stockholders shall be able to register, authorize their attorneys in fact and they give instructions for voting at the session of the company's assembly.

(3) The provisions of this Article shall apply to the cancellation of the letter of attorney in an electronic manner.

Quorum of the assembly's operation

Article 393

(1) Unless the statute determines a greater majority, the assembly can operate (operation quorum), if verified participants holding at least majority of the total number of the voting stocks are present at the session.

(2) If the quorum referred to in paragraph (1) of this Article is not reached, the assembly cannot commence its operation. In a time period no longer than 15 days as of the day when the assembly at which there was no quorum for work has been scheduled, a new term for convening the assembly shall be scheduled (rescheduled assembly), which is to be convened in this term. The new term of the rescheduled assembly shall be published in the same manner as the publication of the convening of the assembly which did not have the operation quorum.

(3) The participation at the rescheduled assembly shall not be re-reported. Prior to commencing the operation of the rescheduled assembly, each attendee shall sign the list to verify his/her presence at the rescheduled assembly. The signed list shall be certified by the signature of the chairman of the assembly and the minutes taker. Following the verification of the list, the chairman of the assembly shall confirm the presence of the registered stockholders, that is their attorneys in fact, that is the operation quorum of the assembly.

(4) Any verified participant at the rescheduled assembly can request a copy of the signed list at his/her own expense.

(5) The rescheduled assembly can only adopt decisions related to issues included in the agenda for the first convening of the assembly regardless of the number of stockholders attending and the number of stocks they hold. The rescheduled assembly cannot decide on issues that, according to this Law, require greater majority than the quorum referred to in paragraph (1) of this Article.

Majority needed for decision adoption at the assembly

Article 394

The decisions of the assembly shall be adopted with majority of the voting stocks represented at the assembly, unless this Law and the statute determine a greater majority or prescribes other conditions in relation to the majority for adopting decisions of the assembly.

Conducting an assembly

Article 395

(1) The chairman shall preside with the session of the assembly (hereinafter: assembly's chairman). The assembly's chairman shall determine the course of the operation and shall maintain the order of the assembly's session, and can determine rules for conducting the assembly's session.

- (2) The assembly's chairman shall be elected for each assembly.
- (3) The term of office of the chairman shall continue until the election of the chairman of the next assembly that is to be convened.
- (4) Any stockholder or shareholder's attorney in fact can be elected as a chairman. A member of the management body or a member of the supervisory board cannot be elected as a chairman.

Continuation of an adjourned assembly's session

Article 396

- (1) If the assembly's session which has already started is adjourned, the stockholders present at the assembly can decide for the assembly to continue its operation at a time and place determined by the majority votes of the operation quorum of the assembly, unless the statute requires a greater majority (continuation of the adjourned session of the assembly). The adjournment cannot be postponed for more than 8 days as from the day of adjournment.
- (2) If the assembly's session that has started to operate is adjourned, and the assembly did not adopt a decision for continuation of its work in accordance with paragraph (1) of this Article, the chairman of the assembly shall determine the time and place for continuation of the adjourned session, unless otherwise determined in the statute.
- (3) The participation at the continuation of the adjourned session of the assembly shall not be re-registered. The stockholder who has not registered his/her presence at the session of the assembly that was adjourned shall be entitled to register his/her presence before the commencement of the continuation of the session, according to the condition in the stockholders book. At the beginning of the operation of the continuation of the adjourned session, the list of registered stockholders or shareholders' attorneys in fact shall be signed by each attendee, by which he/she verifies his/her presence at the continuation of the adjourned session of the assembly. The signed list shall be verified by the signatures of the chairman of assembly and the minutes taker. Following the verification of the list, the chairman of the assembly shall confirm the operation quorum at the continuation of the adjourned session of the assembly.
- (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 assembly, prior to the first voting. Each verified participant at the assembly can request a copy of the signed list at his/her own expense.
- (5) If there is no operation quorum at the continued session, or if it is not convened within the period referred to in paragraph (1) of this Article, a new assembly shall be scheduled according to the conditions, manner and procedure determined by this Law and the statute.
- (6) The decisions adopted at the assembly which was adjourned after it started to operate, shall be deemed valid, regardless of whether it shall continue its work. At the continued session, the assembly shall discuss and decide only upon the issues that were not discussed and decided upon.

Conditions for exercising the voting right

Article 397

(1) The voting right shall be acquired upon full payment of the monetary contribution, that is full entering of a non-monetary contribution.

(2) As an exception from paragraph (1) of this Article, the statute can determined the voting right to be acquired when the minimum amount of the contribution as determined by this Law or the statute is paid. The right to one vote shall be acquired for the stock for which the minimum amount of the contribution determined by this Law and the statute is paid. For the larger contributions, the proportion of the acquired rights shall be determined in proportion to the amount of what has been paid. In such cases, the parts of the votes shall be grouped only to create full votes.

(3) If the statute does not determine that the voting right is acquired before the full payment of the contribution, and no stock has been fully paid, the voting right shall be determined in proportion to the amount of the paid contributions. The payment of the minimum amount of the contribution shall provide the right to one vote. In these cases, the fractions of the votes shall be taken into consideration only if the stockholder having the voting right is provided with full votes.

(4) The provisions in the statute referred to in paragraphs (1), (2), and (3) of this Article applying only to particular stockholders or to particular types of stocks, shall be null and void.

Exercise of the voting right in certain cases

Article 398

(1) The stockholder shall not lose the voting right by pledging his/her stocks.

(2) The voting right of stocks owned by a juvenile or another person having no capacity to contract, shall be exercised by his/her legal representative, that is a guardian, either in person or by an attorney in fact, determined with a written letter of attorney verified by a notary.

(3) The voting right of stocks owned by a deceased person, until the completion of the inheritance procedure, shall be exercised by the joint representative appointed by the inheritors of the deceased person, by a written letter of attorney verified by a notary.

(4) The voting right of stock held by a company under liquidation or bankruptcy in another legal entity, shall be exercised by the liquidator, that is the bankruptcy administrator, or by an attorney in fact determined by the company with a written letter of attorney verified by a notary.

Restrictions on the exercise of the voting right

Article 399

(1) Unless otherwise determined, a stockholder cannot vote at the assembly for a decision which personally exempts him/her from an obligation, a claim that the company has towards him/her, or a liability, or when a certain advantage or privilege on behalf of the company is granted to him/her, that is when it is voted on a decision to initiate court or other procedure against him/her. In such cases, the stockholder cannot exercise his/her voting right neither personally nor through an attorney in fact.

(2) The provisions in the statute contrary to paragraph (1) of this Article shall be null and void.

(3) If the stockholder acts contrary to paragraph (1) of this Article, he/she shall be liable for damages suffered by the company, unless he/she proves that the majority vote would have been reached even without his/her vote.

(4) A contract obliging the stockholder to exercise the voting right according to the directions of the management body or the supervisory board shall be null and void. A contract obliging the stockholder to vote for each proposal of the management body or the supervisory board shall also be null and void.

Manner of voting at the assembly

Article 400

(1) Unless otherwise determined by the Law and the statute, and if the assembly itself has not determined a special manner of voting or secret voting, the manner of voting shall be determined by the chairman of the assembly. At least one person who shall count the votes shall be elected by the assembly.

(2) The voting shall be secret for the election of a member of the management body, that is a member of a supervisory board or dismissal of the members of these bodies, unless it is determined by the statute for the voting to be public.

(3) If the statute determines for the stockholder to vote publicly, upon a request of one or more stockholders holding at least one tenth of the total number of voting stocks, the voting shall be secret.

(4) The statute can determine the manners for the stockholders to vote on the convened assembly by telephone or by other appropriate electronic means being part of the public communications network, and which shall enable, in a secure manner, to verify the identity of each stockholder, the voting right, the manner of establishing the communication link between the company and the stockholders in a way that the voting is accessible to each stockholder and the conducted voting can be recorded with certainty. The stockholder voting via phone or other electronic means shall be considered present at the assembly and shall be included in the work quorum and decision adoption at the assembly.

(5) If the identity of each stockholder cannot be determined with certainty, the manner of establishing communication network between the company and the stockholder and if the voting is not accessible to each stockholder and the quorum and the conducted vote cannot be recorded with certainty, the vote shall be null and void.

Voting via correspondence

Article 400-a

(1) The company can enable the stockholders to vote via correspondence before the day of holding the assembly.

(2) Prior to enabling the stockholders to vote via correspondence, the company can require from them to confirm their personal identity by submitting original personal identification document or a copy from the

original chosen by the stockholder without an obligation to be verified by a notary or confirmed by a domestic or foreign competent body. The company that has an established system of internal recording and registration of the stockholders being available to all, can be used as a means for identification of the stockholders.

(3) The voting via correspondence conducted contrary to the provisions referred to in paragraph (2) of this Article shall be null and void.

Removal of certain obstacles for the purpose of effective realization of the voting rights

Article 400-b

(1) Natural person or a legal entity being a stockholder in accordance with the provisions of this Law can undertake actions during the performance of his/her activity on behalf on another natural person or a legal entity (hereinafter: client). The person undertaking activities on behalf of one or more clients, shall reveal to the company the identity of each client and the number of the stocks whose voting right he/she realizes on behalf of his/her client, as well as the content of the authorizations and the voting instructions, provided that the client gave them thereon. The company cannot require notary verification or a certificate by a domestic or foreign body of the documents by which the revealing is to occur.

(2) The provisions referred to in paragraph (1) of this Article shall apply to banks, brokerage firms and other natural persons and legal entities which in accordance with law can be account holders of securities and provide services of storage of securities and management of the securities portfolios, provided that a client has entrusted them with the management and disposal of his/her securities and the exercise of the rights of those securities.

(3) The person referred to in paragraph (1) of this Article can on behalf of the same client vote differently for one voting stocks from other voting stocks.

Manner of conducting secret voting

Article 401

(1) Unless otherwise determined by the statute, the secret voting shall be conducted by a Commission for conducting secret voting, elected with a decision of the assembly. The Commission has to be composed of at least three members from among the stockholders. A stockholder, that is other person who is a member of the management body of the company, that is the supervisory board, or a Chairman of the assembly at which the secret voting takes place cannot be appointed as a member of the Commission. The Commission for conducting secret voting shall work impartially and fairly.

(2) The Commission shall determine the content of the ballot papers, take care of multiplications of the ballot papers, enumerate the ballot papers, count the votes and submit written report on the conducted secret voting, determining the number of ballot papers used for secret voting, number of unused ballot papers, and shall determine the results from the voting. The report of the conducted secret voting shall be signed by all members of the Commission.

(3) The ballot paper shall have to contain the names and surnames of all candidates to be elected by secret voting.

(4) When secret voting is conducted, the ballot papers 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.

(5) The ballot papers (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 assemblies.

Determining the voting results

Article 401-a

(1) The company shall be obliged for each decision being voted for at a session of the company's assembly to determine the total number of stocks for which valid votes have been given, the total number of valid votes and the part of the basic capital they represent, and the number of votes given "for", "against" or "abstaining" for each decision subject to voting at the assembly.

(2) As an exception to paragraph (1) of this Article, if none of the stockholders puts a comment to the voting, that is require a full report regarding the voting results, the company can determine the voting results up to a degree necessary for the purpose of presenting that the necessary majority for each decision has been reached.

(3) Within a time period of 15 days as of the day of holding the session of the assembly, the company whose stocks are listed on the stock exchange, that is the company which in accordance with the Law on Securities has special notification obligations shall be obliged on its web page to publish the voting results in the manner as prescribed in paragraph (1) of this Article.

Entry into force of the decisions of the assembly

Article 402

The decisions of the assembly shall enter into force on the day of their adoption, unless the decision determined another date of entry into force.

Special assembly and separate voting

Article 403

(1) When by a decision of the assembly, that is by a decision for amending the statute any right arising from a certain type of stocks is changed, that is restricted, such decision shall be considered valid if the stockholders representing the relevant type of stocks gave consent by adopting a decision for consent, with the majority determined in this Law and the statute.

(2) The stockholders referred to in paragraph (1) of this Article shall adopt the decision for consent at a separate session (special assembly) or at the same assembly with other stockholders, but with a separate voting (separate voting), unless otherwise determined by Law. The provisions of this Law referring to decision adoption at the assembly shall also apply to

convening a separate session of special assembly, participation at the session, right of notification, as well as the adoption of separate decisions. The stockholders holding at least one tenth of the total number of stocks who can participate in the voting for adoption of a decision for consent, can request calling of a special assembly or separate voting.

Rights arising from priority stocks without a voting right

Article 404

If the amount which is to be paid from the dividend for the priority stocks without a voting right has not been paid or paid in full for one year, and if it is not paid additionally in the subsequent year, in addition to the full amount of the dividend for that year, the priority stocks without a voting right shall have a voting right until such amounts are paid. In such case, the priority shares stocks also participate in determining the quorum for work and decision adoption, in the same way as the voting stocks.

Decision abolishing the priority right

Article 405

(1) Consent by the owners of the priority stocks shall be required for a decision that abolishes the priority right.

(2) Consent by the owners of the priority stocks shall be required for the issuance of priority stocks that have priority in the course of distribution of the profit or when making payment of part of the remaining from the liquidation, that is the bankruptcy assets of the company.

(3) The owners of the priority stocks shall give their consent by a separate decision. The decision shall be adopted by a majority vote which cannot be less than two thirds of the priority stock represented, unless the statute determines a greater majority. Additional conditions for adoption of the decision can be determined by the statute.

(4) Provided that the priority rights are abolished, the priority stocks without a voting right shall acquire a voting right.

Information right

Article 406

(1) Any stockholder can request at the assembly to be informed about the company's condition and its relations with other companies, if such information is related to the points included on the assembly's agenda.

(2) The stockholder who is denied to obtain the information can request in writing, his/her question, request, and the reasons for the denial to be entered into the minutes of the discussion.

(3) The stockholder, who has been denied to obtain the information, can request court protection of his/her right of information. The proposal shall be submitted within a time period of 15 days as of the date of holding the assembly.

Minutes from the assembly

Article 407

(1) For the operation of the assembly minutes shall be taken containing the following data:

- 1) the business name and the head office of the company;
- 2) the date, time and place of the holding the assembly;
- 3) the name of the Chairman of the meeting, that is the name of the minutes taker and the names of the members of the voting Commission, if elected;
- 4) the assembly's agenda;
- 5) the number of stockholders, that is the representatives of the stockholders and the working quorum;
- 6) the discussion held at the assembly;
- 7) the most important events at the assembly, as well as the submitted proposals;
- 8) the decisions, the number of votes "for" and "against" and the number of abstention votes; and
- 9) refraining, that is objections made by a stockholder, a member of the management body, that is the supervisory board against a decision, if any refraining or objection has been raised.

(2) A member of the management body, that is the supervisory board, or the Chairman of the meeting cannot be elected as minutes taker or the person who certifies the minutes.

(3) The minutes shall be prepared not later than eight days as of the day of holding the assembly, and shall be signed by the minutes taker and the Chairman of the assembly, and certified by the person who keeps the minutes.

(4) Any stockholder can request from the executive members of the board of directors, that is the management board, at his/her own expense to be issued a copy of the minutes from assembly. The expense shall not be greater than the real costs.

(5) When the minutes are taken by a notary, the minutes shall be prepared not later than three days as of the day of holding the assembly and shall be signed by the notary and the Chairman of the assembly. The copy referred to in paragraph (4) of this Article shall be given by the notary who kept the minutes.

(6) The minutes together with the attachments shall be kept for at least ten years.

Subsection three

NULLITY AND CONTESTING THE DECISION OF THE ASSEMBLY

Nullity reasons

Article 408

In addition to the cases explicitly prescribed in this Law, a decision of the assembly shall be null and void if:

- 1) the decision is adopted at an assembly not being convened in accordance with this Law and the statute, unless all stockholders attend the assembly;

- 2) the decision has not been adopted by the assembly in the manner and form determined by this Law and the statute;
- 3) the decision is contrary to the nature of the company or its content is contrary to law, the morale or the provisions of the statute;
- 4) the assembly has decided upon an issue which is not under its competence;
- 5) the decision is not entered in the minutes in the manner determined by this Law;
- 6) the management body, that is the supervisory board is composed contrary to the provisions of this Law or the statute;
- 7) the assembly by a decision has elected a natural person, who has not been nominated in accordance with this Law or the statute, as a member of the management body, that is the supervisory board;
- 8) the assembly by a decision has elected in the management body, that is supervisory board more natural persons than the number determined by this Law, that is the statute;
- 9) the assembly, by a decision has elected a person who, at the time when he/she has been elected, did not fulfill the conditions determined in this Law for election in the management body, that is the supervisory board;
- 10) the assembly has decided to adopt the annual statement and the financial statements on which audit has not been conducted, or it has not been conducted in accordance with the Law, or it has not been conducted by an authorized auditor;
- 11) the assembly has decided to adopt the annual statement, the financial statements and the annual report on the operations of the company for the previous business year, without their previous adoption by the management body and the supervisory board;
- 12) if the provisions of this Law or the statute wherein the obligations for separation and utilization of funds for the reserves have not been observed during the preparation of the annual account, and
- 13) by a legally valid decision of the court it has been determined that the decision of the assembly is null and void.

Claiming nullity

Article 409

(1) Following the entry of the decision of the assembly in the trade register, one cannot claim the nullity due to the reason referred to in Article 408 point 5 of this Law.

(2) If the decision of the assembly is null and void due to the reasons stated in Article 408 point 1 or point 3 of this Law, one cannot claim its nullity after the expiration of the time period of three years following the entry in the trade register. If within this period a procedure has been initiated upon a complaint for determination of nullity of the decision, the time period of three years shall be continued until the legally valid decision upon the complaint is adopted or until the dispute is resolved in another manner. If the decision of the assembly is null and void according to Article 408, point 1 of this Law, one cannot claim its nullity if all stockholders who were not invited orderly to the meeting have agreed to the decision.

Complaint for determining nullity

Article 410

(1) The nullity can be raised by a complaint or in any other manner.

(2) Any stockholder, the management body or a member of the management body, that is the supervisory board can submit a complaint against the company requesting determination of nullity of the decision of the assembly.

(3) The complaint shall be submitted within a time period of 30 days as from the day of adoption of the decision. If the plaintiff was present at the assembly at which the decision was adopted, the period shall start running as from the first subsequent day after the day of completion of the work of the assembly at which the decision was adopted. If the plaintiff was not present at the assembly at which the decision was adopted, the period shall start running from the first subsequent day from the day when he/she could learn about the decision, but not later than one year after the adoption of the decision.

(4) The complaint shall be submitted against the company. The company shall be represented by an authorized member of the management body, that is the supervisory board. If the complaint is submitted by the executive members of the board of directors, the company shall be represented by the non-executive members, if the complaint is submitted by the management board or its member, the company shall be represented by an authorized member of the supervisory board, and if the complaint is submitted by the supervisory board, the company shall be represented by an authorized member of the management board.

(5) The court can by a temporary measure terminate the implementation of the decision for which it is requested with a complaint to be declared null and void, if it is obvious that its implementation can cause irreparable damage to the company, that is the stockholder.

(6) If the complaint for declaration of nullity is submitted by the members of the management body, supervisory board or the manager, in such case the provision referred to in paragraph (4) of this Article shall respectively apply.

Legal consequences arising from the nullity

Article 411

(1) The decision determined to be null and void shall have no legal effect, except in the cases referred to in Article 409 of this Law.

(2) Everything that has been acquired by the company on the basis of a null decision shall be returned to the company and the expenses arising thereof shall have to be compensated.

(3) The nullity of the decisions referred to in Article 408 paragraph (1) points 10, 11, and 13 has as its consequence nullity of the decisions of the assembly adopted on the basis of these decisions. The decisions of the management body, that is supervisory board approving the financial notifications shall be also null and void.

Contesting a decision

Article 412

(1) The decision of an assembly can be contested even if the stockholder voted for the decision with intent to gain benefit for himself/herself or for a third party at the expense of the company or other stockholders, and the contested decision enables him/her to achieve that. This provision shall

not apply when the other stockholders are duly compensated for the damages.

(2) The decision of the assembly can be contested if it is based on providing insufficient information that affected the adoption of the decision.

(3) The decision of the assembly cannot be contested if it has been verified with a new decision of the assembly, provided that the new decision is not contested within the time period referred to in Article 410 paragraph (3) of this Law.

Parties which can contest a decision

Article 413

A decision of the assembly can be contested by:

- 1) a stockholder who participated in the work of the assembly and declared his/her objection to the decision in the minutes;
- 2) a stockholder who did not participate in the work of the assembly, because contrary to the law and the statute he/she was not allowed to participate in its work, in case the assembly was not properly convened, or if the issue subject to decision adoption at the assembly was not properly announced;
- 3) any stockholder, in case when the assembly adopted a decision with intent for the stockholder who voted for the decision to gain benefit for himself/herself or for a third party, at the expense of the company or other shareholders;
- 4) the management body and the supervisory board;
- 5) any member of the management body and supervisory board, if by implementation of the decision would have performed action which is punishable, illegal or which would make him/her liable for damages; and
- 6) a creditor of the company who has legal interest.

Complaint for contesting and legal consequences arising from the contesting

Article 414

(1) Paragraphs (2), (3), (4) and (6) of Article 410 of this Law shall respectively apply to the complaint for contesting.

(2) If the court, with a legally valid decision, annuls the decision of the assembly, it shall have effect against all stockholders, the members of the management body, that is the supervisory board, even when they were not parties in the procedure.

Delivery obligation and entry of a court decision

Article 415

(1) The management body within a time period of three days as of the day of receiving the legally final decision, has to deliver the decision to the trade register, if on the basis of that decision entry in the trade register has been made. The entry of the decision of the court in the trade register has to be published in the same manner as the entry has been previously published.

(2) If on bases of the decision of the court the statute has been harmonized, the consolidated text of the statute shall be delivered to the trade register together with the decision.

SECTION 6-a

Internal audit service

Article 415-a

(1) The supervisory body of the joint stock company shall be obliged to organize an internal audit service, as an independent organizational unit in the company. The joint stock companies shall be obliged to appoint an internal auditor.

(2) The organizational structure, the rights, the responsibilities and the relations with the other organizational units of the company, as well as the responsibilities and the requirements regarding the appointment of the head of the internal audit service shall be regulated by the supervisory body.

(3) The internal audit service shall perform constant and full audit of the legality, regularity and effectiveness of the work of the company through:

- 1) assessment of the adequacy and efficiency of the systems for internal control;
- 2) assessment of the implementation of the risk management policies;
- 3) assessment of the structure of the information system;
- 4) assessment of the accuracy and authenticity of the trade books and the financial reports;
- 5) control of the accuracy, authenticity and in due time notification in accordance with the regulations, and
- 6) monitoring of the regulations, policies and procedures compliance within the company.

(4) The internal audit service shall implement its activities in accordance with the principles and the standards on internal audit and the policy and the procedures regarding the operation of the service.

(5) The persons employed in the internal audit service shall perform only the activities of the service.

(6) The employees in the company shall be obliged to provide inspection in the documentation they have at their disposal and give all necessary information to the persons employed in the internal audit service.

Article 415-b

(1) The internal audit service shall prepare an annual operation plan approved by the supervisory body.

(2) The subject of the audit with description of the content of the planned audit in separate areas and the schedule of the controls during the year with the planned duration for implementation of the controls shall be mandatorily stated in the plan referred to in paragraph (1) of this Article.

Article 415-c

(1) The internal audit service shall be obliged to prepare a semi-annual and annual report regarding its operation and submit it to the supervisory body and the management body.

(2) The semi-annual and the annual report referred to in paragraph (1) of this Article shall contain:

- 1) description of the conducted audits of the company's operation;
- 2) assessment of the adequacy and the efficiency of the systems for internal control;
- 3) findings and proposed measures by the internal audit service, and
- 4) assessment of the implementation of the measures proposed by the internal audit service.

(3) The annual report referred to in paragraph (1) of this Article shall also contain:

- 1) assessment of the realization of the aims contained in the annual operation plan;
- 2) assessment of the planned control time and the eventual ceding, and
- 3) information regarding other conducted activities.

(4) The supervisory body shall be obliged to submit the annual report of the internal audit service to the company's assembly.

Article 415-d

The internal audit service shall be obliged to immediately notify the supervisory body and the management body provided that during the control it determines:

- 1) nonobservance of the standards for risk management due to which there is a possibility for violation of the liquidity or solvency of the company, and
- 2) that the management body does not respect the regulations and the general act and the internal procedures of the company.

SECTION 7

JOINT-STOCK COMPANY WITH A SINGLE STOCKHOLDER

Appropriate application of the provisions referring to the company with a single stockholder

Article 416

(1) The provisions of this Law referring to the company with two or more stockholders shall be respectively applied to the joint-stock company with a single stockholder, whereby the rights and obligations of the assembly of the joint-stock company shall be exercised by the body determined by the founder, that is the single stockholder, in a manner determined in the statute of the joint-stock company with a single stockholder.

(2) The contracts between the single stockholder and the company, when the single stockholder is at the same time the single representative by law of the company, shall have to be entered in the minutes or concluded in written form.

SECTION 8

STATUTE AMENDMENT

Manner and procedure

Article 417

(1) The statute shall be amended by a decision for statute amendment.

(2) The procedure for statute amendment can be initiated by the management body, that is the supervisory board, as well as by the stockholders owning at least one tenth of the total number of voting stocks. 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 decision for statute amendment stating the proposed amendments, regardless of the who gave the initiative, shall be determined by the management body, and, if authorized by this Law, the supervisory board. The confirmed draft decision for statute amendment shall have to be explained in detail.

Amendment decision

Article 418

(1) The decision for statute amendment shall be adopted by the assembly.

(2) Unless a greater majority is determined by the statute, the decision on statute amendment shall be adopted by a majority votes of the total number of the voting shares.

(3) The assembly shall, with the decision for statute amendment, authorize the board of directors, that is the supervisory board to prepare a consolidated text of the statute wherein the amendments made with the decision on statute amendment shall be entered, as well as the provisions from the decisions having the character of a decision for statute amendment determined by this Law.

Entry into force of the amendment

Article 419

The statute amendment shall enter into force on the day of adoption of the decision for statute amendment, unless other date is determined in the decision for statute amendment.

SECTION 9

INCREASE AND DECREASE OF THE BASIC CAPITAL

Sub-Section 1

INCREASE OF THE BASIC CAPITAL

Subsection one

JOINT PROVISIONS

Manners of increase

Article 420

The increase of the basic capital of the company can be carried out by:

- 1) contributions;
- 2) conditional increase of the basic capital;
- 3) approved capital, and
- 4) from the assets of the company.

Decision for increase

Article 421

(1) The increase of the basic capital shall be carried out with a decision of the assembly for increase of the basic capital. The decision for increase of the basic capital shall have the character of a decision for statute amendment, except the decision for increase of the basic capital adopted by the management body in accordance with the provision of the statute regarding the approved capital.

(2) If the newly issued stocks are issued at amount higher than the nominal amount of the stocks, the amount below which the stocks cannot be issued, shall have to be determined in the decision for increase of the basic capital.

(3) The decision for increase of the basic capital shall contain data on the amount, the manner and date of increasing the basic capital, the number, type and classes of stocks, the monetary and non-monetary contributions on the basis of which the newly issued stocks are being acquired, as well as other data determined by law and the provisions of this section of this Law, in accordance with the appropriate manner for increase of the basic capital.

(4) Unless a higher majority is determined in the statute, the decision for increase of the basic capital shall be adopted by majority votes that cannot be lower than two thirds of the voting stocks represented at the assembly.

(5) If there are more than one type of stocks, the decision referred to in paragraph (1) of this Article shall be valid if the stockholders of each type of stocks agree to it. The shareholders of each type of stocks shall adopt the consent decision with the same majority with which the decision referred to in paragraph (1) of this Article has been adopted.

(6) A new decision for increase of the basic capital can be adopted only if the previous increase of the basic capital is complete and entered in the trade register and the Central Securities Depository.

Priority right to subscription of the newly issued stocks and other securities

Article 421-a 16

(1) During the increase of the basic capital, the stockholders shall have the priority right to subscription of the newly issued stocks of the same type and class of stocks in proportion with the participation of their stocks in the basic capital of the company, regardless of whether the newly issued stocks are sold through a bank or other financial organization.

(2) In the case when the company has issued more classes and type of stocks and increases the basic capital by issuing one of the types and classes of stocks, the stockholders being owners of the stocks of other types and stocks shall have a priority right, only after the stockholders being the owners of the same type and class, as well as the new stocks, shall exercise the priority right.

(3) The priority right for subscription of the newly issued stocks shall be also applied for the issuance of other types of securities that can be converted into stocks or that contain the subscription of the stocks, but shall not be applied to the conversion of those securities, nor the enforcement of the subscription right.

Exclusion and limitation of the priority right during the subscription of the newly issued stocks

Article 421-b

(1) The priority right regarding the subscription of newly issued stocks can, before the subscription of the stock, be fully or partially excluded only with the decision for increase of the basic capital, in accordance with the statute, which have to be published in the same manner as the publication of the assembly's convening.

(2) The assembly can decide for exclusion of the priority right during the subscription of the newly issued stocks only on the basis of a report in a written form by the management body containing the reasons for the limitation or the exclusion of the priority right for subscription and wherein the price for issuance of the stock has to be elaborated. The decision referred to in paragraph (1) of this Article shall be adopted by majority of the votes which cannot be lower than third quarters than the presented stocks at the assembly with voting right, unless the statute determines a higher majority. The statute can determine other conditions for decision adoption.

Priority right for subscription of newly issued stocks

Article 422

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Replacement of stocks for the purpose of increase of the nominal amount of stocks

Article 423

(1) The stocks being fully paid shall participate in the increase of the basic capital in accordance with their nominal amount.

(2) The stocks being partially paid shall participate in the increase of the basic capital according to the nominal amount which is being paid.

Participation of the new stocks in the profit

Article 424

(1) The decision for increase of the basic capital can provide for the new stocks to participate in the profit of the company in the business year

preceding the year in which the decision for increase of the basic capital has been adopted. In that case, the decision for increase of the basic capital has to be adopted prior to the decision for distribution, that is utilization of the profit for the business year preceding the year in which the decision for increase of the basic capital has been adopted. The decision for distribution, that is the utilization of the profit from the previous year shall have legal effect after the increase of the basic capital.

(2) The decision referred to in paragraph (1) of this Article shall be null and void if the decision for increase of the basic capital is not entered in the trade register within a time period of three months as of the day of its adoption. This time period shall not run during the procedure upon a complaint contesting the decision, or a complaint for the purpose of determining its nullity, or for the time period until an approval or other document is obtained by a competent body for increase of the basic capital, provided that is determined by Law.

Exclusion of the priority right when subscribing newly issued stocks

Article 425

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Protection of the rights of the stockholders and third parties

Article 426

(1) If certain rights arising from stocks being partially paid, such as the right to participate in the profit or the right to vote, are determined in accordance with the amount paid, until the full payment of the stocks, the stockholders shall have the rights that are determined up to the amount they have been paid.

(2) The increase of the basic capital shall not affect the content of the agreed relations between the company and third parties depending on the realized profit, the value of the stocks or the value of the basic capital prior to the increase of the basic capital.

(3) The provision referred to in paragraph (2) of this Article shall also apply to the additional obligations of stockholders.

Subsection Two

INCREASE OF THE BASIC CAPITAL BY CONTRIBUTIONS

Requirements regarding the increase

Article 427

(1) The increase of the basic capital with contributions can be conducted only by issuing new stocks. The newly issued stocks can be paid in cash, by entering non-monetary contributions, and by a loan that is transformed in company's contribution in a procedure for increase of the basic capital of the company.

Increase of basic capital by entering a non-monetary contribution

Article 428

(1) If the increase of the basic capital is carried out by entering non-monetary contributions, the decision for increase of the basic capital with contributions shall indicate the non-monetary contributions, the persons from which the company assumes the non-monetary contributions, and the nominal amount of stocks acquired as counter value for the entered non-monetary contributions.

(2) If the data referred to in paragraph (1) of this Article are not determined in the decision for increase of the basic capital by entering non-monetary contribution, the contracts for entering non-monetary contributions and the legal actions for their realization towards the company shall be null and void.

(3) The provisions referred to in Article 35 of this Law shall respectively apply to the increase of the basic capital by entering non-monetary contributions.

Publishing a notice for subscription of stocks

Article 429

19

(1) The management body, upon obtaining the approval by the Securities and Exchange Commission for issuing stocks, in accordance with the decision for increase of the basic capital by contributions, shall publish a notice to the stockholders. The notice shall be published in the "Official Gazette of the Republic of Macedonia", at least two daily newspaper published on the territory of the Republic of Macedonia and the web-page of the company. In the notice the stockholders shall be notified, with in a time period not shorter than 15 days as of the day of publishing the notice, to subscribe the part of the newly issued stocks that corresponds to the participation of their stocks in the basic capital prior to its increase, that is to use the priority right for subscription of the newly issued stocks, unless the stockholders have waived this right in the decision for increase of the basic capital by entering contributions.

(2) The management body shall, at the same time, inform in writing each stockholder about the amount of the issued stocks, the number of stocks corresponding to the participation of his/her stocks in the basic capital, and the time period referred to in paragraph (1) of this Article within which the stockholder can subscribe the new stocks.

(3) After the expiry of the time period referred to in paragraph (1) of this Article, within which the stockholders can exercise their priority right of subscribing the newly issued stocks, other persons shall have the right to subscribe the newly issued stocks within a time period not shorter than 15 days as of the day of expiration of the time period referred to in paragraph (1) of this Article, under the same conditions valid for the stockholders having the priority right for subscription of the newly issued stocks in regard to the price being offered and the manner of payment of the newly issued stocks.

Priority right for subscription of stock of an existing stockholder

Article 429-a 20

Each stockholder shall have the right, by a written statement, with in a time period which cannot be shorter than 15 days, to subscribe the portion of the new stock corresponding to the participation of his/her stocks in the basic capital prior to the increase.

Priority right

Article 430

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Subscription of the newly issued stocks

Article 431

(1) The newly issued stocks shall be subscribed with a written statement (registration form), clearly indicating who the subscriber is, the number of stocks he/she subscribes, the nominal amount of the stocks, and, in case of stocks of several types and classes, the type and class of stocks. The registration form shall have to contain the following:

- 1) the day when the decision for increase of the basic capital by entering contributions has been adopted;
- 2) the amount for which the basic capital is increased, the type and number of the stocks, the manner of payment and additional obligations, if it is determined with the decision for increase of the basic capital by entering contributions;
- 3) the data regarding the increase of the basic capital by entering non-monetary contributions, and in case of issuance of stocks of several types the total nominal amount of stocks of each type, and
- 4) the time period within which the obligation assumed by signing the registration form terminates, if within this time period the increase of the basic capital is not entered in the trade register.

(2) The registration forms not containing the data or containing limitations other than those referred to in paragraph (1) of this Article, shall be null and void.

(3) The person who has subscribed stocks on the basis of the registration form and as a stockholder exercised rights or fulfilled obligations cannot refer to the nullity or be released from the obligations undertaken with the registration form, if the decision for increase of the basic capital has been entered in the trade register.

(4) Any limitation not stated in the registration form shall have no effect against the company.

Payment and entering contributions

Article 432

(1) The monetary contributions shall be fully paid up until the day of entry of the conducted increase of the basic capital in the trade register.

(2) The non-monetary contributions shall be fully entered in the company until the day of entering the increase of the basic capital in the trade register, according to their appraised value. The company shall sign a contract for entering a non-monetary contribution with the person entering the non-monetary contribution. The contract shall be signed by an executive member of the board of directors, the president of the management board, that is the person authorized by him/her and by the person entering the non-monetary contribution.

(3) If the person referred to in paragraph (2) of this Article does not enter the non-monetary contribution in accordance with the conditions determined in the contract referred to in paragraph (2) of this Article, he/she shall be obliged to pay the nominal amount of the stocks acquired by him/her, as well as to fulfill other obligations determined in the contract.

(4) The loan that is transformed in company's contribution in a procedure for increase of the company's basic capital shall be entered on the basis of an agreement for a loan that is transformed in company's contribution in a procedure for increase of the company's basic capital and a decision on transformation of a loan that is transformed in company's contribution in a procedure for increase of the company's basic capital.

Entry of the increase of the basic capital by entering contributions

Article 433

(1) Upon the conducted increase of the basic capital by entering contributions, an application for entry of the increase of the basic capital in the trade register shall be submitted within a time period of eight days following the increase of the basic capital.

(2) The following shall be attached to the application for entry of the increase of the basic capital:

- 1) the decision for increase of the basic capital with contributions, and if more than one types of stocks exist, the consent decision by the stockholders of each type of stocks;
- 2) excerpt from the minutes of the session of the assembly at which the decision for increase of the basic capital has been adopted, verified by a notary;
- 3) the approval by the Securities and Exchange Commission for the stocks issuance;
- 4) the report on the appraisal, if the increase of the basic capital of the company is carried out by entering non-monetary contributions, and the proof of ownership containing a note recorded in a public book of immovable things, and if a movable thing is entered for which a law determines the obligation for entry (register) - a proof of ownership over the movable things and a copy of the prospectus on the basis of which the total or part of the basic capital is subscribed, and if securities are invested, a proof of ownership of those securities shall be submitted to the trade register together with a note that they are invested in a trade company and that the owner cannot manage them. For that purpose, the owner of the securities shall submit a notary verified statement to the Central Securities Depository that the securities are invested in a trade company and that it agrees a limitation for management until their transfer to the trade company to be recorded for these securities.
- 5) the contract for entering of each non-monetary contribution;
- 6) the calculation of the expenses incurred by the issuance of the new

stocks;

7) the consolidated text of the statute;

8) the proof of the exercised priority right for subscription of the issued stocks, as well as the list of the persons that have exercised that right, indicating the number of stocks acquired and the contributions paid, that is entered with the acquisition, signed by the president of the management body, if the priority right of subscription is not excluded,

9) provided that is the determined by law, the approval by a competent body for the increase of the basic capital,

10) an agreement for a loan that is transformed in company's contribution in a procedure for increase of the company's basic capital, and

11) a decision on transformation of a loan that is transformed in company's contribution in a procedure for increase of the company's basic capital.

(3) The notification regarding the entry of the increase of the basic capital shall be published in the trade register.

Subsection three

CONDITIONAL INCREASE OF THE BASIC CAPITAL

Requirements

Article 434 22

(1) A decision on conditional increase of the basic capital can be adopted only for the purpose of achieving the following objectives:

1) exercising the right of the company creditors to exchange the convertible bonds

with stocks in the company, and the priority right when subscribing the newly stocks issued by the company;

2) preparation of merger and division by merger, by acquiring or isolation by acquiring, and

3) exercising the right of stocks of the employees, the executive members of the board of directors, the management board, that is, the manager of the company, and the members of the bodies of the companies related with the company.

(2) The decision on conditional increase of the basic capital shall determine the purpose of the conditional increase of the basic capital, the persons entitled to use the priority right for subscription of the newly issued stocks, the time period within which the conditional increase of the basic capital is to be carried out, the conditions under which these rights can be exercised, the amount at which the stocks are issued and the standards and criteria according to which this amount can be calculated.

(3) The nominal amount of the conditionally increased basic capital cannot exceed one half of the basic capital on the day of adoption of the decision for increase of the basic capital.

(4) The decision of the assembly for conditional increase of the basic capital adopted contrary to the provisions of this Article shall be null and void.

(5) The right to convert the bonds, that is the priority right for subscription of the stocks referred to in paragraph (1), point 1 of this Article, shall be

exercised by a written statement for conversion of the bonds into stocks, that is subscription of stocks. Article 426 of this Law shall respectively apply to the written statement.

(6) The provisions referred to in Articles 35 and 428 of this Law, referring to the non-monetary contribution, shall be respectively applied in case of conditional increase of the basic capital.

(7) The provisions referred to in Articles 429 and 429-a of this Law, referring to the priority right for subscription of the newly issued stocks, shall respectively apply to the exercise of the priority right when subscribing newly issued stocks, in accordance with the decision on conditional increase of the basic capital. 23

Entry of the increase of the basic capital

Article 435

(1) The increase of the basic capital shall be considered as carried out with the issuance of the stocks even when any of the objectives determined in Article 434 paragraph (1) of this Law has been achieved.

(2) Upon the successful increase of the basic capital, within a time period of eight days, an application for entry in trade register of the total amount for which the basic capital is increased shall be submitted.

(3) In addition to the attachments referred to in Article 433, paragraph (2), points 3, 4, 5, 6, 7, and 9, the application referred to in paragraph (2) of this Article shall also contain the following:

- 1) the decision on conditional increase of the basic capital;
- 2) excerpt from the minutes of the session of the assembly at which the decision on conditional increase of the basic capital has been adopted, verified by a notary, and
- 3) a statement by which the management body declares that the bonds and stocks have been issued only for the purpose of achieving the objective determined in the decision for conditional increase of the basic capital.

Subsection four

APPROVED CAPITAL

Manner of approval

Article 436

(1) The management body can be authorized by the statute for up to five years following the entry of the company's incorporation, that is five years following the entry of the decision to amend the statute in the trade register, provided that this possibility has not been determined by the statute, by issuing new stocks on the basis of contributions, to increase the basic capital up to a certain nominal amount (approved capital).

(2) The nominal amount of the approved capital cannot exceed one half of the basic capital at the time when the authorization for conditional increase of the basic capital has been given.

(3) The new stocks can be issued only with consent of the majority non-executive members of the board of directors, that is majority from the

members of the supervisory board.

Issuance of new stocks

Article 437

(1) The provision referred to in Article 436 paragraph (1) of this Law providing an authorization shall be considered as a decision for increase of the basic capital with approved capital.

(2) The issuance of new stocks shall be carried out in accordance with the provisions of this Law regulating the increase of the basic capital by entering contributions, unless otherwise determined by this section of this and other Law.

(3) Deleted 24

(4) The provisions referred to in Articles 35 and 428 of this Law, referring to the non-monetary compensation, shall respectively apply to the increase of the basic capital with approved capital.

(5) The provisions referred to in Articles 429 and 429-a of this Law, referring to the priority right for subscription of the newly issued stock shall respectively apply to the exercise of the priority right when subscribing newly issued stocks, in accordance with the decision for increase of the basic capital with approved capital. 25

Decision authorization regarding the exclusion of the right for subscription of the new stocks

Article 437-a 26

With the authorization referred to in Article 436 paragraph (1) of this Law, the board of directors, that is the supervisory board can be authorized to decide upon the exclusion of the priority right for subscription of the new stocks, which has to be given by majority of the stocks which cannot be less than three quarters that the presented stocks at the meeting having a voting right, unless a greater majority is determined by the statute.

The decision for exclusion of the priority right shall be adopted with consent of the majority of the non-executive members of the board of directors, that is the majority members of the supervisory board. Until the following annual assembly, these members shall be obliged to submit a written report wherein the reason for exclusion of the priority right for subscription of the new stocks shall be entered.

Entry of the increase of the basic capital in the trade register

Article 438

(1) Within a time period of eight days following the day of acquiring the stocks, an application for entry of the increase of the basic capital shall be submitted in the trade register, in accordance with the total amount of the acquired stocks.

(2) Together with the application referred to in paragraph (1) of this Law, in addition to the attachments referred to in Article 433, paragraph (2), points 2, 3, 4, 5, 6, and 9 the following shall be submitted:

- 1) the statute containing the provision on conditional increase of the basic capital;
- 2) excerpt from the minutes of the meeting of the management body at which the decision on issuance of stocks has been adopted;
- 3) consent by the majority non-executive members of the board of directors, that is the majority members of the supervisory board, if the board of directors, in accordance with the authorization referred to in Article 436 paragraph (1) of this Law, can exclude the priority right to subscribe stocks only with their consent; and
- 4) the statement by which the management body ascertains that the stocks have been issued within the authorization for issuance of new stocks and only for the purpose of achieving the objective determined in the authorization determined by the statute.

Subsection Five

INCREASE OF THE BASIC CAPITAL FROM THE COMPANY'S ASSETS

Decision on increase of the basic capital from the company's assets

Article 439

- (1) The assembly can increase the basic capital with a decision on increase of the basic capital, by converting the profit, the reserves and the undistributed (withheld) profits that has not been allocated into dividends or for which no other purpose has been determined (hereinafter: decision on increase of the basic capital from the company's assets).
- (2) The decision on increase of the basic capital from the company's assets shall be based on the last annual account verified by an authorized auditor, for which the auditor stated his/her opinion without reservation or an opinion with reservation which does not question the objectivity of the annual account, as well as the annual report on the company's operation in the previous business year, approved by the assembly.
- (3) If no authorized auditor is appointed on the last regular assembly of, it shall be considered that the appointed authorized auditor is the one that was appointed by the assembly for audit of the last annual statement, or the authorized auditor that shall be appointed by the court upon a company's proposal.
- (4) The increase of the basic capital from the company's assets can be carried out with issuance of stocks. The decision on increase of the basic capital shall state the manner in which the increase of the basic capital shall be carried out.
- (5) The stockholders shall be entitled to the newly issued stocks in proportion to the participation of their stock in the previous basic capital.
- (6) The provision of the statute, that is the decision of the assembly contrary to paragraph (5) of this Article shall be null and void.

Suitability of the profit and the reserves for increase of the basic capital

Article 440

(1) The statutory reserves can be fully converted into basic capital, and the legally determined reserve can be converted into basic capital only if it exceeds the amount determined by this Law.

(2) The reserves and the profit cannot be converted into basic capital if the losses, including therein the transferred loss, are stated in the balance sheet.

(3) The statutory reserves intended for the purpose of exercise of a determined purpose can be converted into basic capital only if their conversion is in accordance with that particular purpose.

(4) The profit can be converted into a basic capital only if the company in accordance with Article 485 of this Law separates a mandatory general reserve.

Application for entry of the increase of the basic capital with the company's assets

Article 441

(1) In accordance with the decision for increase of the basic capital with the company's assets, within a time period of eight days as of the day of issuance of the stocks, an application for entry of the increase of the basic capital shall be submitted in the trade register.

(2) Together with the application referred to in paragraph (1) of this Law, and in addition to the attachments referred to in Article 433, paragraph (2) 6,7 and 9 the following shall be submitted:

- 1) the annual statement, verified by an authorized auditor for which the auditor stated his/her opinion without reservation or an opinion with reservation which does not question the objectivity of the annual account,
- 2) the decision on increase of the basic capital with company's assets;
- 3) excerpt from the minutes of the session of the assembly at which the decision on increase of the basic capital with company's assets has been adopted, verified by a notary, and
- 4) statement signed by the president of the board of directors, that is the president of the management board, which guarantees that, according to the balance sheet used as a basis for the increase of the basic capital and verified by the authorized auditor, until the day of submitting the application form for entry of the increase of the basic capital in the trade register there was no reduction of the assets of the company that would represent an obstacle for the increase of the basic capital from the company assets, if the increase is to be decided on the date of submission of the application form.

Section 2

REDUCTION OF THE BASIC CAPITAL

Sub-Section one

JOINT PROVISIONS

Manners of reduction of the basic capital

Article 442

(1) The basic capital can be reduced by:

- 1) reduction of the nominal amount of one or more types and classes of stocks;
- 2) merger of one or more types of stocks, whereby the minimum nominal amount of the merged stock cannot be less than 1 EURO, and
- 3) withdrawal of personal and other stocks, if the withdrawal leads to reduction of the basic capital.

(2) Upon the reduction of the nominal amount and the number of stocks, that is upon the withdrawal of the personal and other stocks, if the withdrawal leads to reduction of the basic capital, and following the entry and the publication of the entry of the reduction of the basic capital in the trade register, the stocks shall be annulled.

(3) The basic capital cannot be reduced below the minimum nominal amount determined in this Law for the basic capital.

(4) If the company reduces the basic capital contrary to the provision referred to in paragraph (3) of this Article, the decision on reduction of the basic capital shall be null and void, unless a decision on increasing of the basic capital at least up to the minimum amount determined in this Law is adopted together with the decision on reduction of the basic capital.

Subsection two

REGULAR REDUCTION OF THE BASIC CAPITAL

Decision on regular reduction of the basic capital

Article 443

(1) The reduction of the basic capital shall be carried out by a decision on reduction of the basic capital adopted by the assembly with majority votes that cannot be lower than two thirds of the voting stocks represented at the assembly, unless the statute determines a greater majority.

(2) If there are several types of stocks, the decision shall be valid if the stockholders of each type of stocks provide their consent by a majority that cannot be lower than the majority referred to in paragraph (1) of this Article. The stockholders of each type of stocks shall adopt a decision for providing consent. The decision for providing consent shall be adopted in the manner and under the conditions determined in paragraph (1) of this Article.

(3) The decision on reduction of the basic capital shall determine the amount, the purpose, as well as the method for carrying out the reduction of the basic capital. If the reduction of the basic capital is carried out for the purpose of refunding a part of the reduced basic capital to the stockholders, that shall be separately indicated in the decision.

(4) The invitation for convening the assembly that should decide on the reduction of the basic capital shall contain the reason, purpose and method of carrying out the reduction of the basic capital.

Entry of the decision

Article 444

(1) The decision on reduction of the basic capital shall be pre-recorded in the trade register. An application for recording shall be submitted for the purpose of pre-recording.

(2) The following shall be attached together with the entry application:

- 1) the decision of the assembly on reduction of the basic capital;
- 2) the excerpt from the minutes from the session of the assembly at which the decision on reduction of the basic capital has been adopted, verified by a notary.

(3) The president of the board of directors, that is the president of the management board shall publish the intention to reduce the basic capital on the first business day following the entry of the pre-recording on the decision on reduction of the basic capital in the trade register in the "Official Gazette of the Republic of Macedonia" and at least one daily newspaper. In the publication the company shall publish that it agrees to pay the matured claim to each creditor that submits a request or provide the creditor with collateral for the respective claim. If, following the expiry of 90 days as of the day of publication of the announcement, no request for settling the claims is submitted, it shall be considered that all the creditors have agreed with the decision on reduction of the basic capital.

(4) The known creditors whose claims exceed EURO 10.000 EURO in Denar Counter value shall be notified in writing, personally, in their place of residence, that is the head office of the creditor entered in the trade register.

Collateral for the creditors

Article 445

(1) The company shall provide each creditor with an acceptable collateral for the claims established prior to the entry of the decision on reduction of the basic capital in the trade register, provided that:

- 1) the creditor has reported his/her claim established prior to adopting the decision on reduction of the basic capital, regardless if the claim is matured, within a time period of 90 days as of the day of publishing the announcement on the intention to reduce the basic capital;
- 2) the creditor has requested collateral when reporting the claim which is not matured, and
- 3) there are sufficient reasons to consider that the reduction of the basic capital shall reduce the company's capability to settle the creditor's claim.

(2) A creditor who is entitled to priority settlement from the bankruptcy estate of the debtor, that is who has exercised a collateral, shall not be entitled to request new collateral due to reduction of the basic capital.

(3) If the reduction of the basic capital of the company is carried out contrary to paragraphs (1) and (2) of this Article, the decision on reduction of the basic capital shall be null and void.

Reverse split of stock

Article 446

(1) If the reduction of the basic capital is carried out by reduction of the nominal amount of the stocks or by merger of one or more types and

classes of stocks through reduction of their nominal amount, new stocks with new nominal amount shall be issued to the stockholders, proportionally to the participation of their stocks in the basic capital prior to the reduction of the basic capital. The new stocks shall be of identical type and class as the stocks for which they have been exchanged.

(2) The board of directors, that is the management board, shall submit a request to the Central Securities Depository to register the changes in the stockholders book of the company according to the completed reduction of the basic capital, so that the new nominal amount of the stocks or the reduction of the number of stocks due to their reverse split or withdrawal is registered.

(3) Prior to the issuance of new stocks due to the reduction of the nominal amount of the stocks or for the purpose of reverse split, issuance of new stocks shall be prohibited.

Stockholders payments

Article 447

(1) Part of the reduced basic capital can be paid to the stockholders only upon the settlement of creditors' claims or the granting a collateral for their claims in accordance with this sub-section.

(2) The payments referred to in paragraph (1) of this Article can be executed following the completion of the reduction of the basic capital and the entry of the completed reduction in the trade register. The stockholders cannot be exempted from the obligation to pay the unpaid portions of the stocks, that is if they have failed to pay in the contribution for which they have assumed payment obligation, until they settle the reported claims of the creditors, that is if the company does not provide appropriate collateral for their claims.

(3) If a complaint is filed for annulment of the decision on reduction of the basic capital, no payments shall be made, that is the exemption of further payments of the stocks shall not be allowed prior to the legally valid decision of the court.

Payment of dividend

Article 448

(1) The company cannot pay dividend higher than 4% of the basic capital of the company before the expiration of two years after the year in which the decision on reduction of the basic capital has been adopted.

(2) The limitation referred to in paragraph (1) of this Article shall not apply to companies which, until the entry of the decision on reduction of the basic capital in the trade register, have settled the claims of the creditors or have provided appropriate collateral for their claims.

(3) The company referred to in paragraph (1) of this Article, which intends to pay dividend, shall be obliged to publish its annual financial report. In the publication, it shall notify the creditors about the intention to pay dividend and about their right to request settlement of their claims or appropriate collateral. The collateral cannot be requested by creditors who have priority right to settle their claims in case of bankruptcy.

Subsection three

SIMPLIFIED REDUCTION OF THE BASIC CAPITAL

Article 449

(1) Simplified reduction of the basic capital can be carried out only for the purpose of adjustment of the nominal amount of the basic capital with the lower nominal amount of the basic capital that shall occur as a result of covering the losses of the company out of the basic capital. If the reduction of the basic capital is carried out in a simplified manner, the provisions from Articles 445 and 447 of this Law shall not apply.

(2) The simplified reduction of the basic capital shall be carried out with a decision on reduction of the basic capital. The decision on reduction of the basic capital shall state that the purpose of reducing the basic capital is covering the losses and supplementing the legal reserves.

(3) The basic capital can be reduced in a simplified manner only after the undistributed profit and the reserves of the company have been spent.

(4) The amount obtained with reduction of the basic capital shall not be paid to the stockholders and shall not be used for releasing the stockholders from further payments of the contribution on the basis of which they have acquired stocks.

Section Four

REDUCTION OF THE BASIC CAPITAL BY WITHDRAWING STOCKS

Requirements

Article 450

(1) The reduction of the basic capital by withdrawing stocks can be carried out only if explicitly allowed by law or by the company's statute.

(2) The withdrawal of the stocks shall be carried out in accordance with the provisions of this Law referring to the regular reduction of the basic capital.

(3) The assembly shall in the decision for reduction of the basic capital determine the manner, the time period as well as the details regarding the withdrawal of the stocks.

(4) The provisions referred to in Article 445 of this Law shall be respectively applied to the payment of compensation to the stockholders, in case of enforced withdrawal of the stocks, or when the stocks are acquired for the purpose of being withdrawn, as well as in case of exemption of the stockholder from the obligation for payment of the acquired contribution.

(5) It shall not be acted in accordance with paragraph (2) of this Article if the stocks, for which the nominal or higher amount at which they were issued was fully paid:

- 1) if they were given free of charge at the company's disposal, and
- 2) if they have been withdrawn out of the profits or other reserves, provided that they can be used for that purpose.

(6) In the cases referred to in paragraph (5) of this Article, the amount corresponding to the amount of the basic capital that refers to the withdrawn shares shall be included in the capital profit. Those assets, except in cases of reduction of the basic capital, shall not be paid to the stockholders.

(7) Unless the statute determines a higher majority or requires fulfillment of other conditions, the reduction of the basic capital in accordance with paragraph (5) of this Article shall be carried out with a decision on reduction of the basic capital, adopted by the assembly with majority vote of the voting stocks represented at the assembly. The decision shall determine the purpose of reduction of the basic capital.

(8) If the enforced withdrawal of the stocks is determined by the statute, it shall not be necessary for the assembly to adopt a decision on reduction of the basic capital by withdrawal of stocks. In that case, the management body shall be authorized to adopt the decision on withdrawal of stocks.

(9) The decision on reduction of the basic capital by withdrawal of stocks shall be entered in the trade register.

Sub-section five

ENTRY OF THE REDUCTION OF THE BASIC CAPITAL

Entry

Article 451

(1) Within a time period of eight days as from the day of reduction of the basic capital, an application form shall be submitted for the purpose of entry in the trade register.

(2) The basic capital shall be reduced for the amount of the total reduction of the nominal amount of one or more types of stocks, that is the total reduced nominal amount of the merged stocks of one or more types of stocks, or for the total nominal amount of the withdrawn stocks.

(3) The basic capital shall be reduced upon the entry of the decision on reduction of the basic capital in the trade register.

SECTION 10

TERMINATION OF THE COMPANY

Grounds for termination

Article 452

(1) The company shall be terminated:

- 1) upon the expiry of the time period determined in the statute, provided that the company has been incorporated for a definite period of time;
- 2) decision of the assembly on termination of the company, adopted by majority votes which cannot be less than two thirds of the voting stocks represented at the assembly, unless the company statute determines a higher majority and additional conditions for adoption of the decision;

- 3) by a legally valid decision of the court the nullity of the company and the entry of the trade company in the trade register is determined;
- 4) by accession, merger or division of the company by separation with incorporation or separation with takeover, and
- 5) bankruptcy.

(2) The intention for deletion of the company in the trade register, shall be published. Each person having legal interest can file an objection, within a time period of 30 days as of the day of publication of the intention for deletion of the company, at the latest.

(3) The company shall terminate without carrying out a liquidation procedure, unless in the time period referred to in paragraph (2) of this Article it is proven that the company has assets that has to be divided and claims that have to be settled. In such case a liquidation, that is bankruptcy procedure shall be carried out. The liquidators, upon a proposal of the interested party shall be determined by the court.

(4) Additional grounds for termination of the company can be determined by the statute.

Entry of the decision on termination

Article 453

(1) The management body, that is other natural person authorized by the assembly that has adopted the decision on termination of the company, shall submit an application for the purpose of entry of the decision on termination of the company in the trade register.

(2) If the decision referred to in paragraph (1) of this Article is not submitted and entered in the manner determined in paragraph (1) of this Article, the court shall, upon a proposal of any person having legal interest, put forth a notice to the management body, that is the natural person referred to in paragraph (1) of this Article, to submit an application form for entry of the decision on termination in the trade register within a time period no longer than eight days from receiving the notification. If the application form is not submitted within the determined time period, the court shall repeat the notice, warning the management body, that is the natural person referred to in paragraph (1) of this Article that, following the expiration of the additional time period, which cannot be longer than eight days upon receiving the repeated notice, it shall, *ex officio* , enter the decision on termination of the company in the trade register and shall appoint liquidators in accordance with this Law.

(3) If the management body does not act in accordance with paragraph (2) of this Article, the members of the management body, that is the natural person referred to in paragraph (1) of this Article shall be personally, jointly and severally liable with their entire property for the damages caused by the non-fulfillment of their obligation determined in paragraph (1) of this Article.

(4) If the decision on termination of the company has been adopted by the court, it shall be *ex officio* submitted by the court to the Central Register of the Republic of Macedonia which shall enter it in the trade register.

Grounds for termination of a single-member company

Article 454

(1) The single-member company, wherein the owner of the stocks is a natural person, shall terminate with the death of that person, unless, following the inheritance procedure the inheritors do not want the company to continue its operations.

(2) As for the stocks of the deceased member, until the completion of the inheritance procedure, the voting right shall be exercised by the joint representative, determined by the inheritors of the deceased member with a written letter of attorney, verified by a notary.

(3) If a legal entity is an owner of stocks in a single-member company, the single-member company shall terminate with the termination of the legal entity, unless, during the bankruptcy procedure, the stocks are acquired by another person.

CHAPTER FIVE

MAJOR BUSINESS DEALS AND BUSINESS WITH AN INTERESTED PARTY

SECTION 1

MAJOR BUSINESS DEALS

Definition of a major business deal

Article 455

(1) A major business deal shall be considered a business deal (including, without limitations, loan, credit, pledge, guarantee) or mutually connected business deals, if such business deal, that is deals refer to a direct or indirect acquisition, disposal or potential disposal of the company's assets whose value exceeds more than 20% of the bookkeeping value of the company's assets, determined according to the company's most recent financial reports, with an exception of the business deals connected by entering regular stocks and business deals connected with acquiring convertible bonds. Other business deals can be determined by the statute which shall be subject to the procedure for approval of major business deals, in the manner determined by this Law. 27

(2) In case of disposal or creating possibility for disposal of assets, the value of such assets determined in accordance with the most recent audited financial reports of the company, and, in case of acquiring assets, the price of the assets that is to be purchased shall be compared with the bookkeeping value of the company's assets.

(3) When in accordance with this Law, the assembly shall adopt a decision for approval of a major business deal, the decision shall be adopted on the basis of the appraised value of the assets being acquired or disposed, determined by the board of directors, that is the supervisory board.

Procedure for approval of a major business deal

Article 456

(1) In accordance with the value, each major business deal shall have to be approval by the board of directors, the supervisory board or the

assembly.

(2) The decision regarding the approval of any major business deal, referring to assets in value of 20% to 50% of the bookkeeping value of the company's assets shall be adopted by consent of all members of the board of directors, that is the supervisory board.

(3) If the consent determined in paragraph (2) of this Article for approval of a major business deal is not adopted, the board of directors, that is the supervisory board can decide to submit the major business deal for approval to the assembly. The assembly shall adopt the decision by majority of the votes which cannot be lower than the majority of the represented voting stocks at the assembly, unless the statute requires a higher majority.

(4) The decision for approval of a major business deal, involving assets in value of more than 50% of the bookkeeping value of the company's assets shall be adopted by a majority of the votes that cannot be less than two thirds of the represented voting stocks at the assembly, unless the statute requires a higher majority.

(5) The board of directors, that is the supervisory board shall submit a written information on the major business deal to the assembly, stating that the assembly has to review the proposal for the major business deal and their recommendation, including the statement about the stockholders' right not to agree with the major business deal. The written information shall indicate the party, that is the parties of the business deal, the beneficiary, that is the beneficiaries of the business deal, the value, the subject, the scope and other material requirements of the business deal.

(6) In case a member of the management body, that is the supervisory body has personal interest in the realization of the major transaction business deal, that is is an interested party in its approval, the provisions of this Law referring to the interested party business deal shall apply.

(7) A major business deal, 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 having one stockholder, who at the same time is the manager.

Article 456-a

(1) The provisions of Articles 455 and 456 of this Law shall accordingly apply to the limited liability company, except for the single-member limited liability company where the member is the manager at the same time.

(2) The decision referred to in Article 456 paragraph (3) of this Law shall be adopted by the members meeting by a majority which cannot be smaller than the majority of votes given by the contributions in accordance with Article 218 of this Law, unless bigger majority is provided for by the agreement of the company.

(3) The decision referred to in Article 456 paragraph (4) of this Law shall be adopted by the members meeting by a majority which cannot be under two thirds of the majority of votes given by the contributions in accordance with Article 218 of this Law, unless bigger majority is provided for by the agreement of the company.

(4) The decisions adopted contrary to the provisions of this Article shall be null and void.

SECTION 2

BUSINESS DEALS WITH AN INTERESTED PARTY

Business deals of the company with the interested party

Article 457

(1) Any business deal (including without limitation, loan, credit, pledge or guarantee) wherein the interested party is a member of the management body, that is the supervisory board or the manager, including the managerial persons, or a stockholder of the company who together with the affiliated persons holds 20% or more of the company's voting stocks, or a person who has the authorization to give instructions to the company, shall be considered as a business deal with an interested party and shall be realized by the company in a procedure in accordance with the provisions of this Law.

(2) It shall be considered that the person referred to in paragraph (1) of this Article is an interested party and shall have an interest in the realization of the business deal by the company, provided that such person, his/her representative, his/her spouse, parents, children, brothers/sisters from both parents or from one parent only, adopting parents, adopted children, and/or any of person connected with them (hereinafter: interested party):

- 1) is a party to such business deal, a beneficiary thereof, an agent or representative in such business deal; or
- 2) individually or jointly holds 20% or more of the stocks in the legal entity that is a party to the business deal, a beneficiary thereof, an agent or a representative in such business deal, or
- 3) is a member of the management, that is the supervisory body of the legal entity which is a party to the business deal, a beneficiary thereof or a representative in such business deal, or is a managerial person of that legal entity, or
- 4) if it is determined in the statute.

(3) The provisions referred to in paragraphs (1) and (2) of this Article shall not apply:

- 1) if the company has a single stockholder who is at the same time is a manager;
- 2) if all stockholders of the company have an interest in the business deal;
- 3) in the case of exercising priority right to purchase stocks, issued by the company; or
- 4) in the case of acquisition or repurchase of personal stocks.

Notification regarding an existence of assets

Article 458

If the company, within a time period of two years after its incorporation, acquires any assets owned by the founders greater than one tenth of the basic capital of the company, the acquisition of the assets shall be examined in details and the report shall be published at the subsequent assembly for the purpose of requesting an approval.

Notification regarding an existence of an interested party in the company's business deals

Article 459

The persons referred to in Article 457 of this Law shall be obliged to notify the board of directors, that is the supervisory board regarding:

- 1) the companies, in which they alone or together with affiliated persons possess 20% or more percentage of the share, that is the voting stocks,
- 2) the companies in which they perform certain managing duties, or
- 3) current or possible business deal known to them, in which they are an interested party.

Procedure for approval of a business deal with an interested party

Article 460

(1) Any business deal with an interested party shall be subject to a prior approval by the board of directors, that is, the supervisory board or the assembly, in the manner and in accordance with the procedure determined in this Article.

(2) The decision to approve a business deal with an interested party shall be adopted by majority votes of the members of the board of directors, that is, the supervisory board having no interest in the business deal. If all members of the board of directors, that is, the supervisory board are interested parties, or if the number of the members of the board of directors, that is, the supervisory board having no interest is less than the number necessary for quorum on a session of the board of directors, that is, the supervisory board determined in the statute, such business deal shall be approved by the assembly.

(3) The assembly shall approve the business deal with the interested party by majority of the votes of all stockholders having no interest, but own stocks with voting right, if: 28

- 1) the value of the assets at which such business deal or the connected deals refers to is 2% or more percentage 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 case of assets purchase;
- 2) the business deal or the connected deals referred to issuance through subscription or sale of stocks that represent more than 2% of the company's remaining common stocks in that period and of the common stocks into which securities previously issued in series and convertible into stocks can be converted; or
- 3) the business deal or the connected deals refer to issuance, through subscription of convertible bonds, which can be converted into common stocks, which represent more than 2% of the company's issued common stocks, and if in the same time the common stocks previously issued in series are convertible into stocks.

(4) The decision on approving a business deal with an interested party shall determine the person being a party to business deal or a beneficiary thereof, as well as the value, subject and other material terms of the business deal.

(5) In the procedure for approving a business deal with an interested party, the price of the assets or the services being sold or purchased

thereon shall be determined by the board of directors, that is the supervisory board.

(6) The business deal with an interested party realized in a manner contrary to the provisions of this section of the Law shall be null and void.

(7) Any interested party shall be held liable for the damages caused to the company, stockholders and other members of the management body, that is, the supervisory board or the manager if, within a time period of three years as of the day of approval of the business deal with the interested party, it is determined that the business deal is detrimental to the trade company, the stockholders and the members of the management board, that is, the supervisory board having no interest in the business deal. If several interested parties are liable, their liability to the company shall be joint.

Procedure for approval of a business deal with an interested party in a joint stock company listed at an authorized stock exchange

Article 460-a

(1) Before adopting a decision to approve a business deal with an interested party adopted by a competent body of the joint stock company listed at an authorized stock exchange, in addition to the provisions referred to in Article 460 of this Law, in case the value of the business deal which is the subject of approval or the cumulative value of mutually related business deals during the past 12 months as of the day of approval of the business deal exceeds 10% and more of the value of the assets of the company determined on the basis of the last audited annual financial reports, an opinion of an authorized auditor that meets the requirements prescribed by the Law on Audit and the Law on Securities shall be necessary.

(2) The opinion of the authorized auditor shall address the issue of whether the business deal with the interested party is in accordance with the positive regulations in the country, whether the business deal with the interested party is fair, that is, whether the value of the business deal is established according to the market conditions, whether there is disproportion in the mutual contributions of the parties, whether there are any other facts and circumstances that might be considered grounds for causing damage, including a recommendation for the minority stockholders whether they support the business deal with the interested party.

(3) The joint stock company referred to in paragraph (1) of this Article may close the business deal with the interested party only if an opinion from an authorized auditor is obtained before the business deal is approved.

(4) The provisions of this Law shall not apply when the company:

- pays out a dividend,
- issues securities, and
- renders financial services within the scope of the normal operations of the joint stock company (bank services, securities related services, insurance related services, and alike) in the cases where they are regulated by special laws and are supervised by a competent body.

Annulment of an agreement with an interested party

Article 460-b

(1) A stockholder of a trade company with the right to vote, provided that it considers that the company has suffered damage by the existence of an obvious disproportion between the mutual contributions and the actions resulting from the agreement concluded between interested parties, which is also unfair, that is, the value of the business deal is not established according to the market conditions, may file a lawsuit with a competent court to annul the agreement.

(2) The lawsuit referred to in paragraph (1) of this Article may be filed in a period of one year as of the day of finding out about the existence of such agreement, but not later than three years as of the day of its approval in accordance with the provisions of this Law.

(3) If the court annuls the agreement referred to in paragraph (1) of this Article, the interested party that has benefited from such agreement shall be obliged to compensate the material damage and the lost benefit (which also includes the profit generated from the effectuated transaction) to the company.

(4) The amount of the damage compensation shall be determined according to the prices at the time of adoption of the court decision, unless otherwise determined by law.

(5) In the course of determining the amount of the damage referred to in paragraph (3) of this Article, the value of the profit generated from the implementation of the annulled agreement shall be taken into consideration.

(6) The damage compensation shall be for the benefit of the company.

(7) The provisions of this Article shall accordingly apply to a partner, that is, to the partners whose joint investments make at least one tenth of the basic capital of the company.

(8) The regulations in the field of obligations regulating the excessive damage and nullity of agreements in general, shall apply to all issues not regulated by the provisions of this Article.

Procedure for insight and investigation/control of the trade books and activities of the company"

Article 460-c

(1) A stockholder or a group of stockholders holding at least 10% of the basic capital of the trade company, based on suspicion of possible irregularities in the keeping of the trade books and the activities of the trade company, that is, suspicion that the trade company acts contrary to the provisions of the Law on Trade Companies, shall have the right to request the management body to convey an assembly of the trade company at which an authorized auditor shall be appointed for performing insight, audit, inspection, certification or related services within the scope of activities of the trade company regarding which the suspicion has been voiced in the request about the existence of possible irregularities.

(2) The stockholders may request the competent court to adopt a decision to appoint an authorized auditor in accordance with paragraph (1) of this Article if:

1) the assembly is not conveyed within a period of eight days as of the

submission of the request referred to in paragraph (1) of this Article;
2) the assembly refuses to appoint an authorized auditor; or
3) the assembly fails to adopt a decision for appointing an authorized auditor within a period of 60 days as of the submission of the request referred to in paragraph (1) of this Article.

(3) The request to the court may be submitted within a period of 30 days as of the expiry of the deadlines referred to in paragraph (2) points 1 and 3 of this Law, that is, within a period of 30 days as of the day of refusal of the assembly to appoint an authorized auditor.

(4) The assembly, that is, the court may appoint an authorized auditor for the purposes of paragraph (1) of this Article, who:

1) has no conflict of interests in terms of the Audit Law with the trade company or the stockholders referred to in paragraph (1) of this Article and

2) has not provided consulting services to the trade company or to the stockholders referred to in paragraph (1) of this Article in the last three years.

(5) The appointment costs and the remuneration for the authorized auditor shall be born by the stockholders who requested the appointment. If upon the completion of the insight, the authorized auditor establishes irregularities in the performance of the activities (the operation) of the trade company, the appointment costs and the remuneration for the authorized auditor shall be born by the trade company.

(6) The authorized auditor appointed in accordance with the provisions of this Article shall prepare a report under the international auditing standards published in the "Official Gazette of the Republic of Macedonia" and the auditor shall submit it to the requesting entities referred to in paragraph (1) of this Article and to the trade company to which the request refers. The trade company shall be obliged to provide insight to the report of the authorized auditor to each stockholder and to any other entity that has a legal interest, at the head office of the company in a manner and procedure as prescribed by Article 320 of this Law.

(7) The right to submit a request for appointing an authorized auditor in accordance with paragraph (1) of this Article may be exercised within a year as of the day of becoming aware of the existence of possible irregularities in the performance of the activities of the trade company.

(8) The auditor referred to in paragraph (1) of this Article shall not have the right of access to data and information concerning patents, copyrights, intellectual ownership and etc.

Notification of a completed business deal with an interested party

Article 460-d

(1) The joint stock company whose securities are listed on the stock exchange shall be obliged, after the full completion of the business deal with an interested party, immediately and the next day at the latest, in at least one daily newspaper, on the website of the company, and on the website of the stock exchange, to publish a notification regarding the completed business deal with an interested party.

(2) The notification referred to in paragraph (1) of this Article shall contain data on the subject and the value of the completed business deal, the

profit from the completed business deal, the persons that are the interested party in the business deal, the nature of the relationships between the joint parties, as well as other information related to the interest of the person, that is, the joint parties in the business deal.

CHAPTER SIX

LIMITED PARTNERSHIP WITH STOCKS

Definition

Article 461

(1) A limited partnership with stocks shall be a trade company in which the basic capital is divided into stocks, wherein one or more partners shall be jointly and severally liable with their entire assets for the company's liabilities (hereinafter: general partners) and few partners having the status of stockholders and who shall be liable up to the amount of their contributions and who shall not be liable for the company's liabilities (hereinafter: general partners). 29

(2) The number of the limited partners cannot be less than three.

(3) The legal relations of the general partners among themselves and against the limited partners, as well as against third parties, and the right of the general partners to manage and represent the limited partnership with stocks, shall be regulated in accordance with the provisions regarding the limited partnership determined by this Law.

(4) Unless otherwise determined by this Law, the provisions of this Law referring to the joint-stock companies shall be appropriately applied to the limited partnership with stocks, except for the provisions regulating the management with the joint-stock company.

(5) The business name of a limited partnership with stocks shall contain the words: "komanditno drustvo so akcii" (limited partnership with stocks) or the abbreviation "KDA".

Agreement for a limited partnership with stocks

Article 462

(1) The agreement for a limited partnership with stocks (hereinafter: articles of association) shall be concluded by all founders by verifying at a notary the signatures on the agreement.

(2) The general partners shall have to participate in the conclusion of the articles of association. The persons having the status of stockholders acquiring the stocks for the made contributions, shall participate in the conclusion.

Data contained in the articles of association

Article 463

(1) In addition to the data referred to in Article 151 of this Law, the articles of association shall contain the name and the surname, PIN, the passport number, that is the number of the personal identification card or

other document aimed at determining the identity, valid in his/her country, provided that the general partner is a foreign natural person and his/her citizenship, as well as the place of residence, that is the business name, the head office, PINE is the general partner is a legal entity.

(2) The entering of a non-monetary contribution of the general partner in the articles of association shall be determined in accordance with the type and amount.

(3) The contributions of the general partners cannot be less than 10% of the basic capital.

Entry of a limited partnership with stocks

Article 464

In the procedure for entry of the limited partnership with stocks into the trade register, the general partners shall be stated. Provided that the articles of association contain special provisions for the authorizations of the general partners to represent the limited partnership with stocks, they shall be entered into the trade register.

Restrictions for general partners in the decision adoption

Article 465

(1) In proportion to their participation in the basic capital, the general partners shall have a right to vote at the assembly of the limited partnership with stocks.

(2) As an exception to paragraph (1) of this Article, the general partners cannot exercise their voting right neither for themselves nor on behalf of another person, during the decision adoption in connection with:

- 1) the election and the dismissal the members of the supervisory board;
- 2) the approval of the work of the general partners and the supervisory board;
- 3) the election of separate controllers;
- 4) raising a compensation request or waving the right to compensation, and
- 5) the appointment of an authorized auditor of the annual statement and the financial reports.

(3) General partners' consent shall be necessary for the decisions of the assembly provided that such decisions refer to matters for which consent of both the general and the limited partners is required. The decision of the assembly of the limited partnership with stocks, which requires consent of the general partners, shall be submitted for entry in the trade register only after the consent is given.

Managing a limited partnership with stocks

Article 466

(1) General partners shall manage the limited partnership with stocks.

(2) The general partners can entrust the management of the limited partnership with stocks to one or several managers.

Supervisory Board

Article 467

(1) The assembly of the limited partnership with stocks, under the conditions and in a manner determined in the articles of association with stocks shall elect members of a supervisory board, composed of at least three stockholders. A stockholder from among the general partners cannot be elected in the supervisory board. The general partners cannot participate in the election of the members of the supervisory board.

(2) The supervisory board shall continuously control over the management of the limited partnership with stocks. The supervisory board shall submit to the assembly of the limited partnership with stocks a regular annual report indicating any irregularities or falseness, especially in the annual statements. The supervisory board can convene the assembly of the limited partnership with stocks.

(3) Unless the assembly has already elected special representatives, in the legal disputes initiated by all limited partners against the general partners, or initiated by the general partners against all limited partners, the limited partners shall be represented by the members of the supervisory board, in the manner determined in the statute. Regardless of the right to reimbursement of the limited partnership with stocks to the limited partners, the limited partnership with stocks shall bear the costs incurred by the dispute.

Liability of the members of the supervisory board

Article 468

(1) The members of the supervisory board shall not be liable for the manner of management of the limited partnership with stocks and the results thereon.

(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 have been aware of such omission, negligence or wrongdoing and have not inform the assembly of the limited partnership with stocks thereon.

SECTION SEVEN

TRADE BOOKS, ANNUAL ACCOUNTS AND FINANCIAL REPORTS

Sub-Section 1

ACCOUNTING

Accounting obligation

Article 469

(1) Each commercial entity shall be obliged to keep the accounting in the manner determined in this Law and the accounting regulations, and:

1) each large and medium size commercial entity, the commercial entities determined by law performing bank activities, insurance activities, the commercial entities listed on the exchange-stock market, as well the commercial entities whose financial reports are included in the consolidated financial reports of the above mentioned commercial entities, shall be obliged to keep the accounting in accordance with the adopted international standard for financial notification published in the "Official Gazette of the Republic of Macedonia" , and

2) other commercial entities shall have an obligation to keep accounting in accordance with the international accounting standards for financial notification for small and medium size entities.

(2) The international accounting standards for financial notification and the international standards for financial notification for small and medium size entities shall be updated on annual basis for the purpose of being harmonized with the current standards, as revised, amended or adopted by the International Accounting Standards Board.

(3) The provisions of this Law in respect to accounting, classifying the commercial entities, the trade books, the annual statements and the financial reports shall be appropriately applied to the legal entities with a head office in the Republic Macedonia performing an activity determined with the National Classification of Activities, not being considered as commercial entities in accordance with this Law and other regulation, unless otherwise determined by other law.

(4) Unless otherwise determined by other law, the provisions of this Law, regulating the accounting, the trade books and annual statements shall also apply to the sole proprietor and other natural persons performing an activity,

(5) The Minister of Finance shall with special regulations prescribe the manner of keeping the accounting referred to in paragraph (1) of this Article.

(6) The Minister of Finance shall closely prescribe the manner and the conditions for submitting the annual account in electronic form.

Classification of the commercial entities

Article 470

(1) The 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 statements in the last two years (accounting years).

(2) In the first year of the operation, the commercial entity shall be classified in accordance with the assessed volume of its operation and, in the second year, in accordance with the data from the previous year of operation.

(3) The change from one to other classification of a commercial entity in accordance with paragraph (1) of this Article, cannot be performed during the year.

(4) A micro size commercial entity shall be a commercial entity that, in each of the last two accounting years, that is in the first year of its operations, has met the following two criteria:

1) the average number of employees, based on working hours, is up to 10

employees, and

2) the gross annual income of the commercial entity acquired from any source does not to exceed Euro 50.000 in Denar counter-value.

(5) Small size commercial entity shall be a commercial entity that, in the last two accounting years, that is in the first year of its operation, has met at least two of the possible criteria, as following:

1) the average number of employees, based on working hours, is up to 50 employees,

2) the annual income is less than Euro 2.000.000 in Denar counter-value , or

3) the average value (at the beginning and at the end of the accounting year of the total assets is less than Euro 2.000.000 in Denar counter value.

(6) Medium size commercial entity shall be a commercial entity that, in each of the last two accounting years, that in the first year of operations, has met at least two of possible criteria, as following:

1) the average number of employees, based on working hours, is up to 250 employees,

2) the annual income is less than Euro 10.000.000 in Denar counter value, or

3) the average value (at the beginning and at the end of the accounting year) of the total assets is less than Euro 11.000.000 in Denar counter value.

(7) Commercial entities not classified as micro, small or medium-size commercial entities shall acquire the status of large commercial entities. In case of inability to classify the commercial entities referred to in paragraph (5) and (6) of this Article, that is when all three criteria are different, the commercial entity shall be classified as middle sized commercial entity. In case of inability to classify the commercial entities referred to in paragraph (2) of this Article, that is when the two criteria are different shall be classified as a small commercial entity.

(8) If, in 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 the Annual Accounts within the Central Registry, to which the annual accounts and financial reports are submitted and which performs supervision, shall within a time period of 60 days as of the time period prescribed for submission of the last annual account on the basis of which the commercial entity is classified, in accordance with the provisions referred to in paragraph (1) of this Article, inform the commercial entity on the classification thereof.

(10) The banks, insurance companies and other financial institutions and commercial entities that compile consolidated annual accounts and consolidated financial reports shall be classified in accordance with provisions of this Article referring to the large commercial entities.

Section 2

TRADE BOOKS

Obligation to keep trade books

Article 471

(1) Each commercial entity, in accordance with the principles for proper keeping of accounting, shall keep trade books in a manner that visibly reflects all business and legal operations, the condition of the assets, liabilities, capital, revenues and expenditures. The trade books shall be kept in a manner that enables any third party - expert when reviewing the trade 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 trade 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 trade books shall be kept in accordance with the double accounting system.

(4) The trade books, kept in accordance with the double accounting system, shall include a register, a main book and analytical records.

Keeping the trade books

Article 472

(1) The commercial entity shall keep the commercial books in the Macedonian language, using Arabic numerals and values expressed in Denars. Should abbreviations, codes, signs or symbols be used, the commercial entity shall be obliged to explain their meaning.

(2) The commercial entity with a head office in a local self-government unit, where at least 20% of the population uses an official language other than the Macedonian language, shall keep its commercial books in Macedonian language and can also keep them in the other language.

(3) All data registered in the trade books shall have to be full and complete, timely, updated and presented chronologically, that is accurately reflect the time sequence of their occurrence.

(4) The trade books shall be kept on the basis of reliable accounting documents.

(5) A registered data in the trade books cannot be amended in a manner that shall later disable determination of the originally registered content. Amendments made in a manner that prevents distinguishing the original and initially entered (registered) contents from the later amendment shall be contrary to this Law.

(6) The trade books can be kept in hard copy (in separate or bind sheets) or in electronic form, thereby adhering to the principles of proper accounting keeping. The commercial entity shall be obliged, regardless of the method of keeping and storing the trade books, to provide, at any time and within a reasonable time period, access to the commercial books, to keep and protect within the determined time period, and to guarantee that they can be presented at any time.

(7) The trade books kept under the double accounting system shall be kept by applying basic accounts as prescribed by an accounting plan. Unless otherwise determined by law, the accounting plans shall determine the accounts obligatory for all trade companies.

(8) The commercial entity shall, according to its needs, break down the accounts from the accounting plan into analytical accounts (in its analytical accounting plan).

(9) The Minister of Finance shall prescribe the accounting plans.

Listing and harmonization of the conditions

Article 473

(1) The commercial entities according to their form, as well as the sole proprietor shall be obliged at least once in the business year to conduct a listing of the assets and obligations and harmonize the accountancy condition of the assets and obligations with the factual condition determined with the listing.

(2) The commercial entity according to their form shall also be obliged to make a listing in the event of statutory amendments, and in other cases determined by other law.

(3) The manner of conducting the listing of the assets and obligations and harmonization of the accounting condition of the assets and the obligations with the factual condition determined with the listing shall be prescribed by the minister of finance.

Keeping trade books, accounting documents, annual accounts and financial reports

Article 474

(1) The commercial entity shall permanently keep the annual accounts and the financial reports.

(2) The trade books shall be kept for at least 10 years from the end of the year to which they refer.

(3) The accounting documents shall be kept for at least five years from the end of the year when the documentation was used for compiling the trade books, except for the documentation related to the calculation of salaries, which shall be kept permanently.

(4) The annual accounts and financial reports, the trade books and the accounting documents shall be kept in original form or transferred to some of the automatic or micro-graphic data processing media.

Presentation in court procedures

Article 475

(1) During the court procedure, the court can, upon a proposal or *ex officio* order one or the other party or both parties to submit their trade books for the purpose of inspection.

(2) If the commercial books have been submitted for inspection in a court dispute, their contents shall be reviewed in the presence of the parties to the extent to which the contents refer to the concrete dispute, and transcriptions shall be made whenever needed. Other content of the trade books shall be submitted to the court for inspection to the extent required

for the court to assess whether the trade books have been kept in a correct, accurate and legal manner.

SECTION 3

ANNUAL ACCOUNT AND FINANCIAL REPORTS

Obligation for preparation of an annual account and financial reports

Article 476

(1) Each commercial entity referred to in paragraph (1) of Article 464 and a subsidiary of a foreign company upon the expiry of the business year, shall prepare an annual account.

(2) The commercial entities referred to in paragraph (1) point 1 of Article 469 upon the expiry of the business year, shall also prepare financial reports.

(3) For the purposes of preparation of the annual account and financial reports, the calendar year shall be the business year.

(4) The annual account shall include an annual turnover sheet and a balance sheet and explanatory notes. The financial reports shall include an annual turnover sheet and a balance sheet, report on the changes in the capital, report on the cash flows, applied accounting policies and other explanatory notes prepared in accordance with the international standards for financial notification referred to in paragraph (1) point 1 of Article 469 of this Law.

(5) The commercial entity in accordance with paragraphs (1) and (2) of this Article shall also prepare the annual account and financial statements for shorter periods than the periods determined in paragraph (3) of this Article in the event of statutory amendments (merger, consolidation, division) liquidation, bankruptcy and other cases determined by law.

(6) The annual account and the financial report referring to the same business year being prepared in accordance with the provisions of this Law and the accounting regulations shall have to contain identical data regarding the condition of the asset, obligations, revenues, expenditures, capital and the gained profit, that is loss of the company for the business year.

(7) The annual account and the financial reports shall be signed by the accountant, i.e. the authorized accountant who has prepared them, including the date of their preparation and signing and the register number under which they are entered in the Institute of Accountants and Authorized Accountants of the Republic of Macedonia.

(8) Upon signing the annual account and the financial reports by the person referred to in paragraph (7) of this Article, they shall be signed by the legal representative of the commercial entity.

(9) The Minister of Finance shall prescribe the form and the content of the annual account which cannot be altered during one fiscal year.

Preparation and submission of the annual accounts and financial reports

Article 477

(1) The time period for preparing the annual account referred to in paragraph (1) of Article 476 and the financial reports referred to in paragraph (2) of Article 476 cannot be longer than two months following the expiry of the business year, unless the competent state body extends it an additional three months.

(2) As an exception to the provisions referred to in paragraph (1) of this Article, the commercial entities of seasonal nature can prepare the annual account and financial reports for a business year other than the calendar year, wherefore the Minister of Finance shall issue a decision upon a special request by the commercial entity.

(3) The articles of association and the statute can determine that, in addition to the preparation of the annual account and the financial reports referred to in paragraph (1) of this Article, preparation of financial reports for time periods shorter than the business year.

(4) The annual account shall be submitted to the Central Registry by the end of February of the following year, that is, within a time period of 60 days as of the day of initiation of the procedure for liquidation or bankruptcy proceeding or following the occurrence of a statutory amendment, and the accounts prepared for a shorter period of time 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. The Central Registry shall be obliged to process the annual accounts for the needs of the Ministry of Finance.

(5) As an exception to paragraph (4) of this Article, the annual account may be submitted in an electronic form to the Central Register even until the 15th of March the following year.

(6) The fees for the submission of the annual account within the deadlines referred to in paragraphs (4) and (5) of this Article shall be established with a tariff of the Central Register.

(7) The commercial entities that shall not deliver the data from the annual account within the deadlines referred to in paragraphs (4) and (5) of this Article shall pay a special fee determined with the tariff of the Central Register.

(8) The data from the annual account prepared and signed in accordance with Article 476 paragraphs (7) and (8) of this Law, submitted to the Central Register in electronic form, shall be signed with an electronic signature of the accountant, that is, of the authorized accountant that has prepared the annual account, or of the legal representative of the commercial entity.

(9) Every large and medium size commercial entity shall be obliged to submit the annual account to the Central Register solely in an electronic form.

(10) Sole proprietors and trade companies that have not carried out any trade activity, that is, an activity that according to the nature and scope of actions may be considered trade activity in the previous year shall be obliged, in addition to the written notification that they have not been active, to submit an annual account containing data on a prescribed form to the Central Register of the Republic of Macedonia by the last day before the expiry of the legal deadline for submission of annual accounts in accordance with the provisions of this Law at the latest.

(11) A procedure for establishing an inactive entity in accordance with Article 477-a of this Law shall be conducted for the entities referred to in paragraph (10) of this Article.

(12) Sole proprietors and trade companies that have not submitted an annual account and a written notification that they have not been active in accordance with paragraph (10) of this Article for the last business year by the last working day in the current year, shall be deleted from the unique trade register in the manner and under the procedure set out by this Law.

(13) The Central Register of the Republic of Macedonia shall delete from the unique trade register the entities referred to in paragraph (11) of this Article for which it is established that three years in a row are inactive entities in line with Article 477-a of this Law.

(14) The management body, in addition to the annual account for the commercial entities referred to in paragraph (1) of Article 469 of this Law, that is the financial reports for the commercial entities referred to in Article 469 paragraph (1) point 1 of this Law, shall be obliged, upon the end of each business year, to prepare a report on the operations of the company for the previous business year with the content determined in Article 384, paragraph (7) of this Law.

(15) The sole proprietors or the trade companies that fail to submit an annual account and financial reports within the deadline set by law, shall be obliged to submit an annual account and financial reports together with a previously made audit by an authorized auditor to the Central Register of the Republic of Macedonia by 31 December in the current year at the latest.

Procedure for establishment of a status of inactive entity

Article 477-a

(1) The Central Register of the Republic of Macedonia shall enter in its records that a procedure for establishing a status of inactive entity is being conducted for the entity and shall notify the Public Revenue Office about each entity for which it has established that meets the requirements referred to in Article 477 paragraph (10) of this Law in an electronic manner.

(2) The Public Revenue Office shall initiate a procedure for establishing a status of inactive entity for the entities referred to in Article 477 paragraphs (9) and (10) of this Law for which it has been notified in an electronic manner in accordance with paragraph (1) of this Article. In the procedure, the Public Revenue Office shall establish whether, during the period for which an annual account and financial report has not been submitted, the entity:

- has effectuated transactions on any basis through a transaction account opened with a bearer of payment operations (including also cases of only funds inflow) or
- in any other manner, has managed its funds and property that the Public Revenue Office has established during the carrying out of the activities within its scope of competences.

(3) In the cases of outflow of funds or transfer of property on the basis of coercive collection, that is, enforcement at the entity - debtor, it cannot be

treated as an activity of the entity in the procedure for establishing a status of inactive entity.

(4) The Public Revenue Office shall adopt a decision on establishment of a status of inactive entity if the entity for which the procedure has been conducted in accordance with paragraph (2) of this Article is determined not to meet the requirements defined in paragraph (2) of this Article. The Public Revenue Office shall immediately notify the Central Register of the Republic of Macedonia in an electronic manner that the company has been established the status of inactive entity, for the purpose of its entry in the records.

(5) If the Public Revenue Office, in the procedure for establishing the status of an inactive entity, establishes that the conditions for inactive entity are not met, by a decision, shall oblige the entity, within a period of 30 days as of the adoption of the decision, for the business year, to re-submit an annual account and financial reports, together with a previously made audit by an authorized auditor, to the Central Register of the Republic of Macedonia.

(6) If the Public Revenue Office establishes that there are certain discrepancies in the data in the annual account and the financial reports submitted to the Central Register of the Republic of Macedonia regarding the data submitted to the Public Revenue Office, by a decision, shall oblige the entity, within a period of 30 days as of the adoption of the decision, for the business year, to re-submit an annual account and financial reports, together with a previously made audit by an authorized auditor, to the Central Register of the Republic of Macedonia.

(7) The Public Revenue Office shall inform electronically the Central Register of the Republic of Macedonia about the adopted decisions referred to in paragraphs (5) and (6) of this Article.

(8) If the entity referred to in paragraphs (5) and (6) of this Article fails to submit an annual account and financial reports within the set deadline, it shall be deleted from the trade register in accordance with the provisions of Articles 552-a and 552-b of this Law.

Financial reports audit

Article 478

(1) The following commercial entities shall be subject to an audit:

- 1) large and medium size commercial entities registered as joint-stock companies;
- 2) companies whose stocks are listed on the stock exchange, and
- 3) large and medium size commercial entities organized as limited liability companies.

(2) The company shall be obliged to have an audit opinion regarding the financial reports one month prior to holding the meeting of the partners, that is the assembly, at the latest.

Selection of an authorized auditor

Article 479

(1) The financial reports, which in accordance with Article 478 of this Law are subject to audit, cannot be approved if they have not been audited by

an authorized auditing company, or an authorized auditor-sole proprietor (hereinafter: sole proprietor).

(2) The authorized auditor shall be selected by the meeting of the stockholders, that is, the assembly.

(3) The authorized auditor company shall be selected prior the expiration of the business year that is subject to the audit.

(4) The executive members of the board of directors, that is, the members of the management board, or the manager of the company, shall be obliged to enable the authorized auditor an insight in the documentation, including what is considered to be a business secret.

(5) The authorized auditor shall be obliged to request from the persons referred to in paragraph (4) of this Article explanations and proof needed for proper review of the financial reports.

(6) The authorized auditor of the financial reports shall submit a report on the audit performed, in accordance with the International Accounting Standards (IAS) published in the "Official Gazette of Republic of Macedonia" updated annually for the purpose of harmonization with the current standards amended and adopted by the International Federation of Accountants (IFAC).

Obligation to submit the audit report

Article 480

(1) The executive members of the board of directors, that is, the management board, or the manager shall, immediately upon receipt of the audit report, together with the annual account and the financial reports and the annual report on the company's operation submit it to the board of directors, the supervisory board, that is the controller. At the same time, the board of directors, the supervisory board, that is the controller shall also be delivered the proposal of the decision for distribution of the realized profit, which shall be submitted to the meeting of stockholders, that is the assembly for the purpose of adoption.

(2) The non-executive members of the board of directors, the supervisory board, that is the controller shall be obligated to review the annual account and financial reports, as well as the proposal of the decision for distribution of the profit. Upon a request of the non-executive members of the board of directors, that is the supervisory board, the authorized auditor shall be obligated to attend the meeting of the board of directors, that is the supervisory board.

(3) The non-executive members of the board of directors, the supervisory board, that is the controller, shall submit to the general meeting of the partners, that is the assembly, a written report on the results of the supervision. In the report, the nonexecutive members of the board of directors, the supervisory board, that is the controller shall state the manner of supervision and the scope of supervision over the company's management of the company during the previous business year. The report shall also state the opinion regarding the results of the audit made by the authorized auditors for the annual account and financial reports, as well as the notes by the auditors to the compiled annual account statements and financial reports, and shall propose whether they are to be adopted or not.

SECTION 4

FINANCIAL RESULT AND DISTRIBUTION OF THE PROFIT

Sub-section 1

FINANCIAL RESULT

Financial result determining

Article 481

For the purposes of distribution of the profit, the commercial entities that are keeping their accounting in accordance with paragraphs (1) of Article 469 of this Law, shall determine their financial result in accordance with the international accounting standards for financial notification, international accounting standards for financial notification of small and medium entities and in accordance with this Law.

Publication of the adopted annual account and approval of the financial reports

Article 482

(1) The annual account adopted by the management body shall be submitted to the Central Registry by the end of February, at the latest.

(2) The approved financial reports, together with the annual report on the operation of the company, shall be submitted to the Register of the Annual Accounts at the Central Register within 30 days as of the day they were approved, by the management body, and shall be put in the business or other premises for inspection. Each partner/member or a stockholder shall have right to inspection. The Central Registry shall be obliged to process the revised annual accounts, that is the revised financial reports where deviations have been determined in relation to the data of already submitted annual accounts, that is the financial reports.

(3) The data from the annual accounts and the financial reports shall be public and available to all parties in a manner and procedure in accordance with this and other laws. The Central Registry shall publish information, issue photocopies from accounting statements and separate data from the electronic database, in accordance with the Law on the Central Registry.

(4) The company whose scope of operations are banking and other crediting activities and insurance activities shall, within a time period of 15 days as of the day of holding the assembly publish the forms determined by this Law, without the remarks on the applied accounting policies and other explanatory notes in a manner prescribed by law, and shall be mandatory published in the "Official Gazette of the Republic of Macedonia".

(5) The obligation for publication referred to in the paragraph (3) of this Article shall also apply to other large size companies, and companies listed on the stock exchange.

(6) When a company publishes its annual accounts and financial reports in a daily newspaper, although not obliged, it shall publish them as approved by the meeting of stockholders, that is the assembly, without amendments, including the report of the authorized auditor.

Sub-section 2

DISTRIBUTION OF THE PROFIT

Article 483

(1) The meeting of stockholders, that is the assembly shall decide upon the distribution of the profit.

(2) In the decision on distribution of the profit each separate purpose of the profit shall be stated, and particularly the following:

- 1) the amount of the profit to cover the losses from the past years (provided that there are any) ;
- 2) the amounts to be entered into the legal and statutory reserves of the company;
- 3) the amount to be paid as a dividend;
- 4) the additional expenses based on the decision;
- 5) the eventual transfer of the profit into the next year (accumulated profit), and
- 6) the amount of the profit to be used to increase the basic capital of the company and the amount of the profit for investments.

(3) With the decision referred to in paragraph (1) of this Article amendment of the realized profit of the company cannot be conducted.

Loss Coverage

Article 484

(1) The general meeting of stockholders, that is the assembly shall decide upon loss coverage.

(2) The decision on loss coverage shall list the sources for loss coverage, in particular the following:

- 1) accumulated profit ;
- 2) at the expense of the mandatory general reserve;
- 3) at the expense of the special reserves for loss coverage;
- 4) premium, and
- 5) at the expense of the basic capital, by its reduction.

(3) With the decision referred to in paragraph (1) of this Article the loss in the company cannot be amended.

Mandatory general reserve (general reserve fund)

Article 485

(1) The company shall have a mandatory general reserve 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 articles of association, that is, the statute and cannot be less than 5% of the profit until the reserve of the company reach an amount equal to one

tenth of the basic capital. If the reserve generated in this way decreases, it has to be supplemented in the same manner.

(2) As long as the general reserve does not exceed the determined minimum amount determined by law, the articles of association, that is, the statute, it can be used only for loss coverage.

(3) If the general reserve exceeds the minimum amount after the loss coverage, the excess can, by a decision of the meeting of partners/members, that is the assembly, be used for supplementing the dividend, if the dividend for the business year has not reached the minimum amount determined by this Law, the articles of association, that is, the statute.

(4) The amount entered in the reserve on the basis of additional payments by the members/partners, that is stockholders, cannot be used for supplementing the dividend.

(5) Provided that it is prescribed by other law, the companies conducting bank, that is insurance activities shall not be obliged to have a mandatory general reserve.

Special reserves for the purpose of loss coverage or other expenses

Article 486

(1) The articles of association, that is, the statute of the company can anticipate generation of special reserves intended for covering certain losses or other expenses. The purpose, the structure and the manner of utilization of the reserves shall be precisely determined by the articles of association, that is, the statute, and can only be changed by amending the articles of association, that is, the statute.

(2) If the articles of association, that is, the statute anticipate 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 determined.

(3) The reserves referred to in paragraph (2) of this Article shall be separated from the general 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 cannot be used for repayment of debts, nor for any other purpose, except the purposes determined in the articles of association, that is, the statute.

Sub-section Three

DIVIDEND

Distribution of dividend

Article 487

(1) Upon the approval of the annual account and the financial reports and upon determining the existence of profit for distribution, the meeting of

stockholders, that is the assembly shall determine the portion of the profit to be distributed to the members, that is the stockholders in a form of a dividend in accordance with the rights attached to the share, that is the type and class of stocks.

(2) The management body can pay dividend in the amount that does not exceed the total acquired profit express in the annual account and financial reports, increased for the transferred non-distributed profit from the previous years or with the reserves that can be distributed, that is that exceed the legal reserves determined by the articles of association, that is, the statute and if the losses from the previous years have been covered, if that were not covered with the last approved annual account and financial reports due to any reasons.

(3) If necessary, for safety of the company or for more equitable dividend, prior to determining the amount of the dividend, the members/partners, that is, stockholders may determine to form a special reserve by the articles of association, that is, the statute.

(4) The manners of payment of the dividend shall be determined by the members/partners at the meeting of members/partners, or by way correspondence of statements, that is the stockholders at an assembly.

(5) The dividend shall be paid within a time period of nine months after the expiration of the business year, at the latest. The members/partners, that is stockholders can be paid an advance from the dividend during the business year from the anticipated portion of the profit.

Dividend in cash, in shares, that is stocks

Article 488

(1) With respect to the part of the dividend to be distributed, that is, the advance payment of dividend, the articles of association, that is, the statute of the limited liability company, that is the joint stock company can anticipate a possibility for the member, that is stockholder to receive the dividend that is to be distributed, that is an advance payment of the dividend in cash, or in parts, or shares.

(2) The offer for payment of the dividend or advance payment of dividend in shares, that is stocks shall have to be made to all members, that is stockholders at the same time, in accordance with the type and class of stocks.

Advanced payment of the dividend

Article 489

(1) The articles of association, that is, the statute can authorize the management body of the company to make advanced payment of dividend to members, that is stockholders, during the business year based on the periodical statement or the periodical financial reports for the three, six, that is nine months, audited by the an authorized auditor by the company.

(2) The management body can make the advanced payment of dividend only up to the amount not exceeding the amount of the profit gained for the period for which the advance of the dividend is paid, where it cannot exceed the total profit gained during the previous year approved with the annual account statement, increased with transferred, but not distributed profit from previous years and with the reserves that can be distributed for

this purpose, decreased by the amounts that are to be allocated for legal reserves and the reserves determined by the articles of association, that is, the statute, for the period for which the advanced payment of dividend is calculated, if the losses from previous years have not been covered, or if they have not been covered with the latest approved annual account due to any reasons.

(3) For the purposes of making the advanced payment of dividend, an approval is needed from all non-executive members of the board of directors, and unanimous decision by the supervisory board, that is the controller.

Contents of the decision for dividend payment

Article 490

(1) The decision of the assembly approving the payment of dividend shall determine the following:

- 1) the amount of the dividend;
- 2) the recording date in accordance with which the list of stockholders entitled to dividend is determined; and
- 3) the dividend distribution plan and the day of payment of the dividend (payment day), and the manner in which the company informs the persons entitled to dividend in accordance with the adopted decision.

(2) If after the recording date and prior to the date of payment, the member, that is the stockholder transfers his/her share, that is stocks which entitled him/her to dividend, this right to dividend shall be transferred to the person to whom the shares, that is stocks have been transferred, unless the transferee and the person to whom the share, that is stock is being transferred have agreed otherwise.

SECTION EIGHT

PARTICIPATION IN OTHER TRADE COMPANIES (JOINT COMPANIES)

Types of connections and establishment of relationships between companies

Article 491

The joint companies shall be legally independent companies which are connected and have established mutual relationships, such as:

- 1) a company which has participation, significant participation, majority participation or a majority right in decision adoption, or shared participation, and
- 2) a controlling, controlled company or companies that operate jointly.

SUBSECTION 1

COMPANY WITH PARTICIPATION, SIGNIFICANT PARTICIPATION, MAJORITY PARTICIPATION OR MAJORITY RIGHT IN DECISION ADOPTION

Definition of participation of one into another company

Article 492

The company that has acquired shares, or stocks, which represent at least 10% in the basic capital, but not more than 20% of the basic capital of another company, shall be considered as a company that has a participation in another company.

Company with significant participation

Article 493

A company which in another company has acquired a share or stocks which in the basic capital in the another company are represented with more than 20%, but not more than 50% of the basic capital in the company, or when the meeting of the stockholders, that is the assembly have more than 20%, but not more than 50% of all votes, shall be considered as a company with significant participation.

Company with majority participation or a majority right to adoption in an another company

Article 494

(1) A company which in another company has acquired a share or stocks which in the basic capital in the another company are represented with more than 20%, but not more than 50% of the basic capital in the company, or when the meeting of the stockholders, that is the assembly have more than 20%, but not more than 50% of all votes, shall be considered as a company with majority participation.

(2) A company that holds the majority share or stocks, or majority votes in another company shall be considered, in terms of this Law, as a company with majority participation, while the other company as a company with majority ownership.

(3) The share belonging to a company shall be determined in the limited liability company, joint-stock company and limited partnership with stocks on the basis of the ratio between the nominal value of the shares, that is the stocks according to the total nominal value of the basic capital, belonging to the other company. The personal shares, that is the stocks of the company shall have to be deducted from the basic capital. With the personal shares, that is stocks of the company the shares, that is the stocks belonging to someone else, who holds them on behalf of that company, shall be even.

(4) The number of votes at the members meeting, that is the assembly with majority participation in the other company shall be determined in accordance with the number of votes acquired on the bases on the share, that is stocks in respect to the total number of all votes. The votes from the personal shares, that is stocks as well as the shares, that is the stock that belong to somebody, who holds them on behalf of that company, shall be deducted from the total number of votes.

(5) The shares, that is the stock belonging to the company that is dependent from it or that on its behalf or on the behalf of the depending company are held by someone else, shall also be considered as shares,

that is stock belonging to the company, if the sole proprietor possesses parts or shares that in any case are included in its property.

SUBSECTION 2

CONTROLLED, CONTROLLING COMPANY AND COMPANIES OPERATING JOINTLY

Definition of a controlled and controlling company

Article 495

(1) A controlled company shall be legally independent company over which another company (the controlling company) has direct or indirect controlling influence.

(2) A company that has direct or indirect controlling influence in a dependent company shall be a controlling company.

Exercising the controlling influence

Article 496

(1) It shall be considered that a company exercises controlling influence over another company if that company:

- 1) holds a directly or indirectly share, that is stocks as a part of the basic capital which provides the company with majority votes at the meeting of members , that is, the assembly;
- 2) disposes with majority votes in another company based on a agreement concluded with the members, that is stockholders, or
- 3) effectively decides, through the votes at its disposal, which and what kind of decisions shall be adopted by the meeting of the members , that is the assembly.

(2) It shall be considered 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, that is the assembly, and if neither a member, that is stockholder holds directly or indirectly number of votes which is greater than the votes held by the company.

(3) The Securities Exchange Commission 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, in accordance with paragraphs (1) and (2) of this Article.

Companies with mutual participation

Article 497

Companies that have jointly acquired shares, that is stocks, wherefore each company has its own share, that is stocks that participate with more than 20% in the basic capital in the another company or if the assembly, that is the members meeting of the another company has more than 20% of the votes shall be considered as companies with mutual participation. The provisions referred to in Article 494, paragraph (3) of this Law shall

apply in determining whether one company possesses share, that is has stocks that participate with more than 20% in the basic capital of the other company.

Restrictions on the crisscrossing of the majority between the companies

Article 498

(1) The controlled company must not acquire a share, that is, stocks in its own controlling company.

(2) If the controlled company, prior to becoming a controlled company, has a share, that is, stocks in a controlling company, it shall be obliged to dispossess the share, that is, the stocks in the controlling company.

Companies operating jointly

Article 499

(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 the company, shall be considered companies operating jointly.

(2) Companies operating jointly shall be jointly liable for their obligations deriving from their joint operation.

SECTION 3

NOTIFICATION FOR PARTICIPATION IN OTHER COMPANIES

Notification on an acquired share, that is stock in another company

Article 500

(1) When a company acquires a share, that is stocks in the basic capital of another independent company, which represent more than 10% of the basic capital of that 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 share, that is stocks shall include in the written notification the size of the share and the number, type and class of stocks it acquired in the company.

(2) The shares, that is the stocks with a voting right owned by the company that has obligation for notification determined in paragraph (1) of this Article, shall be equivalent to the shares, that is stocks with a voting right held by:

- 1) other companies on behalf of that company;
- 2) the companies having controlling influence over that company in accordance with this law;
- 3) company operating jointly with that company, and
- 4) the companies referred to in points 1 and 2 of this Article that the company is entitled to acquire on the basis of on an agreement or other legal grounds.

(3) If the participation level, for which there is an obligation for notification referred to in paragraph (1) of this Article is reduced, the company referred to in paragraph (1) of this Article shall, without any delay, notify in writing the other company thereof. The notification shall include data on the size of the share, that is the number, type and class of stocks for which the participation has been reduced.

(4) The company that has acquired majority participation shall be obliged to publish this information in the "Official Gazette of the Republic of Macedonia".

(5) If the company fails to make the notification in accordance with the paragraph (1) of this Article, it cannot exercise the voting rights deriving from the shares, that is the stocks held by it, and the decisions reached with this votes shall be considered null and void. The nullity of the decisions cannot be raised against third parties who know nothing of considering all circumstances could not know of the restriction of the voting right.

(6) When a company in accordance with paragraph (1) of this Article acquires shares, that is stocks with at least 10% of all votes at the assembly, that is the members meeting of another company during the business year, the management body shall be obliged to notify the members, that is stockholders in the annual report on the company's operations, as well as about the companies in which that company has significant, majority or joint participation.

(7) The annual report on the company's operation referred to in paragraph (5) of this Article, shall state the identity of the natural persons and legal entities that directly or indirectly holding more than 5% participation in the basic capital or have more than 5% of the votes at the members meeting, that is the assembly. The report shall also state the amendments that occurred during the period of one year, provided that there are any.

SECTION 4

MANAGEMENT AND LIABILITY OF THE COMPANY WITH MAJORITY INFLUENCE

Extent of influence of a company with majority influence

Article 501

(1) A company with majority participation cannot use its influence in order to make the controlled company undertake legal actions harmful to the latter, or undertake or fail to undertake actions, unless the company with majority participation assumes the obligation to compensate the damages caused to the controlled company.

(2) The management body of the controlled company shall be 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 the 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 not 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, the method of compensation during the business year shall be separately stated, and whether the company was entitled to special benefits and what was the kind of benefit.

(3) The report shall be prepared in accordance with the principles of due care and accuracy.

(4) The management body of the controlled company shall explain in the report whether the company under 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 the undertaking or failure to undertake an action resulted in any damage. If the company suffered damages, the management 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 and other financial reports is conducted by an authorized auditor, he/she 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 stockholder, that is a member, the court can appoint an authorized auditor to examine the business relations between the company with majority participation and some of the controlled companies.

Liability of the bodies of a controlled company

Article 502

(1) The members of a management body of a controlled company, as well as all other persons liable for damage compensation in accordance with 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 prudence of a meticulous and conscientious commercial entity, as it is expected from them.

(2) If the controlled company has a supervisory board, its members, that is the controllers shall be liable as joint debtors, if with regards to the legal transaction or the harmful action they failed to fulfill their obligation to review the report referred to in Article 501 paragraph (2) of this Law, and failed to state the harmful the harmful legal transaction or the harmful action with the company with majority participation and the companies controlled by it, and failed to submit the results of the evaluation to the assembly, that is the members meeting.

(3) There is no liability for damage compensation if the undertaken activity is based on a decision adopted by the assembly, that is the members

meeting, being in accordance with law.

Liabilities of a company with majority participation and its legally authorized representatives

Article 503

(1) If a company with majority participation misleads a controlled company to undertake certain legal actions or activities that is fail 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 the damage by 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 for damage compensation can be submitted, on behalf and account of the controlled company or individually, by the stockholders, that is the members regardless of the damage caused to them personally resulting from the damage caused to the company.

(2) If the company with majority participation, in accordance with paragraph (1) of this Article, does not compensate the damage it caused to the controlled company, it shall have to prepare a report which shall state the time and the manner of damage compensation. The report shall be submitted to the controlled company within a time period of 30 days following the expiry of the business year in which the damage has been caused.

(3) If the company with majority participation misleads the controlled company to undertake or not to undertake legal actions or activities thereby causing irreparable damage to the controlled company, or misleads the controlled company into actions or failures 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 cannot be collected from the company in bankruptcy.

(4) If the company with majority participation leads the controlled company to undertake a legal action and activities, that is failure to undertake such an action or affair thereby causing damage to the stockholders of a controlled company, the company with majority participation and the controlled company shall be jointly liable with regards to the stockholder's claims.

(5) In addition to the company with majority participation the 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 damage compensation if the meticulous and conscientious commercial entity of the independent company would have undertaken the legal action or would undertake or fail to undertake equivalent legal action or affair.

SECTION 5

CONSOLIDATED ANNUAL ACCOUNT AND CONSOLIDATED FINANCIAL REPORTS

Consolidated annual account and financial reports

Article 504

(1) The trade company shall each year prepare and publish a consolidated annual account and consolidated financial statements, provided that it has a controlling influence over one or more companies.

(2) The consolidated financial reports shall be prepared in accordance with the International Standards for Financial Notification. ³⁰

(4) The consolidated annual account and the consolidated financial reports shall have to be composed on the same date when the annual account and the financial reports of the company with controlling influence have been composed. ³¹

Content of the consolidated annual account and consolidated financial reports

Article 505

(1) The consolidated annual account shall consist of a consolidated annual turnover, consolidated balance sheet and explanatory notes.

(2) The consolidated financial statement shall contain a consolidated annual turnover, consolidated balance sheet, consolidated cash flow report, consolidated report containing the changes in the basic capital and notes attached to the consolidated statements about the applied accounting policies and other explanatory notes.

(3) The consolidated annual account and consolidated financial statements shall be composed in the manner determined by this Law.

Audit of the consolidated annual account and the consolidated financial reports

Article 506

(1) The consolidated annual account and the consolidated financial reports cannot be approved without conducting an audit.

(2) The company shall submit the consolidated annual account and consolidated financial statements for an audit to an authorized auditor.

(3) The company authorized to conduct audit shall confirm whether the annual report on operation of the company is in accordance with the consolidated annual account, that is the consolidated financial reports for the corresponding business year.

(4) The company shall be obliged to submit the approved consolidated account statement, together with the report on operations for the current business year to the bodies determined in Article 477 paragraph 4 of this Law, not later than March 31st the following year.

(5) The approved consolidated accounts and the approved consolidated financial reports, together with the annual report regarding the company's operation, shall be submitted in copy by the management body to the Register of Annual Accounts within the Central Register, within 30 days as of the day of their approval and shall be put in the business or other

premises for inspection. Each member, that is stockholder shall have the right to an inspection.

(6) The approved consolidated account and the approved consolidated financial reports together with the annual report from the company's operations and the audit report approved by the members meeting, that is the assembly shall be published in the same manner and under the same conditions as the annual account and the financial reports of the companies.

CHAPTER NINE

TRANSFORMATION OF A COMPANY FROM ONE INTO ANOTHER FORM OF A COMPANY

Section 1

JOINT PROVISIONS

Definition

Article 507

(1) Each trade company can, on the basis of the decision of the members, that is the stockholders, adopted in a manner and under the conditions determined by this Law, the articles of association, that is, the statute to transform the form of the company and continue its operations in the form of which the company has been transformed (hereinafter: transformation from one into another form of a company).

(2) Unless otherwise determined by this chapter of the Law, the provisions of this Law regarding the incorporation of an appropriate form of the company incorporated with transformation shall be respectively applied to the transformation from one into another form of the company.

Exclusion (non application) of liquidation

Article 508

(1) A liquidation procedure shall not be conducted in the course of transformation of the company from one into another form.

(2) A company under liquidation can 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 under bankruptcy procedure cannot be transformed from one into another form of a company, unless the transformation is incorporated in the adopted reorganization plan of the bankruptcy debtor in accordance with the Law on Bankruptcy.

Continuity of the legal entity

Article 509

(1) Upon the conducted transformation of the company from one into another form, the company shall continue to operate as a legal entity in another form of a company having all the rights and liabilities of the company that has been transformed, except the rights and liabilities of the members, that is, stockholders which are amended by the articles of association, that is, the statute of the company during the transformation procedure.

(2) The partners of the general partnership, that is the general partners in the limited partnership or the limited partnership with stocks shall be jointly and severally liable to the creditors of the company that has been transformed for all liabilities that arose prior to the transformation.

Section 2

PROCEDURE FOR TRANSFORMATION OF A COMPANY FROM ONE INTO ANOTHER FORM OF A COMPANY

Decision for transformation of a company from one into another form of a company

Article 510

(1) Transformation of a company from one into another form of a company shall be conducted on the basis of a decision for transformation of the company from one into another form of the company (hereinafter: transformation decision) adopted by the members meeting, that is the assembly.

(2) The transformation decision referred to in paragraph (1) of this Article shall be adopted by the members meeting, that is the assembly with majority of votes which cannot be less than three quarters of the represented shares, that is the voting stocks unless the articles of association, that is, the statute requires a higher majority.

(3) The transformation decision of a general partnership, that is the limited partnership into another type of a company shall be adopted with the consent of all partners, that is general partners. The decision for transformation of a limited partnership with stocks into another type of a company shall be adopted with the consent of the assembly at which all general partners give their consent.

(4) The decision for transformation of a limited liability company, that is the joint stock company into a general partnership shall be adopted with the consent of all members, that is stockholders.

(5) The annual account up to the day of decision adoption for transformation of the company, together with the report of the authorized auditor shall be adopted at the members meeting, that is the assembly at which it shall be decided upon the transformation.

(6) The management body, that is the members authorized to manage the company shall prepare a written notification, stating therein the reasons, legal and business issues significant for the transformation and shall make it available to all members, that is stockholders. The written notification shall be enclosed with the materials which are submitted to members, that

is stockholders at the members meeting, that is assembly at which it is decided upon the transformation.

Content of the transformation decision

Article 511

(1) The transformation decision shall contain the following data:

- 1) the business name of the company that is being transformed and the business name of the company that it is being transformed into;
- 2) the name and the surname of each member, that is stockholder, PIN, passport number, that is the number of the personal identification card or other document aimed at determining the identity valid in his/her country if the member, that is if the stockholder is a foreign entity and his/her citizenship, as well as the place of residence, that is the business name, the head office, PINE if the member, that is the stockholder is a legal entity;
- 3) reference to the articles of association, that is, the statute which is enclosed with the transformation decision and is its constituent part;
- 4) reference to the decision for election of a management body, that is supervisory body, if the company has a supervisory body, and
- 5) reference to the adopted annual account.

(2) The provisions of this Law regulating the content of the articles of association, that is, the statute during the incorporation of the form of the company that is being established with the transformation shall respectively apply to the content of the articles of association, that is, the statute.

(3) If the transformation of parts of the company that is transforming the form is conditioned by consent of the members which besides the payments of the contribution have other liabilities towards the company, their consent shall be required for the validity of the transformation decision.

Conditions under which the transformation is to be carried out

Article 512

(1) The company can be transformed from one into another form of a company under the following conditions:

- 1) upon the adoption of the transformation decision, all members/partners, that is stockholders should be allowed to express their opinion whether they want to participate with their share, that is the stocks in the company that is to be formed with the transformation;
- 2) the member/partner, that is the stockholder should participate in the successor company with the shares, that is stocks in proportion to the nominal value of his/her shares, that is stock with which he/she participated as a member/partner, that is stockholder in the basic capital of the predecessor company;
- 3) the member/ partner, that is stockholder should independently decide on the volume of his/her part, that is the number of shares in the successor company; and
- 4) to ensure participation of the members/ partners, that is stockholders in the successor company, so that the nominal value of their shares, that is stocks is at least two thirds of the basic capital of the successor company.

(2) If the core basic capital is not covered by the participation as referred to in paragraph (1) point 4 of this Article, the basic capital can be complemented with contributions taken over by persons other than members/partners, that is stockholders, that can be only paid fully and in cash, prior to the entry of the resolution on transformation in the trade register, or the members/partners, that is stockholders shall be obliged to pay the difference in value proportionally to their participation with contributions in the basic capital of the successor company.

(3) The value of a separate share, that is a separate stock, shall be calculated on the basis of the balance sheet prepared for that purpose, which is a constituent part of the transformation decision.

Takeover of a share, that is stocks

Article 513

(1) The takeover of shares shall be conducted by statements certified as notary, and the takeover of stocks shall be conducted by a registration form.

(2) If the transformation decision, the constituent part of which is the articles of association, that is, the statute is adopted at the members' meeting, that is, the assembly at which its transformation into another type of company is decided upon, members or shareholders who participate in the operation of the members' meeting, that is the assembly can, upon a request of the majority, give statements at the members' meeting, that is assembly for taking over shares, that is stocks which shall be entered in the minutes of the members' meeting, that is the assembly, provided that the minutes are kept by a notary and their content is in accordance with the provisions of this Law.

(3) The members, that is stockholders who did not participate at the members' meeting, that is the assembly shall be called by a public announcement, within three days after the convened members' meeting, that is the assembly, within a period which cannot be shorter than one month and not longer than two months as of the day of announcement of the public announcement, to give a statement whether they agree to take over shares, that is stocks in the company that shall be incorporated with the transformation. The public announcement shall be published in at least one daily newspaper. The members, that is shareholders can give the statement for take-over of shares, that is stock verified by a notary, not later than the term determined in the public announcement.

(4) All members, that is stockholders who have agreed to become members in the limited liability company, partners such as limited partners, that is general partners in a limited partnership, limited partnership with stocks, that is partners in a general partnership shall submit a written statement that they accept the articles of association. The signature on the statement shall be certified by a notary.

(5) All members/partners having agreed to be stockholders in the transferred company shall have to sign a registration form for the number of stocks they are taking over.

(6) When a limited liability company, that is the joint stock company is transformed into a general partnership, the members, that is stockholders who failed to attend the members' meeting, that is the assembly can provide the statement referred to in paragraph (4) of this Article within a

time period not later than thirty days as of the day when the members' meeting, that is the assembly has been convened.

(7) The provisions of this Law referring to the basic capital, the contributions in the company, the shares, that is the stock shall respectively apply in case of transformation of a company into another type of a company.

Entry of the transformation

Article 514

(1) The transformation from one into another type of company shall be recorded in the trade register.

(2) Upon the adoption of the transformation decision, an application for entry in the trade register shall be submitted. The application shall be signed by the members of the management body, the manager, the president of the supervisory board, that is, the controller of the company appointed by the articles of association, that is, the statute by verifying their signatures with the electronic signature of the registration agent in the case of a written form, or signed with their electronic signatures in the case of submission in an electronic form through the E-registration System.

(3) An original, a copy or a copy verified by a notary of the following documents shall be enclosed with the application for entry of the transformation decision into the trade register:

- 1) the minutes of the members' meeting, that is the assembly at which the decision for transformation has been adopted, verified by a notary;
- 2) statement, by all members of the management body, that is, the manager and if the company has a supervisory board statement of the members of the supervisory board, that is the controller, that is the partners in a general partnership and general partners in a limited partnership and limited partnership by stocks, that the requirements for transformation of the company into another type of a company determined in this Law are met;
- 3) the transformation decision along with the enclosures determined by this Law;
- 4) list with the full name of each member, that is stockholder, PIN, passport number, that is the number of the personal identification card or other document aimed at determining the identity valid in his/country if the member, that is the stockholder is a foreign natural person and his/her citizenship, as well as the place of residence, that is the business name, the head office, PINE if the member, that is if the stockholder is a legal person, indicating therein the size of the share, that is the number of stocks that each member, that is stockholder takes over in proportion to the nominal value of the part held by the member, that is the nominal value of the stocks of each stockholder that they own in the basic capital of the company incorporated with the transformation;
- 5) a list indicating individually the names of the members, that is the stockholders who voted for adoption of the transformation decision;
- 6) the decision for election of the management body, the supervisory board, that is the controller, if the company has a supervisory body, that is the decision for appointment of the members, that is the persons authorized as representatives by the articles of association, which is attached with the transformation decision and is its constituent part;
- 7) the statements of the members for take-over of the shares and accepting the articles of association, regardless whether they have been

entered in the minutes, or provided in another manner determined by this Law, that is the registration forms for stocks take over;
8) the annual account up until the day when the transformation decision is being adopted along with the report of the authorized auditors; and
9) the statement in accordance with Article 32 of this Law.

(4) Upon the entry of the transformation decision in the trade register, the company shall continue to operate as a company in the form it has been transformed.

(5) If the application form referred to in paragraph 2 of this Article is not submitted within a time period of 90 days as of the day when the members' meeting, that is the assembly has adopted the transformation decision, it shall be considered that the decision has not been adopted.

Transforming shares into stocks, that is, stocks into shares

Article 515

(1) Upon the entry of the transformation in the trade register, on the basis of statements on take-over of shares, that is the registration forms for take-over of stocks and the certificate for the acquired share, that is the acquired stocks in the transformed company, the shares, that is the stocks shall be entered into the book of shares, that is the book of stockholders.

(2) The certificate referred to in paragraph (1) of this Article shall be issued by the management body of the company that is being transformed.

(3) If the company is transformed into a joint stock company, the president of the board of directors, that is the president of the management board shall, not later than eight days as of the day of entry of the transformation in the trade register, give an order to the Central Securities Depository to open a stockholders book.

(4) If a joint stock company is transformed into another type of a company, the manager shall, not later than eight days as of the day of entry of the transformation in the trade register, give an order to the Central Securities Depository to close the stockholders book.

(5) The rights of third parties against the shares, that is stocks of the company being transformed shall be transferred as rights of third parties against the shares, that is the stocks in the company incorporated with the transformation.

Rights of a member, that is stockholder upon the transformation of a company

Article 516

(1) A company shall buy back the shares, that is the stocks at a price appropriate to the adopted balance sheet determined in the transformation decision of a company (offered price) from a member, that is stockholder, who by way of a written statement does not give consent with the transformation of the company into another type of a company.

(2) If the member, that is the stockholder refuses to accept the offered price referred to in paragraph (1) of this Article, he/she can submit a proposal to the court to determine the value of the share, that is the stock not later than thirty days as of the day of the refusal of the offer. The member, that is the stockholder shall lose all rights over shares, that is stocks, except the right to compensation for his/her sharer, that is his/her stocks.

(3) A member, that is a shareholder of a company being transformed can submit the proposal referred to in paragraph (2) of this Article solely through a temporary representative, appointed by them. The temporary representative shall be entitled to expenses compensation, as well as to remuneration for his/her work. If the member, that is the stockholder fails to determine the expenses and the remuneration himself/herself, the court shall determine them in according to the circumstances of each particular case and it shall determine the extent to which the affected former members, that is stockholders should be reimbursed.

(4) The court, on the basis of the appraisal report, prepared by an authorized appraiser appointed by the court, shall determine the value of the share, that is stock of the members who is contesting. In this case the costs shall be covered by the company. If the appraiser determines that the price of the share, that is stocks 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, that is the stockholder who has submitted the request. The member, that is the stockholder can also request an interest with the proposal.

(5) Upon the legally finality of the court's decision referred to in paragraph (4) of this Article, the company being incorporated shall determine the time period for payment which cannot be shorter than one month. Upon the expiry of this time period the cash shall be deposited with the court.

(6) The members, that is the stockholders of the company being transformed shall not have other claims on the assets of the company that is being transformed on the basis of the transformation.

CHAPTER TEN

ACCESSION, MERGER AND DIVISION OF COMPANIES (STATUTORY AMENDMENTS)

Accession, merger and division of the companies

Article 517

(1) One or more companies can access (company being subject to accession) to another company (acquiring company) by transferring the entire assets and the liabilities of the company subject to accession without conducting the procedure for liquidation, in exchange for shares, that is stocks being acquired by the company.

(2) Two or more companies can merge without conducting a liquidation procedure, by incorporating one new company – beneficiary to which the entire assets and liabilities of the merging companies are transferred, in exchange for shares, that is stocks of the new company -beneficiary.

(3) A company can, by way of division, simultaneously transfer its entire assets and liabilities to two or more newly incorporated companies (hereinafter: separation with incorporation) 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 can, by way of division, transfer a part of its assets and liabilities to one or more newly incorporated companies (hereinafter: spin – off with incorporation) or to one or more existing companies (hereinafter: spin-off with takeover) whereby the company shall not cease to exist.

(4) The division can 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 incorporation, separation with takeover, spin – off with incorporation and spin-off with takeover).

(5) The members, that is stockholders of the companies, within the framework of the activities determined in paragraphs (1), (2), (3) and (4) of this Article, shall receive shares or stocks from the acquiring companies, that is the newly incorporated companies – beneficiaries and, if necessary, the difference in value expressed in cash the amount of which shall not exceed 10% of the nominal amount of the received shares, that is stocks.

(6) The accession, merger, that is the division referred to in paragraphs (1), (2), (3) and (4) of this Article can also be carried out when the decision on termination of the company by way of liquidation is adopted, provided that the members, that is stockholders have not commenced the distribution of its assets and liabilities, that is when the initiated bankruptcy procedure is terminated for the purpose of reorganization of the bankruptcy debtor, that is when it is determined in the reorganization plan of the bankruptcy debtor.

(7) The actions anticipated in this Article can also be carried out between companies of different types.

Decision adoption regarding statutory amendments

Article 518

(1) The decision on accession shall be adopted by the company being accessed and the company being the subject to acquisition (acquiring company).

(2) The decision on merger shall be adopted by the companies being merged.

(3) In the event of division of the company by separation with incorporation and spin off with incorporating new companies, the decision shall be adopted by the company being divided . When the division of the company is carried out by separation with takeover and spin-off with takeover, the decision shall be adopted by the company being divided and the company to which a part of the assets and liabilities of the company subject to division are transferred (acquiring company).

(4) A decision on accession, merger and division shall be adopted by the members' meeting, that is the assembly of each company subject to accession, merger and division in accordance with the conditions and the manner anticipated by this Law regarding the amendment to the articles of association, that is, the statute.

(5) If a new company is incorporated by a merger or division, the incorporation shall be carried out in accordance with the provisions of this Law referring to the incorporation of the respective type of a company, unless otherwise determined by the provisions of this chapter.

(6) If due to the accession, merger or division, the liabilities of the members or the stockholders of one or more companies increase, the decision on accession, merger or division shall be adopted with the consent of all members, that is stockholders.

(7) The president of the board of directors, that is the president of the management board shall, not later than eight days as of the day of entry of the accession of a company to a joint stock company, that is the merger, or the division of a joint stock company, shall inform the Central Securities Depository about the performed statutory amendment and shall give an order for the amendments to be entered into the stockholders book, that is the stockholders book to be opened.

General transfer of the whole assets, or part thereof

Article 519

(1) In case of accession, merger or division of the company by separation with incorporation 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 newly incorporated companies and to the acquiring companies, as of the day determined in the agreement harmonizing the terms for accession, merger, or division (hereinafter: agreement) or the plan on division by separation with incorporation and spin-off with incorporation (hereinafter: division plan).

(2) The newly incorporated companies that have been incorporated with the merger, accession or division by separation with takeover and spin-off with takeover shall be joint debtors to the creditors of the companies subject to accession, merger or division.

(3) The newly incorporated companies and acquiring companies incorporated with the division can agree to regulate the liabilities of the divided company (which shall fall upon them) without joint liability, that is to be assumed by the newly incorporated acquiring company. In this case, the newly incorporated companies and the acquiring companies and the company that is being divided by spin-off with incorporation and spin-off with takeover shall be subsidiary joint debtors to the creditors of the divided company.

(4) The issuance, that is the withdrawal of the stocks, that is the takeover and withdrawal of shares shall be carried out in accordance with the agreement, that is the division plan.

Content of the agreement

Article 520

(1) The management body of the company that is being accessed and the management body of the acquiring company, the management bodies of companies subject to merger, that is 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 wherein the conditions for accession, merger or

division shall be harmonized. The agreement shall be composed in a form of a notary act.

(2) The agreement referred to in paragraph (1) of this Article shall contain the following data:

1) the form, the business name and the head office of the company in accession and the acquiring company, that is the companies subject, that is the companies which are merging, that is the company that is divided by separation with takeover and spin-off with takeover and the acquiring companies;

2) the manner of transfer of the assets and liabilities of the company in accession, to the acquiring companies, that is 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 shares, that is stocks of the acquiring company;

3) the purpose and the conditions under which the accession, merger or division by separation with takeover and spin-off with takeover is conducted;

4) the 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 shares, that is stocks shall be carried out, and if necessary, the amount of the additional payment in cash, or the shares, that is stocks that are to be acquired from the increased basic capital of the acquiring company, or the new company – beneficiary and the rights and liabilities they confer;

6) the rights recognized to each member, that is the stockholder, as well as the special rights they have acquired, that is that have been conferred to them by the shares, that is the stocks;

7) the manner of taking over shares, that is stocks and the date when the acquired shares, that is stocks confer the right of participation to the members, that is stockholders in the distribution of profit of the acquiring company, that is the new company-beneficiary and all details relevant for exercising such right;

8) the date when the business activities of the company in accession or companies subject to merger shall cease;

9) the date when the transactions of the company in accession, that is the companies subject to merger, that is 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, that is the new company – beneficiary incorporated with the merger;

10) each special privilege granted to a member of the management body or the supervisory board, if any, that is the controller of the companies participating in the accession, merger, that is division by separation with takeover and spin-off with takeover;

11) the conditions under which the labor relation of the employees of the acquiring companies, that is the companies-beneficiaries shall be extended;

12) the time period for preparation of the annual account; 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:

- 1) the draft decisions on amending the company agreement in case of accession or division by separation with takeover or spin-off with takeover or the draft articles of association, that is, the draft statute of the new company-beneficiary in case of merger,
- 2) a list of members, that is stockholders of the company in accession, that is the companies subject to merger, that is division by separation with takeover or spin-off with takeover, the nominal value of the existing the shares, that is stocks of the acquiring company, as well shares, that is stocks that are to be acquired by members, that is stockholders in the acquiring companies or the new companies-beneficiaries, and
- 3) a list of employees that extend their labor relation in the acquiring companies, that is the new companies – beneficiary.

Division plan

Article 521

(1) In the event of division by separation with incorporation or spin-off with incorporation of new companies, the management body of the company subject to division shall adopt a division plan. The division plan, with all enclosures thereof shall be composed in a form of a notary act.

(2) The division plan referred to in paragraph (1) of this Article shall have to contain the following data:

- 1) the form, the business name and the head office of the company subject to division by separation with incorporation and spin-off with incorporation, that is the newly incorporated companies-beneficiaries;
- 2) the manner of transfer of the assets and liabilities from the company subject to division to the companies being incorporated in exchange for shares, that is stocks in the these companies;
- 3) the purpose and the conditions of the division by separation with incorporation and spin-off with incorporation;
- 4) value of the assets and liabilities that are being transferred (divisional balance sheet) from the company subject to division by separation with incorporation and spin-off with incorporation of the newly incorporation and detailed description of the distribution of assets, rights and liabilities.
- 5) exchange ratio according to which the exchange of shares, that is the stocks shall be carried out, and if necessary, the amount of the additional payment in cash, that is the shares or the stocks that are to be taken over or acquired in the newly incorporated companies and the rights and liabilities they confer;
- 6) the rights granted to the members, that is the stockholders, as well as the special privileges they have acquired, that is have been conferred to them by the shares, that is stocks;
- 7) the manner of taking over shares, that is stocks and the date as of which they confer the right of participation to the members, that is the stockholders in the profit of newly incorporated companies 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 incorporation and spin-off with incorporation shall be regarded, from an accounting perspective, as transactions undertaken on behalf of the newly incorporated companies;
- 10) each special privilege, if granted to a member of the management body or supervisory board, that is the controller of the company subject to division and the newly incorporated companies, provided they have a

supervisory board;

11) the conditions under which the labor relation of the employees in the newly incorporated companies shall continue;

12) the time period for preparation of the annual account, and

13) other issues the company considers to be of mutual interest for carrying out the division by separation with incorporation and spin-off with incorporation.

(3) A constituent part of the division plan referred to in paragraph (2) of this Article shall be:

1) the draft articles of association, that is, the statute of the newly incorporated companies;

2) a list of members, that is the stockholders of the company subject to division by separation with incorporation and spin-off with incorporation, the nominal value shares, that is stocks that are to be acquired by members, that is stockholders in the newly incorporated companies; and

2) list of employees that shall continue their labor relation in the newly incorporated companies.

Requirement for publication of a notification on a statutory amendment

Article 522

(1) Not later than one month prior to the decision adoption by the members, that is before convening the members' meeting or the assembly at which a decision on the adoption of the agreement, that is the division plan shall be made, the management bodies of companies that having concluded the agreement or the management body of the company subject to division by separation with incorporation and spin-off with incorporation shall jointly publish a notification on the concluded agreement, that is the adopted division plan 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 head office of the companies participating in the accession, merger, or division;

2) the reasons, purpose, aims and conditions for the accession, merger, or division;

3) the value of assets and liabilities that are to be transferred, that is taken over;

4) exchange ratio according to which exchange of parts or shares, that is stocks shall be carried out, and if necessary, the amount of the additional payment in cash, that is the shares or stocks that are to be acquired from the increased basic capital of the acquiring company and the rights and liabilities they confer;

5) the rights granted to members, that is stockholders as well as the special privileges they acquired, or have been conferred to them by the shares, that is stocks, and

6) the manner of taking over shares, that is stocks and the date when they confer the right of participation in the profit to members, that is stockholders in the newly incorporated companies and all details relevant for exercising such right;

7) the date when the business activities of the companies subject to accession, merger, or division shall cease;

8) each special privilege granted to a member of the management body or the supervisory board, that is the controller of the companies participating in the accession, merger or division, provided that the companies have a supervision body, and

9) the conditions under which the labor relation of the employees of the

acquiring company, the new company-beneficiary and the newly incorporated company shall be extended.

(2) The agreement, that is the division plan, and all attachments being constituent parts thereof shall be made available to all members, that is the shareholders in the head 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, that is the stockholder in regard to the inspection right.

(3) The agreement, that is division plan shall be submitted to the trade register for the purpose of pre-entry within the time period determined in paragraph 1 of this Article. Once the pre-entry has been conducted, a notification shall be published in the "Official Gazette of Macedonia" stating that the pre-entry has been made in the trade register and that the agreement, that is the division plan are made available for inspection.

(4) If the law determines an obligation to inform a competent body of the intention for statutory amendment, the agreement, that is the division plan shall be submitted to the competent body.

Creditors notification

Article 523

(1) The known creditors whose claims exceed Euro 10,000 in Denar counter value shall be notified in writing individually, in the place of residence, and if the creditor is a legal entity in the head office.

(2) The creditors that cannot request settlement of the 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 for securing the claims to the companies subject to accession, merger or division within thirty days as of the day of publication of the notification referred to in Article 522 of this Law. If the company subject to accession, merger or division fail to respond to the creditor's request within 15 days as of the day of the submitted request or fails to provide the required collateral, the creditor can, 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 in the course of the procedure for accession, merger or division the creditor's request has not been met or the collateral has not been provided, the procedure, until the company subject to accession, merger or division submits a proof to the court, within the determined time period, that claims of all creditors have been secured.

(3) The creditors in a bankruptcy procedure entitled to a prior settlement from the bankruptcy estate shall not have the right to request collateral.

Annual turnover prior to the statutory amendment

Article 524

(1) Prior to the accession, merger or division, the company shall prepare an annual account, within the time period determined in the agreement, that is the division plan.

(2) The time period determined in paragraph (1) of this Article shall not be shorter than three months as of the day of concluding the agreement, that

is the day of adopting the plan, provided that the annual account for the last business year is not older than six months.

(3) The figures presented in the annual account of the company in accession, merging companies or company subject to division, shall be presented in the balance sheets of the acquiring company, the company – beneficiary and the newly incorporated company.

Audit of the agreement, that is the division plan

Article 525

(1) The agreement, that is the division plan shall be examined by one or more authorized auditors. The authorized auditors shall be appointed for each company separately by the management bodies of companies that participate in the accession, merge, that is the division. The authorized auditors can audit all companies participating in the accession, merger or division, provided that the authorized auditors are appointed by the court on their joint proposal.

(2) The report on conducted audit shall contain the opinion of the auditors whether the index on exchange of shares, that is stocks is justified and reasonable. The following shall be stated in the auditors' statement :

- 1) the method, that is methods used to evaluate the proposed exchange index and the primary method used;
- 2) what would the exchange ratio be, by using different methods and the relative importance of each method used to determine the exchange index;
- 3) whether the method, that is methods used are appropriate for the exchange, and
- 4) the difficulties that occurred during the assessment and audit, if any.

(3) Each of the authorized auditors shall be entitled to obtain all documents and data necessary for the audit from the management bodies and if necessary, to conduct a separate inspection.

(4) The provisions of this Law and other regulations referring to the audit shall apply to the liability of the authorized auditors.

Report on a statutory amendment

Article 526

The management bodies that have concluded the agreement, that is have adopted the division shall prepare a written report, explaining the following in detail:

- 1) the reasons, that is 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 the methods used for determining the exchange ratio of the shares, that is stocks 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 occurred in the course of the procedure for appraisal of the assets and liabilities;
- 6) the non-monetary contributions, as well as any problems that have arisen from the appraisal carried out in accordance with Article 35 of this Law and shall make a reference to the reports on the basis of which they

were appraised and the manner in which reports are available for inspection;

7) any change in the assets and liabilities made as of the day of concluding the agreement, that is the adoption of the division plan up to the day when the decision has been adopted or the day of convening the members' meeting, that is the assembly at which a decision on accession, merger or division shall be decided upon; and

8) any amendment made in the agreement, that is the division plan due to their obligation to act in accordance with the recommendations of the authorized auditor.

Preparation for convening the members' meeting, that is the assembly

Article 527

(1) At least one month prior to the day determined for decision adoption of the members, that is the convening of the members' meeting or the assembly at which it is decided regarding the confirmation of the agreement, that is in the division plan, each company participating in the accession, merger and division shall enable the members, that is the stockholders in the head office of the company to be acquainted with the documents regarding the accession, merger and division, and especially for:

- 1) the agreement, that is the division plan, including all enclosures thereto;
- 2) the annual account and the annual report on the operations of the companies participating in the accession, merger, that is the division for the three preceding years, that is for each year of existence of the companies in case they have been existing for less than three years;
- 3) the annual account prepared in accordance with Article 524 of this Law;
- 4) the report on the accession, merger, that is the division prepared by the management body;
- 5) the report of the authorized auditor, and
- 6) other important data and notifications being of importance for the decision adoption about the accession, merger, that is the division.

(2) The annual statements referred to in paragraph (1) point 2 of this Article shall be prepared in composed in accordance with the regulations valid at the time of their composition.

Decision on a statutory amendment

Article 528

(1) The agreement, that is the division plan shall become effective once the members, the members' meeting, that is the assembly of the companies participating in the accession, merger, and division shall accept it.

(2) The decision confirming the agreement, that is, the division plan shall be adopted in the manner in which in accordance with this Law, the articles of association, that is, the statute the decision for amending the articles of association, that is, the statute is adopted.

(3) The decision confirming the agreement, that is the division plan referred to in paragraph (1) of this Article shall be considered as a decision on accession, merger, or division.

(4) The members, that is the members' meeting, or the assembly shall simultaneously with the decision on accession, merger, that is division by separation with takeover and spin-off with takeover, adopt a decision for amending the articles of association, that is, the statute and with the decision on division by separation with incorporation and spin-off with incorporation they shall reach a decision for adoption of the articles of association, that is, the statute of the newly incorporated companies.

(5) The minutes from the members' meeting, that is the members' meeting, that is the assembly referred to in paragraph (1) of this Article shall be taken by a notary. The agreement, that is division plan shall be enclosed with the minutes of the convened members' meeting, that is the assembly, as a constituent part thereof.

Damage liability

Article 529

(1) The members of the management body and if the company has a supervisory board the members of the supervisory board, that is the controller of the company being in accession, the merging companies or the company subject to division, shall be obliged as joint debtors, to cover the damage arising from the accession, merger or division suffered by the companies subject to accession, merger, that is division by separation with takeover or spin-off with takeover. The members of the management body, or the members of the supervisory board, if the company has a supervisory board, that is the controller, who acted with prudence of a meticulous and conscientious commercial entity during the audit of the company's assets and while concluding the agreement, that is the adopting the plan on division, shall not be held liable for damages.

(2) As for the requests for damage compensation referred to in paragraph (1) of this Law, as well as all other request raised in favor and against the company in accession, merger, or division, it shall be considered that such company still exists.

(3) The complaint against the request based on the provisions referred to in paragraphs (1) and (2) of this Article can be filed within a time period of 5 years as of the day of publication of the entry of the accession, merger, that is the division in the trade register.

Right to damage compensation

Article 530

(1) The request for damage compensation and the other requests referred to in Article 529 of this Law, can be exercised only through a temporary representative appointed by the competent court according to the head office of the company, upon a proposal of a member, that is a stockholder or a creditor of the company in accession, merger, that is division.

(2) The representative, stating the purpose of his/her appointment, shall call the former members, that is that is stockholders and the creditors of the company in accession, that is the companies subject to merger, that is the company subject to division within a time period of at least thirty days and no more than sixty, to file their claims referred to in Article 529 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 temporary representative shall be entitled to compensation of the expenses as well as to remuneration for his/her work. If the members, stockholders, that is the creditors fail to determine the expenses and the remuneration, they shall be determined by the court taking into account the circumstances for each case and it shall also determine the extent to which the affected former members, stockholders and creditors shall be reimbursed.

Court examination of the exchange ratio

Article 531

(1) The decision for accession, the decision for merger and the decision for division by which the members, that is the members' meeting, that is the assembly have approved the agreement, that is the division plan cannot be contested, due to the fact that the exchange ratio for conversion of shares, that is stocks has been determined too low. If it ratio has been determined too low, the court can, upon a proposal of the members, that is stockholders, order additional payment that cannot exceed 10% of the nominal amount of the given shares, that is stocks.

(2) The proposal referred to in paragraph 1 of this Article can be filed within a time period of thirty days as of the day when the member, that is stockholder did not accept the offered exchange ratio referred to in paragraph (1) of this Article. The company can, upon a court decision pay an additional payment to all members, that is stockholders that hold shares, that is stock of the same type and class in the amount determined by the court.

Accession, that is division in special cases

Article 532

(1) If the acquiring company owns at least 90% of the shares, that is stocks represented in the basic capital of the company in accession, that is the company subject to division by separation with takeover or spin-off with takeover, the consent of the members' meeting, that is the assembly of the acquiring company shall not be required.

(2) If the acquiring company owns all shares, that is stocks of the company in accession, the agreement on accession shall not contain data on the exchange of shares, that is stocks and an audit shall not be conducted and the agreement shall not be approved by the members' meeting, that is the assembly of the company in accession and the acquiring company.

(3) The members, that is stockholders of the acquiring company whose shares, that is stocks represent 5% in the basic capital, can request for a members' meeting, that is an assembly to be convened at which the accession shall be confirmed. The personal shares, that is the personal stocks of the company being in accession, as well as the shares, that is the stocks owned by another entity, on behalf of the acquiring company, shall not be entered in the basic capital.

(4) The company referred to in paragraphs (1) and (2) of this Article shall be obliged to publish the conditions for accession, that is division by separation with takeover or spin-off with takeover not later than thirty days prior to the day of holding the members' meeting, that is the assembly and shall, within this time period, make available the documents

for accession or division as determined by this Law to the members, that is stockholders.

(5) The members, that is the stockholders of the company in accession referred to in paragraph (1) of this Article who do not agree with the accession, shall exercise their rights in accordance with the provisions of this chapter.

Prohibitions on increase of the basic capital

Article 533

(1) The acquiring company shall not increase its basic capital while carrying out the accession, or division by separation with takeover or division by spin-off with takeover if:

- 1) it owns the share, that is the stocks in the company in accession, that is the company subject to division by separation with takeover or spin-off with takeover;
- 2) the company in accession, that is the company subject to division by separation with takeover or spin-off with takeover owns shares, that is stocks; or
- 3) the company in accession, that is the company subject to division by separation with takeover or spin-off with takeover owns share, that is part 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 cannot increase the basic capital for the duration of the prohibitions referred to in paragraph (1) of this Article.

(3) If the acquiring company makes additional payments in cash, those payments cannot exceed 10% of the total nominal amount of the given shares, that is the issued stocks of such company.

Increase of the basic capital for the purpose of accession, that is division

Article 534

(1) If the acquiring company increases the basic capital for the purposes of the accession, that is the division by separation with takeover, that is spin-off with takeover the provisions of this Law referring to the increase of the basic capital shall not apply to:

- 1) the prohibition to increase the basic capital until the subscribed contributions are fully paid;
- 2) the requirement that the application form for entry of the decision on increase of the basic capital in the trade register to state which contributions were not fully paid;
- 3) the requirements for subscribing new contributions, that is stocks, and
- 4) the priority right to buy shares, that is stocks.

(2) An audit can be carried out in the case of increase of the basic capital by non-monetary contributions and when the court determines that the value of the non-monetary contribution does not reach the nominal amount of the issued shares, that is stocks as well as in the case of increase of the basic capital in accordance with the provisions of this Law referring to the approved capital.

Rights of the members, that is stockholders

Article 535

(1) A company shall buy back the share, that is stock of a member, that is stockholder who stated that he/she is not willing to take over shares for his/her share, that is stocks in the acquiring company, in a new company-beneficiary that has been incorporated by merger, and in a newly incorporated company, at a price determined by the decision for accession, merger, that is division.

(2) If the member, that is stockholder refuses to accept the offered price determined in paragraph (1) of this Article, can, not later than in time period of 30 days as of the day of the refusal of the offer, to file a proposal to the court for the purpose of determining the value of the share, that is the stocks. The member, that is the stockholder shall lose all rights over the share, that is the stocks, except the right to compensation for his/her share, that is stocks.

(3) The court, on the basis of an appraisal report prepared by an authorized appraiser appointed with a decision by the court, shall determine the value of the share of the member, that is the stocks of the stockholder. The costs shall be covered by the company, and if the appraiser determines that the price of the share, that is stocks 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, that is stockholder who has filed the proposal. The member, that is stockholder can with the proposal, also request interest.

(4) The company can, upon a court decision pay an increased payment to all members, that is stockholders that own shares, that is stocks 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) Upon the legal validity of the court's decision referred to in paragraph (3) of this Article, the company in accession, merger, that is division shall determine the time period for collecting the payment which cannot be shorter than 30 days. Upon the expiration of this period the cash shall be deposited with the court and the shares shall be canceled, whereas the stocks shall be declared null, and the Central Securities Depository shall be notified thereof. On the basis of canceled shares, that is declared null stocks the amount deposited for them with the court can be retrieved.

(6) The member, that is the stockholder of the company in accession, merger, that is division shall not be entitled to other claims arising from to the assets of the acquiring company, that is the new company-beneficiary, nor of the company which takes over parts of the assets and liabilities of the company divided by separation with takeover, or spin-off with takeover, that is the newly incorporated company incorporated by division by separation with incorporation or spin-off with incorporation.

(7) The acquiring company, that is the new company-beneficiary, that is the new incorporated company shall confer, on the holders of convertible bonds in the accessed, merged, that is the divided company, all the rights they were entitled to them in the company in accession, the companies that have merged, that is the company subject to division.

(8) If members, that is stockholders of the company in accession, that is the merged companies or the company subject to division had the obligation to pay an additional amount in cash, the accession, merger, that is the division shall have to be entered in the trade register, once a proof that the payment has been made is submitted to the court.

Application for entry in the trade register

Article 536

(1) Each company shall to a file an application for entry of the accession, merger, that is the division by separation with takeover or the division by spin-off with takeover in the trade register.

(2) When filing the application, the manager, that is, the members of the management body shall give a statement that the decisions for accession, merger, that is division by separation with takeover or division by spin-off with takeover have not been contested within the prescribed period, or that the contestation has been denied with a legally valid court decision. The following documents shall be enclosed with the form for entry of the accession, merger or division in the trade register, in original, transcript or copy verified by a notary:

- 1) the agreement;
- 2) the amendments to the articles of association, that is, the statute of the acquiring company, that is, the articles of association or the statute of the new company-beneficiary incorporated by the merger;
- 3) the decision confirming the agreement;
- 4) the minutes from the members' meeting, that is the assembly at which the decisions confirming the agreement has been adopted and the amendments to the articles of association, that is, the statute of the acquiring companies, that is, the articles of association or the statute of the new company-beneficiary established by a merger have been adopted, which appoints the management bodies, that is the supervisory bodies, provided that the company has a supervisory body;
- 5) the report of the authorized auditor;
- 6) the report on the accession, merger, that is division by separation with takeover or spin-off with takeover;
- 7) the list of members, that is the stockholders taken over by the acquiring company, that is, the new company-beneficiary, signed by the manager, that is, the members of the management body;
- 8) the approval by a state, that is other competent body, if required by a law for the accession, merger or division by separation with takeover or spin-off with takeover ;
- 9) the list of employees transferred to the acquiring companies or the new company-beneficiary, and
- 10) the statement of the manager, that is, members of management bodies of the companies participating in the accession, merger, that is division by separation with takeover or spin-off with takeover, in accordance with Article 32 of this Law.

(3) Apart from the attachment determined in paragraph (2) points 5, 7, 8, 9 and 10 of this Article, the application form for division of the company by separation with incorporation and spin-off with incorporation of new companies, shall also contain the following documents, in original, copy or a copy verified by a notary:

- 1) the division plan;
- 2) the decision confirming the division plan;
- 3) minutes from the members' meeting, that is the assembly at which the decision confirming the division plan and the articles of association, that is, the statute of the companies incorporated by separation with incorporation and spin-off with incorporation is adopted;
- 4) the articles of association, that is, the statute of the newly incorporated company incorporated by the division by separation with incorporation and spin-off with incorporation;
- 5) a decision on election of the manager, the members of the board of

directors, that is, the supervisory board of companies established with the division by separation with incorporation and spin-off with incorporation, if they are not determined in the statute, that is, the articles of association, and

6) the report on division by separation with incorporation or spin-off with incorporation.

(4) The annual accounts prepared and adopted not later than six months prior to the date of filing the application shall be enclosed with the application for entry of each company in accession, merger, that is company divided by separation with takeover or spin-off with takeover in the trade register.

(5) Upon the entry in the trade register, the deficiencies in the procedure for accession, merger, that is division shall have no effect upon the validity of the accession, merger, that is the division.

Legal consequences arising from the entry

Article 537

(1) The legal consequences from the accession, merger, that is the division shall arise as of the day the day of publication of the entry of the accession, merger, that is division in the trade 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 trade register, the company in accession shall be deleted. The members, that is stockholders of the company in accession shall become members, that is stockholders 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-beneficiary, the companies that have merged shall be deleted. The articles of association, that is, the statute of the new company-beneficiary certain special benefits, incorporation costs and non-monetary compensation shall be undertaken. The members, that is stockholders of the companies that have merged shall become members, that is stockholders of the new company-beneficiary.

(4) With the division, the assets and liabilities of the company divided by separation with incorporation and separation with takeover shall be transferred to the newly incorporated company, that is the acquiring company. Simultaneously the entry the divided company shall be deleted. The members, that is stockholders of the company divided by separation with incorporation and separation with takeover shall become members, that is stockholders of the newly incorporated company.

(5) With the division, a part of the assets and a part of the liabilities of the company divided by spin-off with incorporation and spin-off with takeover shall be transferred to the company that is being incorporated, that is the acquiring company. The divided company shall not cease to exist. The members, that is stockholders of the company subject to division by spin-off with incorporation or spin-off with takeover shall become members, that is stockholders of the newly incorporated company or the acquiring company.

(6) Where the law prescribes undertaking of special actions related to the transfer of things, rights and liabilities by the acquiring company, the new company –beneficiary and the newly incorporated company, their transfer

shall have effect upon third parties upon meeting the prescribed requirements for transfer of things, rights and liabilities. These actions shall have to be conducted by the company within a time period not longer than than six months.

Chapter ten-a 32

Cross-border merger with companies from the European Union

Article 537-a

Scope of application

The provisions of this chapter shall apply when cross-border merger of joint stock companies or limited liability companies incorporated in accordance with the provisions of this Law and entered in the trade register (Macedonian companies) is conducted with companies in which the liability of the members is limited, at which the law of another member state of the European Union is applied, and have a registered office, central administration or a head office for conducting their business in a country member of the European Union (companies of the European Union).

Article 537-b

Definition

(1) Unless otherwise determined by this Law, the cross-border merger shall be a procedure by which:

1) one or more companies are merging (company /s that are merging) to another company (acquiring company) with transfer of the entire assets and liabilities of the company that is merging without implementation of the liquidation in exchange for the issuance of shares, stocks and other securities from the basic capital, of the company that is being acquired, the members of the company that is merging and if possible the difference in cash that does not exceed 10% of the nominal value, or in lack of nominal value, 10% of accounting value of the accepted shares, stocks or other securities;

2) two or more companies merge without having to conduct liquidation, by incorporating a new company – beneficiary which accepts the entire assets and liabilities of the merging companies, in exchange for shares, stocks or other securities in the capital of the new company – a beneficiary and if possible a difference in cash that does not exceed 10% of the nominal value, or in lack of the nominal value, 10% of accounting value of the accepted shares, stocks or other securities, and

3) a universal transfer of the assets and liabilities of one company is conducted without having to carry out its liquidation, of the company that has all or at least 90% of its shares, stock, that is securities.

(2) At least one Macedonian company and one company from the European Union shall have to participate in the cross-border merger of referred to in paragraph (2).

Article 537-c

Additional provisions referring to the scope of application of the provisions on cross-border merger of the companies

(1) The provisions referred to in Article 537-b paragraph (1) of this Act shall apply in the case the law of the state member being applied of a company in the European Union, which merged with cross-border with a Macedonian company allows the payment in cash referred to in Article 537-b paragraph (1) points 1 and 2 of this Law to be greater than 10% of the nominal value of the shares, stocks or securities representing the capital of the company resulting from cross-border merger, or if they do not have a nominal value, then more than 10 % of their accounting value.

(2) The provisions for cross-border merger of this Law shall not apply to cooperatives.

(3) The provisions of this Law shall not apply to cross-border mergers of companies for investment funds managing, that is the companies that perform joining of funds intended for investment collected from domestic or foreign natural persons or legal entities on through a public announcement or private offer, that is that operate what on the basis of risk allocation and have at their disposal shares, which on a request of the holders, shall be re-purchased or paid, directly or indirectly, from assets of that company.

Article 537-d

Other conditions for cross-border mergers

(1) A cross-border merger with a company belonging to a country a member of the European Union shall be possible only if the law of the member state of the European Union which applies for that company allows cross-border merger against the form of companies that merge.

(2) A competent authority can opposed to any cross-border merger, provided it is contrary to the laws and other regulations and the public interest determined by law.

(3) Provided that by law or other regulation for a particular statutory amendment is prior opinion or approval of the competent authority required the same shall be a condition for implementation of the procedure for cross-border merger in accordance with the provisions of this Law.

Article 537-e

Joint proposal with conditions for cross-border merger

(1) The management body of the Macedonian company participating in cross-border mergers, as the management bodies of the other companies involved in cross-border merger, shall adopt a joint proposal with conditions for cross-border merger (hereinafter: proposal with conditions).

(2) The proposal with the conditions referred to in paragraph (1) of this Article shall contain the following data:

- 1) the form, business name and the registered head office of the companies participating in the merger and the company established with cross-border merger;
- 2) the ratio by which the exchange of shares, stock, that is securities in the company resulting from the merger and the amount that is to be paid

in cash, if that is the case;

3) the method of allocation of shares, stocks, that is the securities representing the basic capital of the company resulting from the cross-border merger;

4) the consequences on the employees from the cross-border merger;

5) the date when the holders of shares, securities or stocks that make up the basic capital of the company resulting from cross-border merger can exercise the right to participate in the profits, including any special circumstances that are of importance for the realization of that right ;

6) the date when the transactions of the companies participating in the merger are considered from accounting purposes, as transactions of the company resulting from cross-border merger;

7) rights or limitations arising from shares or other securities in the company resulting from cross-border mergers to be distributed to the holders of shares or other securities in the company that is merging, that is joining, and gives special rights, impose restrictions or provide other measures that affect them;

8) any special advantage that is given to auditors who have reviewed the proposal with the conditions for cross-border merger, to a member of the management body or supervisory bodies, that is the controller of the companies participating in the merger;

9) the statute, that is, the articles of association resulting from cross-border merger;

10) information on the procedures in accordance with which the employees shall participate in the company's management;

11) information for the assessment of assets and liabilities transferred to the company resulting from cross-border merger, and

12) dates on the accounts used for preparation of the proposal with conditions for cross-border mergers in each of the companies that is merging.

(3) The proposal with the conditions referred to in paragraph (1) of this Law can contain some on the data prescribed in Article 520 paragraph (2) of this Law.

(4) In the case of cross-border merger with a company in which all the stock are in possession of the acquiring company, the proposal with the conditions does not have to contain the information referred to in paragraph (2), points 2, 3 and 5 of this Article.

Article 537-f

Publication of the proposal with the conditions for cross-border merger

(1) The proposal with the conditions of the Macedonian company, shall be published on the official web page of the Central Registry, in the "Official Gazette of the Republic of Macedonia" and on the web page of the company if any, at least one month prior to the members meeting, that is the session of the assembly of the company which shall decided whether to accept or refuse the proposal with the proposal with conditions.

(2) In addition to the proposal with conditions, the company referred to in paragraph (1) of this Article shall be obliged to publish the following data:

1) the form, name and registered office of each company participating in the merger;

2) register in which each of the merging companies and their number of entry is registered, and

3) the conditions under which minority stockholders exercise their rights,

settlement of liabilities against the creditors and the address where full and free information thereon shall be published for each company participating in the merger.

(3) The Central Registry shall issue a certificate of the company that the publication referred to paragraph (1) of this Article has been conducted. The cost of publication shall be borne by the company and they cannot be higher than the administrative costs of the Central Registry for their publication.

Article 537-g

Report on cross-border merger of the management body

(1) The management body of the Macedonian company is cross-border merging, despite the proposal with the conditions shall also compose a report on the cross-border merger in which the legal and economic aspects of the cross-border merger shall be explained and justified and the consequences and the impact of this merger on the stockholders, creditors and employees shall be elaborated.

(2) The report referred to in paragraph (1) of this Article shall be presented to stockholders and employees personally or through their representatives if any and published on the web page of the company if any, within a time period which cannot be shorter than one month prior to the date of the holding the members' meeting, that is holding the session of the assembly of the company, on which it shall be decided on acceptance or rejection of the proposal with conditions.

(3) If the company referred to in paragraph (1) of this Article, during the time period referred to paragraph (2) of this Article, obtains an opinion from the representatives of its employees or where no such opinion from an employee, shall submit those opinion together with the report.

Article 537-h

Report of authorized auditor on the proposal with the conditions

(1) The proposal with the conditions shall have to be reviewed by one or more authorized auditor /s who shall thereon prepare a report. The authorized auditors shall be appointed by the supervisory body of the Macedonian company that participates in cross-border merger.

(2) As an exception to paragraph (1) of this Article, on a proposal or on the basis of a joint decision by the management bodies of all the companies participating in the merger, the court can appoint a joint auditor /s to conduct an audit on the proposal with the conditions for all companies that merge cross-border. The management bodies of each of the companies participating in cross-border merger can appoint one or more joint auditors or other independent experts in accordance with the laws of some of the member states of the European Union, wherein a company belongs, which shall review the proposals with conditions for each of the companies and shall prepare a summary report for all companies.

(3) The review of the proposal with the conditions does not have to be reviewed by all members, that is the stockholders in each of the

companies participating in the cross-border merger.

(4) The audit report with the conditions of the proposal shall have to contain the opinion of the auditors on whether the exchange ratio of the stocks, that is shares is fair and reasonable. In the statement, the auditors shall have to state:

- 1) which method, that is methods have been used to assess the proposed exchange ratio of stocks, that is shares;
- 2) whether the method , that is the methods are appropriate for the exchange and which ratio of exchange would be created using different methods and which is the relative importance of each of the methods used in determining the ratio of exchange, and
- 3) which hindering circumstances, if there are any, occurred during the assessment and conduct of the audit.

(5) Each authorized auditor shall have the right to require from the management bodies to be delivered all information and documents necessary for the purpose of audit of the proposal with conditions.

(6) The report referred to in paragraph (4) of this Article shall be personally submitted by the auditor to the company which shall make it available to all members and employees personally or through their representatives if are, in a time period that cannot be shorter than one month prior to date of holding the members' meeting, that is the holding of the session of the company on which it shall be decided regarding the acceptance or rejection of the proposal with conditions.

Article 537-i

Decision to approve the proposal with conditions

(1) Following the review of the report referred to in Article 537-g and the report referred to in Article 537-h of this Law, on a session of the assembly of the company, that is the members' meeting convened in the manner as prescribed by this Law, the stockholders, that is the members shall adopt a decision on adoption or rejection of the proposal with the conditions for cross-border merger.

(2) The proposal with the conditions shall become valid after the members' meeting, that is the assembly of all companies that participate in cross-border merger shall adopt a decision on their adoption.

(3) The decision referred to in paragraph (2) of this Article on adoption of the proposal together with the conditions shall be adopted by the majority needed for adoption of a decision for amending the articles of association, that is, the statute of the company in accordance with this Law, the articles of association, that is, the statute of the company.

(4) The decision referred to in paragraph (2) of this Article shall be considered as a decision on cross-border merger.

(5) The members, that is, the stockholders, together with the decision on cross-border merger referred to in paragraph (2) of this Article, shall also adopt a decision for amending the articles of association, that is, amending the statute, that is, a decision on adoption of the articles of association, that is, the statute of the company created by cross-border merger.

(6) Minutes shall be taken by a notary, on the member's meeting, that is the assembly at which the decision referred to in paragraph (2) of this

Article has been adopted, and following the end of the meeting, that is the assembly shall verify the minutes and the decision referred to in paragraph (2) of this Article.

(7) An approval of the cross-border merger of a members' meeting of meeting, that is the session of the assembly shall not be required for the company which is being acquired in the cross-border merger if the following conditions are met:

1) the company that is acquiring conducted the publication in accordance with Article 537-e of this Law at least one month prior to the date of holding the members' meeting, that is the session of the assembly of the company that is joining and which shall have to decided on acceptance of the proposal with the conditions for cross-border merger and

2) at least one month prior to the date referred to in point 1 of this paragraph by all stockholders in the companies who are merging were allowed to review the following documents:

- the proposal with the conditions of cross-border merger,
- the annual accounts and annual financial statements of the companies that cross-border merge in the last three years,
- an annual account of the company within a time period determined in the proposal with the conditions, which cannot be shorter than three months as of the day of adoption of the proposal with conditions in case the annual account for the last business year is not older than six months, and
- the report referred to in Article 537-g and the report of Article 537-h of this Law.

(8) Following the adoption on approval of the proposal with the conditions for cross-border merger, the trade company that is merged shall submit a request to the Central Register for the purpose of issuance of certificate for pre-merger of the trade company and shall with the request all acts and documents with an information for the undertaken activities preceding the merger.

(9) The Central Registry shall issue the certificate referred to paragraph (8) of this Article within a time period of three days as of the day when the complete documentation is received along with the request.

(10) In case when the law of a member state of the European Union applied on a company that is cross-border merging with a Macedonian company that does not have a prescribed procedure for supervision and amendment of the ratio for exchange of stocks, shares or other securities, or does not have a prescribed procedure for compensation of the minority stockholders, that is members who have declared that they do not want their stock or shares in the companies that are merging cross bored to take over stock, shares or other securities from the company that is being acquired, that is the new company beneficiary, the provisions referred to in Article 531 and 535 of this Article shall be applied on the Macedonia company that is acquiring, that is becomes a new company- beneficiary with a cross border merging, only if the other companies that it is merging with during the adoption of the decision for cross bored merging referred to in paragraph (2) of this Article unambiguously have agreed with the possibility of the stockholders, that is the members of the Macedonia company to initiate a court procedure in accordance with the provision referred to in Article 531 or 535 of this Law.

(11) In case when a proposal in filed in accordance with Article 531 or 535 of this Law, the Central Register can issue the certificate for pre-incorporation with a note that the procedure for exercise of the rights referred to in Article 531 or 535 of this Law is in motion. The decision that

is to be adopted in the procedure for application of Article 531 or 535 of this Law shall be binding for the company resulting from cross-border merger, as well as for its stockholders.

(12) The provision referred to in Article 531 or 535 of this Law shall be applied on the rights of the members, that is the stockholders and the ratio for exchange of shares, stocks or other securities.

Article 537-j

Judicial determination of the legality of cross-border merger

(1) The court shall in a urgent procedure determine the legality of cross-border merger in accordance with the provisions of this Law.

(2) The management body of the Macedonian company shall submit a request for the legality of cross-border merger to the competent court according to the place of its head office within a time period of six months as of the day when the certificate referred to in Article 537-i, paragraph i (9) of this Law has been delivered.

(3) In addition to the application and certificate referred to in paragraph (2) of this Article, the management body of the Macedonian company shall to the court submit the proposal with the conditions, the report referred to in Article 537-g, the report referred to in Article 537-h, except if in accordance with such Article 537-h, paragraph (3) of this Law it is not ready, the certificate referred to in Article 537-f , paragraph (3), the minutes referred to in Article 537-i, paragraph (6), the certificate for the incorporation referred to in Article 537-i paragraph (9) of this Law, and other documents relevant to cross-border merger which on a request of the court should be delivered to the company.

(4) The court after reviewing the undertaken actions and the documents referred to in paragraph (3) of this Article, shall adopt a decision confirming that the actions of cross-border merger of the company referred to in paragraph (1) of this Article are carried out in accordance with law and that the proposal with the conditions are adopted under the same conditions in all companies.

Article 537-k

Entry in the commercial register of the company from the conducted cross-border merger

(1) The management body of the company which following the cross-bored merger has a head office in the Republic of Macedonia shall in accordance with this Law, the Law on One-Stop-Shop System and Keeping a Trade Register and Register of Other Legal Entities and the regulation of one-stop shop system submit an application for entry in the trade register to the Central Register.

(2) The Central Register shall issue a decision for entry of the submitted application referred to in paragraph (1) of this Article, after the decision of the court referred to in Article 537 j-paragraph (4) of this Law becomes effective.

(3) Together with the application, the management body shall attach the following documents:

- 1) copy of the proposal with the requirements referred to in Article 537-e of this Law;
- 2) the report referred to in Article 537-g, paragraph (1) of this Law;
- 3) the report referred to in Article 537-h, paragraph (1) of this Law, except where such is not required in accordance with Article 537-h, paragraph (3) of this Law;
- 4) the minutes referred to in Article 537-j, paragraph (6) of this Law;
- 5) the decision of the court referred to in Article 537 j paragraph (4) of this Law;
- 6) the articles of association, that is, the statute and if required the copy of the amendment to the articles of association, that is, the amendment to the statute and the decision on their adoption in accordance with Article 537-j, paragraph (5) of this Law, with a consolidated text of the articles of association, that is, the statute of the company;
- 7) a list of employees who are transferred to the acquiring company or the new company - beneficiary;
- 8) approval from a state, that is other competent authority if it is prescribed by law in accordance with Article 537-d, paragraph (3) of this Law;
- 9) a statement of the manager, that is the members of the management body in accordance with Article 32 paragraph (3) of this Law, and
- 10) decision to elect a manager, members of the management body and members of the supervisory body when not specified in the statute, that is, the articles of association.

(4) All the legal implications of the cross-border mergers shall occur at the moment the Central Register issues the entry decision referred to in paragraph (2) of this Article.

(5) The Central Register during the issuance of the entry decision referred to in paragraph (2) of this Article shall delete from the trade register, the Macedonian company that ceases to exist due to its acquisition, that is merger with the company resulting from cross-border merger.

(6) The company arising from the cross-border merger and is entered in the trade register in accordance with the provisions of this Article cannot be declared as null and void. After the entry in the trade register, the irregularities in the procedure for cross-border mergers shall not affect the validity of the merger, and they can be applied to the competent authorities in accordance with the provisions of referred to in Articles 529, 530, 531 and 535 of this law.

Article 537-l

Entry in the register

The Central Register shall immediately notify the Register of the member state of the European Union where the companies that are merging are listed regarding the entry of a company that is established with cross bordered merger for the purpose of deleting the old entry in these registers.

Article 537-m

Consequences of cross-border merger

(1) The cross-border merger referred to in Article 537-b, paragraph (1) points 1 and 3 of this Law shall have the following legal consequences for the legal subjectivity of the companies that have participated in this merger from the moment when the Central Register shall issue the entry

decision referred to in Article 537-k paragraph (2) of this Law:

- 1) all assets, rights and obligations of the merged company is transferred to the company that is acquiring;
- 2) the members, that is stockholders of the merged company shall become stockholders, that is members in the acquiring company, and
- 3) the merged company ceases to exist.

(2) The cross border merger referred to in Article 537-b, paragraph (1) point 2 of this Law shall have the following legal consequences for the legal subjectivity of the companies that participated in this merging from the moment when the Central Register shall issue the entry decision referred to in Article 537-k paragraph (2) of this Law:

- 1) all assets, rights and obligations of the companies that are merging are transferred to the new company -beneficiary;
- 2) the members, that is stockholders of the companies that are merging shall become stockholders, that is members in the new company - beneficiary, and
- 3) the merging companies cease to exist.

(3) The rights and obligations that the companies that participate in cross-border mergers have and which are incurred based on existing contracts or business relationships that are established and exist up until the moment of issuance of the entry decision referred to in Article 537-k paragraph (2) of this Law shall be transferred to the company arising out of cross-border merger.

(4) The stocks of the acquiring company cannot be exchanged with stocks of the company that is merging, when they are owned by the possess the acquiring company or any other person who acts on their behalf but on behalf of the acquiring company.

Article 537-n

Specific conditions for cross-border merger

(1) During cross-border merger where the company that is acquiring at the same time possesses all stocks and other securities providing the voting right at the assembly in the company that is merging to it, the provisions of Articles 537-e, paragraph (2), points 2, 3 and 6, 537-h and 537-m paragraph (1) point 2 of this Law shall not apply.

(2) The provisions of Article 537-i, paragraph (1) of this Law shall not be applied towards the company /s which are merging, if the company which is acquiring possesses all stocks and other securities that entitle to vote at the assembly.

CHAPTER ELEVEN

COMPANY'S LIQUIDATION

Company's liquidation

Article 538

(1) If no bankruptcy procedure has been initiated over the company, liquidation shall be conducted following the adoption of the decision on termination of the company.

(2) If the provisions of this Law or the aim of the liquidation does not arise anything new, until the completion of the liquidation, the provision of the this Law valid for the companies that have not been terminated shall be valid.

Liquidators

Article 539

(1) The liquidation of a public trade company shall be carried out by all members as liquidators, and with respect to the limited partnership, and the limited partnership with stocks all general partners, unless the members, by way of an agreement, have entrusted it to certain members. Two or more inheritor of a decision member shall be obliged to appoint a joint representative.

(2) The liquidation of a limited liability company and a joint stock company shall be carried out by the members of the management body, that is, the manager of the company, in the capacity of liquidators.

(3) The liquidators referred to in paragraph (1) and (2) of this Article can at any time be dismissed by the members, that is the assembly.

Liquidators appointed by the court

Article 540

(1) If the members, that is the stockholders have not appointed a liquidator, and when this Law determined that the court is to carry out the liquidation of the company, the liquidator shall be appointed by the Court.

(2) If there are substantial reasons and if the proposers made the substantial reasons probable and upon a proposal of the members, that is the stockholders whose joint share, that is stock represent at least 20 percent of the basic capital, the court can appoint liquidators from the list of persons proposed by the members, that is the stockholders.

(3) The liquidators appointed by the court shall be entitled to compensation of expenses and remuneration 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.

Entry in the trade register

Article 541

(1) The initial liquidators and their authorizations shall be registered for the purpose of entry in the trade register. Any change for the purposes of entry in the trade register shall be registered by the liquidators themselves.

(2) The application for entry of a liquidator, as well as any change for the purpose of entry in the trade register reported by the liquidators themselves, can be submitted in electronic form via the one-stop-shop system.

(3) The appointment and dismissal of liquidators by the court shall be *ex officio* entered in the trade register.

(4) The liquidators shall submit their signature certified by a notary to the Central Register of the Republic of Macedonia, unless they have already done that as members of the management body or as managers.

(5) As an exception to paragraph (4) of this Article, the liquidators can submit their signature as an attachment in electronic form via the one-stop-shop system, provided that it is signed with an electronic signature without being verified by a notary.

Rights and obligations of the liquidators

Article 542

(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 liquidation, they can also conclude new transactions in favor of the company in liquidation.

(2) The liquidators can, by agreement with the members, that is the stockholders and the creditors, to transfer certain objects from the liquidation estate to certain stockholders and members, provided that it does not violate the rights of the other members, stockholders and creditors.

(3) The liquidators, within their scope of operations, shall have the rights and the obligations of the management body. If a company has a supervisory board, the liquidators shall be under its supervision.

Liquidator's responsibility

Article 542-a

(1) The liquidator shall be responsible with his/her entire property for the damage that he/she caused to creditors during the liquidation procedure. If more liquidators are appointed for the damage they shall be jointly liable. The liquidator shall not be liable for the damage when a creditor's claim has not been paid within the time period for reporting the requirements referred to in Article 544 of this Law, and that the liquidator did not know or could know.

(2) The regulations on damage liability shall be applied to the damage caused by the liquidator to the stockholders or the members.

(3) A request for damage compensation to the court against any person liquidator can be filed within a time period of one year after the deletion of the company from the trade register.

(4) The legal actions undertaken in the process of liquidation cannot be contested after deleting the trade company from the trade register.

Representation of a company undergoing liquidation

Article 543

(1) The liquidators shall represent the company.

(2) If more liquidators are appointed, they shall represent the company collectively, unless otherwise determined by the articles of association, that is, the statute. If there is an obligation to give statement to the

company by third parties, it shall be sufficient for it to be given in the presence of one of the liquidators.

(3) The liquidators authorized for collective representation can authorize a liquidator or certain liquidators to undertake certain activities or certain types of activities.

(4) An individual liquidator can 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 cannot be limited.

(6) The liquidators shall sign by adding the words "undergoing liquidation" to the business name of the company.

Publication of the liquidation

Article 544

The liquidator shall, following the entry in the trade register, shall without delay and in a time period not shorter than seven days, and not longer than 15 days following the entry in the trade register, that the company is undergoing liquidation. The announcement shall be published in on the web page of the Central Register of the Republic of Macedonia. The announcement shall call the creditors to report their claims within 15 days as of the day of the publication of the web page of the Central Register of the Republic of Macedonia. The known creditors shall be individually notified in writing regarding the liquidation.

Balance for initiation of a liquidation procedure

Article 545

(1) The liquidator shall compile a balance sheet according to the situation as of the day the initiation of the liquidation proceeding (initial balance on the initiation of the liquidation) and a report explaining the balance sheet, as well as the 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 company's assembly shall decide regarding the initial balance, the annual account and the report on the company's operation, and upon approval of the liquidator operations .

Converting the company's assets into cash

Article 545-a

The Ministry of Economy shall prescribe the manner of converting the company's assets into cash.

Termination of the liquidation procedure and submission of a proposal for initiation of a bankruptcy procedure

Article 545-b

If the liquidator on the basis of reported claims of the creditors determines that the property of the company in liquidation is not sufficient to cover the obligations to all creditors in full together with the interest, the liquidator shall be obliged to immediately stop the liquidation procedure and submit a proposal for initiation of a bankruptcy procedure

Deletion of the trade company due to unreported claims from the creditors

Article 545-c

If the liquidator upon the expiry of the time period for reporting of the claims, determines that no claims from the creditors have been filed, he/she shall be obliged within a time period of three days to submit an application for deletion of the trade company from the trade register. Prior to the submission of the application for deletion of the trade company in electronic form via the one-shop-stop system, the liquidator can sign it thereon with an electronic signature.

Distribution of the assets remaining after settling the liabilities

Article 546

(1) The assets remaining after the settlement of the claims toward the creditors shall be distributed among the members, that is the stockholders.

(2) The assets shall be distributed in proportion to the nominal amounts of the shares, that is the stocks, unless otherwise determined in the articles of association, that is, the statute of the company, and unless there are stock conferring different rights when distributing the remaining assets of the company.

Submission and keeping of documentation

Article 547

(1) Following the completed liquidation, the liquidators shall submit the annual account and the report to the members, the members' meeting or the company's assembly.

(2) The liquidators shall, in addition to the application for deletion of the company from the trade register, submit to the court the approved annual accounts, as well as a copy of the decision of the members adopted at the members' meeting and the company's assembly wherein the operation of the liquidators is approved.

Time period for distribution of the assets remaining after the settlement of the liabilities

Article 548

(1) The company assets can be distributed upon the expiry of six months as of the day of publication of the announcement to the creditors.

(2) If one of the known creditors does not respond, the amount owed to him/her shall be placed at a court deposit.

(3) If a certain liability cannot be settled immediately or is disputable, the distribution of the assets can be carried out only if the creditor is provided with a collateral.

Assets emerging after the deletion of the company

Article 549

If, following the deletion of the company in the trade register, assets 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 referring to the liquidation.

Protection of rights against a deleted company

Article 550

If any legal action is exercised against the deleted company, the court shall appoint a temporary representative to the former company. The persons liable for the liabilities of the former company can be subject to a complaint within the scope of their responsibility, provided that they do not reach the time barred status.

Conditions under which a decision for extension of the existence of the company can be adopted

Article 551

(1) If the company is terminated as a result of the expiration of the time period determined in the articles of association, that is, the statute or a decision of the members, the members' meeting or the company's assembly can adopt a decision to extend the existence of the company until the initiation of the distribution of assets among the members, that is the stockholders.

(2) The decision referred to in paragraph (1) of this Article shall be adopted with the consent of all members of the limited liability company, that is two thirds of the voting stocks represented at the company's assembly.

(3) The liquidators shall report the extension of the existence of the company for the purpose of entry in the trade register. When filing for the entry, the liquidators shall be obliged to prove that the distribution of the company assets among the members, that is the stockholders has not commenced yet.

Announcement of the deletion

Article 552

Following the completion of the liquidation, the liquidator shall submit an application for deletion of the company from the trade register and shall inform the Central Securities Depository that the stocks of the joint stock company and the limited partnership with stocks have been canceled and shall give an order for closure of the stockholders list.

Procedure for deletion of inactive entities from the competent register

Article 552-a

(1) The Central Register of the Republic of Macedonia shall be obliged, within a period of 30 days as of the creation of the conditions for deletion of an inactive entity and the reasons determined by Article 552-b of this Law, to post an announcement on its website thereof and to conduct a procedure for its deletion. The announcement shall contain the name of the trade company, its PINE and the head office, the reasons for the deletion, the information about the legal consequences from the deletion, and the deadline for acting upon the information. At the same time, the legal representatives, i.e. the persons and the bodies authorized for its management, representation and supervision of the entity, the members/partners, as well as the creditors (authorized submitters), in a period of one year as of the day of posting of the announcement, are invited to submit a bankruptcy proposal in accordance with the Law on Bankruptcy or a liquidation proposal in accordance with this Law and to notify the Central Register of the Republic of Macedonia in writing thereof. The Central Register of the Republic of Macedonia shall inform the public about the published announcement in at least one printed medium that is published on the whole territory of the Republic of Macedonia and on the national radio and television public service.

(2) If the Central Register of the Republic of Macedonia does not receive a notification for a submitted liquidation proposal, i.e. a proposal for opening a bankruptcy procedure by an authorized submitter in the time period determined in paragraph (1) of this Article, it shall delete the entity and shall post the deletion on its website, and in the cases of trade companies, in the announcement, the partners, that is, the stockholders of the deleted companies shall be called to mutually distribute the property of the company in accordance with paragraph (4) of this Article.

(3) If the Central Register of the Republic of Macedonia, in a period of one year as of the day of expiry of the deadline referred to in paragraph (1) of this Article, does not receive a decision to open a bankruptcy procedure, i.e. a liquidation procedure is not opened in accordance with the provisions of this Law, the Central Register of the Republic of Macedonia shall delete the entity and shall post the deletion on its website, and in the cases of trade companies, in the announcement, the partners, that is, the stockholders of the deleted companies shall be called to mutually distribute the property of the company in accordance with paragraph (4) of this Article.

(4) The movable and immovable assets of the trade companies deleted in accordance with Article 552-a of this Law shall be distributed in a period of one year as of the day of adoption of the decision on deletion. The monetary funds and the immovable property shall be distributed within a period of ten days as of the day of adoption of the decision on deletion. If the assets of the company are not distributed upon the expiry of these deadlines, i.e. until the distribution of the newly found assets, they shall be transferred into the ownership of the Republic of Macedonia and the Republic of Macedonia shall be bound to keep the movable assets for one year, and the immovable assets and the monetary funds for ten years. Within this deadline, the founders shall be entitled, in a court procedure, to prove their ownership of the assets and to request for their return.

(5) The Central Register of the Republic of Macedonia shall, every month, on its website, post an overview of sole proprietors and trade companies that, in accordance with this Law, are deleted from the trade register during the previous month, based on which the competent bodies and institutions shall act within the scope of their competences.

Article 552-b

(1) The sole proprietor and the trade company shall be deleted from the trade register in the procedure set out in Article 552-a of this Law, provided that any of the reasons are created:

- they have not submitted an annual account and financial reports for the last business year by the last working day of the current year and
- they have not registered an entry of an electronic mail box address for receipt of writs in accordance with Article 21 paragraph (4) of the Law on the One-Stop-Shop System and Keeping a Trade Register and Register of Other Legal Entities.
- it does not contribute/pay the basic capital upon expiry of one year as of the publication of the entry on the website of the Central Register of the Republic of Macedonia for completed entry for incorporation in accordance with Article 175 of this Law .

(2) The procedure for deletion in accordance with paragraph (1) of this Article and Article 552-b of this Law shall be initiated *ex officio* by the Central Register of the Republic of Macedonia.

(3) The sole proprietors and the trade companies for which, in accordance with the reasons referred to in paragraph (1) of this Article, a procedure for deletion is initiated, the procedure shall be stopped if they eliminate the reasons for which it has been initiated during the publication of the list for deletion.

SECTION SIX

ECONOMIC INTEREST GROUP

Definition

Article 553

(1) Two or more natural persons and legal entities can among themselves for an indefinite or a definite period of time incorporate an economic interest group 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 can act as associative members in a corresponding economic interest group established abroad.

(3) The economic interest group cannot be a member of another economic interest group.

Subject of operation

Article 554

The subject of operation of the economic interest group can only be related to the trading activities carried out by the members and can only act as support to those activities.

Incorporation aims

Article 555

(1) The economic interest group shall not generate profit for itself. 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, and if there is no such provision, the profit shall be equally distributed among the members.

(2) Rights of the members of the economic interest group shall not be presented in form of securities.

(3) The provision of the founding agreement or the decision contrary to paragraphs (1) and (2) of this Article shall be considered null and void.

Status of a legal entity

Article 556

The economic interest group shall acquire the status of a legal entity as of the day of its entry into the trade register.

Responsibilities of the members

Article 557

(1) The members of an economic interest group shall be liable for the liabilities of the economic interest group with their entire property. If it is not agreed otherwise with third person- the contractor, the responsibility of the members shall be joint.

(2) A creditor of the group can request settlement of the claim from the members of the economic interest group, provided that he/she has not managed to collect the claim from the group itself.

Content of the act of incorporation

Article 558

(1) An economic interest group shall be incorporated on a basis of an agreement for incorporation an economic interest group (hereinafter: agreement for joint action).

(2) The agreement for joint action shall determine the organizational structure. The agreement for joint action shall be prepared in writing and published in the manner prescribed for publication of the articles of association.

(3) The agreement for joint action shall contain the 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, the head office of the company, and if available, the entry number from the trade register for each member of the economic interest group;
- 3) the duration of the economic interest group;
- 4) the subject of operations of the economic interest group,
- 5) the head office of the economic interest group;
- 6) the manner of decision-making;
- 7) management bodies and their authorization;
- 8) regulates in details the joining, separation and exclusion from the economic interest group, and
- 9) the control of the operation of the economic interest group;

(4) All amendments to the agreement for joint action shall be made and published under the same terms and conditions as required for the agreement itself.

Members and their admission

Article 559

(1) The persons carrying out any of the activities determined in the Article 4 of this Law can be members of an economic interest group. Persons engaged in freelance activities, without a status of a commercial entity, can also become members of an economic interest group.

(2) An economic interest group can admit new members during the period of its existence. The decision for admission of a new member shall be reached unanimously by the assembly of the economic interest group.

(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/her admission in the economic interest group. A new member can be released from the liability of the economic interest group for obligations that arose prior to their admission only with the decision on their admission in the economic interest group.

Withdrawal and exclusion of members

Article 560

(1) A member of an economic interest group can withdraw in accordance with the conditions anticipated in the agreement for joint action Agreement and provided that he/she has fulfilled the liabilities anticipated in the agreement for joint action or the assembly's acts. If the agreement for joint action does not anticipate conditions for withdrawal from the economic interest group, the withdrawal can be conducted on the basis of a separate agreement.

(2) A member of an economic interest group can be excluded on the basis of reasons determined in the agreement for joint action, but in any case if he/she severely fails to fulfill his/her obligations or if he/she causes or brings about a severe disruption in the operation of the economic interest group or if there is a serious threat which can lead to disruption in the operations. Upon a request by the other members of the economic interest group, the court in a non-contentious procedure shall adopt a decision for exclusion.

Assembly

Article 561

- (1) The members of the economic interest group shall decide upon common matters at the assembly of the economic interest group.
- (2) The assembly can decide on sessions or virtually via Internet, voting via electronic mail or in written form, via fax or phone. The manner for convening, operation, decision adoption, and recording of the decisions of the assembly shall be determined in the agreement of joint action.
- (3) The assembly shall be authorized to adopt all decisions, including the decision on its early dismissal or continuation of the duration of the economic interest group, under the conditions determined in the agreement on joint action.
- (4) The agreement on joint action can anticipate all decisions or some of them to be adopted by a quorum and majority of votes determined therein. If the agreement on joint action does not prescribe the quorum and the voting majority, the decisions shall be adopted unanimously.
- (5) The agreement on joint action can provide for certain members to be also given more votes, provided that a member cannot hold the majority of votes. If the agreement on joint action does not contain any such provision, each member shall be represented by one vote only.
- (6) The assembly shall be mandatorily convened upon a request of at least 10% of the members of the economic interest group.

Management

Article 562

- (1) An economic interest group shall be managed by one or more managers, appointed in the manner and in accordance with the conditions determined in the agreement on joint action.
- (2) Unless otherwise determined by the agreement of joint action, the assembly shall organize the management of the economic interest group and shall appoint a manager and shall determine the authorization and the conditions for his/her dismissal.
- (3) A natural person who in accordance with this Law cannot be a manager, a members of a management body or a supervisory body of the trade company cannot be elected as a manager.

Representation

Article 563

- (1) The economic interest group shall be represented in its relations with third parties by the manager determined in the agreement on joint action.
- (2) The manager referred to in paragraph (1) of this Article can exercise rights and liabilities in the legal action 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.

Supervision over the operations

Article 564

(1) The members of the economic interest group shall supervise the operation of the economic interest group through the assembly and in other manners, determined in the agreement on joint action.

(2) Each member has right to get information related to operation of the economic interest group from the management body and to review the business books and other documents of the group.

Termination of the economic interest group

Article 565

The economic interest group shall be terminated upon:

- 1) the expiration of the time period for which it has been incorporated;
- 2) accomplishment or cessation of its subject of operation;
- 3) decision of its members under the conditions anticipated in the agreement on joint action; and
- 4) court decision.

Liquidation

Article 560

(1) The termination of an economic interest group shall result in its liquidation. The legal subjectivity of the economic interest group shall be maintained for the purposes of the liquidation.

(2) The liquidation shall be carried out the conditions and in a manner determined in the agreement for joint action.

(3) If the agreement for joint action does not contain provisions of the conditions and the manner of the liquidation, the assembly of the members of the economic interest group shall appoint a liquidator. If the assembly cannot appoint him/her, the court shall appoint the liquidator.

(4) Following the settlement of debts, the excess of assets shall be divided among the members, under the conditions anticipated in the agreement for joint action.

(5) If the agreement for joint action does not contain provisions regarding the manner of liquidation, the division shall be executed in equal parts.

SECTION SEVEN

SECRET PARTNERSHIP

Secret partner and contribution

Article 567

(1) A secret partnership shall be incorporated by an agreement under which a person (the secret partner) shall contribute, that is participated with monetary or non-monetary contribution in an enterprise owned by another person – entrepreneur-public partner, and on the basis of the contribution, that person shall acquire the right to participate in the profit and loss of the enterprise.

(2) The contribution of the secret partner shall be included in the property of the entrepreneur - public partner.

Subjectivity of the company

Article 568

(1) The secret partnership shall neither have legal subjectivity person nor a business name.

(2) A secret partnership shall exist only with respect to the relations between the secret partner and the public partner, and shall not occur in the relations with third parties.

(3) Only the entrepreneur shall act in the legal trade and shall be an exclusive holder of all rights and liabilities arising from the operations.

Mutual regulation of the relations

Article 569

(1) The partners shall freely agree upon the objectives, the forms and the scope of interests, and the terms and conditions for operation of the secret partnership.

(2) When performing their duties, the entrepreneur and one or more secret partners, shall be obliged to act with the same due care as the one applied when performing their own tasks.

Agreement for regulation of the relationships

Article 570

(1) The relationship between the partners shall be regulated by an agreement.

(2) The provisions of the Law on Obligations regulating the partnership agreement shall be applied on the relationships between the entrepreneur and the secret partner not being regulated by the agreement referred to in paragraph (1) of this Article and the provisions in this section of the Law.

Contribution of the secret partner

Article 571

The secret partner shall not be obliged to increase the contribution or supplement it if the contribution is lowered due to loss of the secret partnership.

Loss coverage

Article 572

(1) Unless otherwise agreed, the secret partner shall participate in covering the losses of the entrepreneur.

(2) The secret partner shall participate in covering the losses only to the extent of his/her paid-in contribution or still not made contribution. The

contribution of the secret partner shall be decreased for the amount of loss of the secret partner.

(3) If the share of the secret partner in the profit and in the loss is not determined by an agreement, it shall be determined by the court in a non-contentious procedure in case of a dispute.

Calculation of the profit, that is, loss

Article 573

(1) At the end of each business year, the entrepreneur shall calculate the profit, that is, loss of the secret partnership and shall pay the secret partner his/her share of the profit.

(2) The secret partner shall not be obliged to return the received profit for covering future losses. As an exception, if the contribution is decreased due to a loss, the profit of the secret partner shall be used for covering the loss up to the amount determined in the agreement.

(3) The profit not being collected by the secret partner shall not increase his/her contribution.

Copy right and inspection of books and documents

Article 574

(1) The secret partner shall be entitled to request copy of the annual account and inspect their accuracy and regularity by comparing them to the company's books and documents.

(2) On a request of the secret partner, the court shall, in a non-contentious procedure, at any time, order the entrepreneur - the public partner to provide him/her with the company's annual accounts and other explanations to the secret partner, as well as to make the books and papers available to the secret partner.

(3) The rights of the secret partner referred to in paragraphs (1) and (2) of this Article can neither be excluded nor limited by an agreement.

Relationships with third parties

Article 575

The name of the secret partner must not be included in the business name of the entrepreneur, but if it is included and the secret partner has known or must have known that, he/she shall have unlimited and joint and several liability together with the entrepreneur to the creditors for the obligations deriving from the operation of the secret partnership.

Termination conditions

Article 576

(1) The secret partnership shall terminate upon:

- 1) the expiry of the time period for which the agreement for secret partnership has been concluded;
- 2) an agreement between the secret partner and the entrepreneur;
- 3) achievement of the objectives for which the agreement of the secret

partnership has been concluded or if the achievement of those objectives becomes impossible, regardless if the agreement has been concluded for a definite or indefinite period of time;

4) death of the entrepreneur, that is, termination of the activities of the entrepreneur; and

5) initiation of a bankruptcy procedure over the company in which the entrepreneur is a public or a secret partner.

(2) In the cases referred to in paragraph (1) of this Article, the termination of the secret partnership shall occur by force of law, unless otherwise determined in the articles of association.

(3) Unless otherwise determined in the articles of association, the company shall terminate upon the death of a secret partner.

Regulation of the relationships when a company has not been terminated by a bankruptcy

Article 577

If a secret partnership has been terminated due to reasons other than initiation of a bankruptcy procedure over the company wherein the entrepreneur is a public partner, the entrepreneur shall be obliged to make a calculation with the secret partner and pay his/her claim in money, unless otherwise agreed.

Bankruptcy of the entrepreneur

Article 578

(1) If a bankruptcy procedure is initiated over the company wherein the entrepreneur is a public partner, the secret partner shall be obliged to pay the part of the contribution that is due.

(2) If the part of the loss exceeds the part that belongs to the secret partner, the bankruptcy creditor can collect his/her claim from the contribution already made or, by initiating a bankruptcy procedure, from the due contribution.

(3) The secret partner shall not be obliged to contribute the part of the contribution which is not due in the bankruptcy pool of assets up to the initiation of the bankruptcy procedure over the company, regardless of the part of the loss that he/she should cover.

PART EIGHT

FOREIGN COMPANY AND FOREIGN SOLE PROPRIETOR

Definition

Article 579

(1) In accordance with this Law, a foreign company shall be any company incorporated in accordance with the law of the state where it has its registered head office (hereinafter: foreign company).

(2) In accordance with this Law, a foreign sole proprietor shall be any natural person recognized thereon outside the territory of the Republic of Macedonia, in the country whose citizen he/she is, where he/she has a registered head office and from where he/she conducts the operations of the enterprise.

Attribution criteria

Article 580

(1) In terms of this Law, the trade company which has a head office, according to the articles of association, that is the statute, outside the Republic of Macedonia, shall be attributed to the state in which its head office is located.

(2) When the head 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, which are fully or mostly carried out in the Republic of Macedonia.

(3) The trade company, whose head office is not determined in the articles of association, that is the statute, shall be attributed to the state where the place of actual management is located.

Position regarding the operation

Article 581

(1) The foreign companies and the foreign sole proprietors shall operate according to the requirements determined by law and shall have equal treatment in their operation with the domestic natural persons and legal entities on the territory of the Republic of Macedonia, unless otherwise determined by an international agreement or by law regulating special types of companies and foreign sole proprietors with specific scope of operation.

(2) The foreign trade company or a foreign sole proprietor shall be obliged to establish a subsidiary for the purpose of conducting the activity on the territory of the Republic of Macedonia, provided that it has a registered head office, central administration or head office for conducting the activity in other country whose law requires from the trade companies or the sole proprietors entered in the trade register to organize a subsidiary for the purpose of performing the activity on its territory.

Rules for the related companies

Article 582

(1) The provisions referring to the companies that most closely resemble shall respectively apply to the foreign companies the form of which is not regulated by this Law. The similarity shall be determined, in particular, according to the manner in which the members make the contributions in the company, the manner and scope of responsibility of the partners/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 regulated by this Law, the provisions referring to the joint stock

company shall apply accordingly.

Legal subjectivity

Article 583

(1) The legal and business capacity (legal subjectivity) of the foreign company shall be determined according to the laws of the state wherein the company belongs.

(2) The business capacity cannot be greater, and the responsibility cannot be lower than the one recognized, that is imposed by the legal regulations of the Republic of Macedonia, to the domestic companies of the same or similar type and scope of operations nor the foreign company can, 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 scope of operations, cannot refer to such incapacity.

Application of the law

Article 584

(1) During its operation in the Republic of Macedonia, the foreign company shall operate in accordance with the laws of the Republic of Macedonia.

(2) It shall be considered that, the foreign company, whose subsidiary in the Republic of Macedonia is entered in the trade register, regarding the transactions it has concluded or that is to carry out in the Republic of Macedonia shall have a legal and business capacity of a domestic legal person of same or similar type and scope of operations, although, in accordance to the laws in the state to which it belongs, it would not have existed or would not have had such a business capacity.

CHAPTER TWO

SUBSIDIARIES AND BRANCH OFFICE OF FOREIGN ENTITIES

Subsidiaries and branch office of foreign entities

Article 585

(1) The foreign company shall have the right to organize subsidiaries and branch offices as personal organizational units or in a different manner perform certain activities and undertake liabilities, to exercise the right to access to the courts and other bodies in the Republic of Macedonia, under the conditions determined by law.

(2) The legal existence and the scope of its legal ability in cases of suspicion and contestation shall be proven by the foreign company.

SECTION 1

SUBSIDIARY OF A FOREIGN ENTITY

Subsidiaries incorporation

Article 586

(1) The foreign company shall have the right in accordance with the form and the scope of operation, through its subsidiary, to carry out all activities, acquire and assume liabilities, exercise the right to access to the courts and other bodies in the Republic of Macedonia, under the same conditions as domestic companies with the same or similar form and scope of activities, unless otherwise determined by law.

(2) The foreign company, that is the foreign sole proprietor can by a decision in written form, organize a branch office in the Republic of Macedonia only if it is entered in the register of the country in which it has its head office.

(3) A foreign sole proprietor can organize only one subsidiary.

Entry in the trade register

Article 587

(1) The foreign company, that is the foreign sole proprietor, shall report the organization of its subsidiary for the purpose of entry in the trade register in accordance with the head office of the subsidiary.

(2) The following shall be enclosed with the application form:

1) the extract from the register where the foreign company, that is the foreign sole proprietor that is organizing the subsidiary is entered, indicating the content and date of entry;

2) a transcript of the articles of association or the statute, that is, other corresponding act to these acts, in accordance with the legislation of the foreign country, verified by a state body authorized in accordance with the regulations in the state to which the company belongs, as well as a certificate issued by the foreign authorities that the submitted agreement or the statute, that is another appropriate act of these acts, in accordance with the legislation of the foreign country are still in force. If in accordance with the laws of the state to which the company belongs, no written agreement or statute is required, that is other corresponding act to these acts in accordance to the legislation of the foreign country, a certificate shall be submitted that is issued by the competent diplomatic and consular office of the foreign country in the Republic of Macedonia, proving that the company exists, identifying its stockholders, that is members and their liability for obligations, and for the foreign sole proprietor that he/she is not deleted from the register;

3) a list of the parties entrusted to represent the foreign company and the foreign sole proprietor in the Republic of Macedonia, indicating their name and surname, PIN, that is the passport number of the foreign natural persons and their citizenship and place of residence. Evidence shall also be enclosed with the list indicating that the parties are appropriately appointed in accordance with the company's documents and the legal regulations of the state to which the company belongs;

4) the decision of the competent body of the foreign company and the foreign sole-proprietor for organizing a subsidiary;

5) a report on the solvency of the foreign company and the foreign sole-proprietor, issued by the competent state body or an authorized auditor, in accordance to the regulations in the state to which the foreign company and the foreign sole proprietor belongs;

6) a description of the activities and the operations to be performed by the

subsidiary, and

7) if determined by law, a license, approval or other act shall be shall also be enclosed with that proof.

(3) Prior to the entry of the subsidiary in the trade register, the person who has adopted a decision for organizing a subsidiary in the Republic of Macedonia cannot operate through the head office.

(4) The entry of the other types of organizational units shall be carried out in the manner and in accordance with the conditions determined in the act referred to in Article 586, paragraph (2) of this Law.

(5) The subsidiary shall be obliged to report all amendments and additional data entered into the trade register, that is all amendments in the foreign company, that is foreign sole proprietor that has organized the subsidiary.

(6) The subsidiary shall be obliged each year to publish the annual financial reports of the foreign trade company, that is the foreign sole proprietor that has organized the subsidiary at in least in one daily news paper and to deliver to the Central Register.

Several subsidiaries

Article 588

(1) If the foreign company in the Republic of Macedonia incorporates several subsidiaries, it shall indicate in the application form for registration in the trade register the subsidiary that, with respect to the operations in the Republic of Macedonia, shall be considered as the main subsidiary (the Macedonian head subsidiary).

(2) The other subsidiaries organized by the foreign company in the Republic of Macedonia shall be considered as subsidiaries of the main subsidiary.

(3) The business name of the subsidiary shall indicate which is the main subsidiary, that is shall indicate the reference number of the other subsidiaries according to their order of registration.

Acting in legal transactions

Article 589

The subsidiary shall act in the legal transaction on behalf and for the account of the foreign company, that is the foreign sole proprietor, wherefore the business name and the head office of the foreign company, that is the foreign proprietor, as well as the name of the subsidiary shall have to be used.

Legal trade liability

Article 590

(1) The foreign company, that is the foreign sole proprietor shall be liable with its entire property for the liabilities incurred during the operation of the subsidiaries.

(2) If the foreign company, that is the foreign sole proprietor that has established the subsidiary is registered in the register of the state where it

has its head office for less than two years from the day of the submitted request for establishment of the subsidiary, until the expiration of two years from the day of its establishment, the founders of the foreign company, that is 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 subsidiaries.

Representatives

Article 591

(1) The foreign company shall appoint one or more representatives for each subsidiary which shall, with respect to that subsidiary, represent the operations of the company in the Republic of Macedonia. The foreign company can appoint the same representatives for several subsidiaries.

(2) In accordance with this Law, the representative of the main subsidiary shall be representatives of the other subsidiaries even when other representatives are also appointed for the other subsidiaries.

Trade books

Article 592

(1) The foreign company, according to its type and scope of operations, that is the foreign sole proprietor, shall be obliged through the subsidiary to keep trade books for its operations in the Republic of Macedonia.

(2) The subsidiary of the foreign company shall each year publish the annual account, and the audit report, the notes in the trade or other appropriate register referring to the recorded data in the register, which were amended, on rehabilitation, bankruptcy or other notes being relevant for the financial position of the foreign company, that is the foreign sole proprietor.

Termination of a subsidiary

Article 593

(1) The subsidiary of the foreign company, that is the foreign sole proprietor, shall terminate when the foreign company is terminated or when the time period for which it was incorporated expires.

(2) The court, upon a proposal by the party having legal interest, can also decide to terminate the subsidiary if:

1) it determines that the foreign company, that is 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 subsidiary has been prohibited to carry out the activity by the competent state body in the Republic of Macedonia;

2) the foreign company, that is the foreign sole proprietor, fails to appoint representatives of its subsidiaries according to the legal regulations, the articles of association, that is, the statute or according to its license, within three months from the call of the court;

3) the foreign company, that is, the foreign sole proprietor, has been under an obligation to invest funds, but has failed to do so, or it has completely or partially canceled its investment; and

4) the creditor proves that his/her claim arising from the operations of the foreign company, that is the foreign sole proprietor, that has established the subsidiary in the Republic of Macedonia, cannot be collected.

(3) If the main subsidiary is terminated, and the other subsidiary continue with their operations, the foreign company shall designate a new main subsidiary, and shall report it for the purpose of entry in the trade register.

Liquidation of a subsidiary

Article 594

(1) If the foreign company, that is the foreign sole proprietor, fails to appoint liquidators, the liquidation of the subsidiary shall be carried out by the representatives.

(2) The creditors, having claims against the foreign company, that is against the foreign sole proprietor arising from its operations through its terminated subsidiary, shall be entitle to priority settlement of their claims with respect to the other creditors.

(3) The liquidation procedure of the subsidiary of the foreign company, that is the foreign sole proprietor shall not have to be carried out if, within six months following the termination of the foreign company, the subsidiary with its entire property in the Republic of Macedonia is transformed into a company of a type determined 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, that is natural person in the Republic of Macedonia.

Damage liability

Article 595

(1) The provisions in this Law referring to damage liability that apply to the domestic companies according to their type shall be accordingly applied to the subsidiaries of the foreign companies, that is the foreign sole proprietors. The representatives and the liquidators, in regard to the liability, shall have equal treatment with the members of the management body, that is, the manager and the liquidators.

(2) The provisions of this Law referring to the damage liability of the members of the management body, the manager, that is, the liquidator shall be also applied to the representatives and the liquidators of the subsidiary of the foreign company.

(3) The parties who, as representatives, violate the provisions of this Law shall be jointly liable for the damages. The foreign company, that is the foreign sole proprietor, shall also be jointly liable.

SECTION TWO

BRANCH OFFICE

Article 596

- (1) A foreign company entitled to carry out commercial activities in accordance with the national legislation can organize a trade branch office in the Republic of Macedonia.
- (2) The branch office shall not have a status of a legal entity and cannot carry out commercial activities.
- (3) The manner, the procedure of entry and the body authorized for entry of the branch office shall be prescribed by the Government of the Republic of Macedonia.

PART NINE

CONTROL AND SUPERVISION

Article 597

- (1) The control and the supervision of the sole proprietor, the trade companies, the economic interest community and the subsidiary organized by a foreign company, that is the foreign sole proprietor shall be carried out by the inspection services within the competences determined by law.
- (2) In the course of conducting supervision, the inspection services referred to in paragraph (1) of this Article shall file a motion for initiation of a misdemeanor procedure, provided that a misdemeanor related to the provisions of this Law has been perpetrated. The Central Register of the Republic of Macedonia shall also submit a motion for initiation of a misdemeanor procedure.
- (3) A misdemeanor procedure shall be conducted and a misdemeanor sanction shall be imposed by the Misdemeanor Commission formed by the Director of the Central Register of the Republic of Macedonia in accordance with the Law on the Central Register of the Republic of Macedonia, provided that a misdemeanor related to the provisions of Articles 477 paragraphs (4) and (5), 482 paragraphs (1) and (2), and 506 paragraphs (4) and (5) of this Law is perpetrated.
- (4) The notifications and the submissions of writs in the procedure referred to in paragraph (3) of this Article shall be done at the electronic mail box address for receipt of writs of the trade company registered in the trade register.
- (5) If the company has no registered electronic mail box address for receipt of writs, the notification shall be posted on the website of the Central Register of the Republic of Macedonia.
- (6) The notification posted on the website of the Central Register of the Republic of Macedonia shall be considered to be duly sent upon the expiry of the deadline of eight days as of the day of posting.

Article 597-a

If the competent inspector determines that the sole proprietor commences the activity prior to its entry in the trade register it shall adopt a decision on temporary prohibition on performance of the activity with duration of 15 days (Article 14 paragraph (1)).

PART TEN

MISDEMEANOR SANCTIONS

Article 598 **33**

(1) Fine in the amount of Euro 1.000 in Denar counter-value shall be imposed for a misdemeanor on a sole-proprietor, if :

- 1) registers more than one business name (Article 14, paragraph (4));
- 2) transfers the business name to a third party contrary to the provisions of this Law (Article 16, paragraph (2)) and does not enter the transfer into the trade register (Article 16, paragraph (4));
- 3) does not report the termination of the operation to the competent public revenue office (Article 17, paragraph (1)) and does not submit an application for deletion of the entry in the trade register (Article 18, paragraph (2));
- 4) commences the performance of the activity prior to the entry in the trade register (Article 14 paragraph (1));
- 5) commences the performance of the activity prior to getting an approval by the authorized body for fulfilling the prescribed conditions for performing the activity (Article 63 paragraph (1));
- 6) undertakes legal actions and activities outside the scope of operation entered in the trade register (Article 64, paragraph (1));
- 7) does not keep or improperly keeps the trade books (Article 471, paragraph (1) and Article 472, paragraph (3));
- 8) does not keep in a proper and appropriate manner the trade and other documents (Article 474);
- 9) does not prepare, disclose and submit annual accounts (Article 476, paragraph (1) and Article 477, paragraph (1),(4) and (7)).

Article 598-a

As of the day of the legally valid decision,a misdemeanor sanction-prohibition of performance of the activity from one to three years, shall be imposed on the sole proprietor for the misdemeanor referred to in Article 598 paragraph (1), points 5, 6, 7, 8 and 9 of this Law.

Article 599

(1) Fine in the amount of the Euro 3.000 in Denar counter value shall be imposed on the trade company for a misdemeanor if it:

- 1) commences its business operations prior to the entry in the trade register and prior to getting an approval by the authorized body for fulfilling the prescribed conditions for performing a certain activity, provided it is determined by law (Article 63);
- 2) does not make available the information in accordance with Article 10 of this Law;
- 3) does not use the business name as it is entered in the trade register (Article 52, paragraph (1)) or uses an abbreviated name of the business name and the same is not entered into the trade register (Article 52, paragraph (3));
- 4) without strict agreement of the stepping out partner or his/her inheritances uses the old business name (Article 53);
- 5) does not report the change of the head office in the trade register (Article 61, paragraph (3));
- 6) does not prepare, publish and deliver annual account, that is consolidated annual accounts, financial reports and consolidated financial reports, if there is an obligation for that in this Law (Article 476, paragraph (1); Article 477, paragraphs (1),(4), (5), (8) and (12); Article 482,

paragraphs (1) and (2); Article 504 and Article 506, paragraphs (4) and (5)), and

7) does not pay the dividend in the time period determined in Article 487 paragraph (5) of this Law.

7-a) the decision on payment of dividends does not contain the data prescribed by Article 490 paragraph (1) of this Law.

8) does not pay the monetary share within the deadline set out by this Law (Article 186 paragraph (5)); and

9) does not select a manager, that is, a management or supervisory body within the deadline set out by this Law (Article 233 paragraph (2)).

(2) Fine in the amount of 30% of the determined fine for the trade company shall be imposed on the responsible person in the trade company for the activities referred to in paragraphs (1) of this Article.

Article 599-a

(1) As of the day of the legally valid decision, a misdemeanor sanction-prohibition of performance of the activity from one to three years, shall be imposed on the company for the misdemeanor referred to in Article 599 paragraph (1), points 1,3,5, and 7 of this Law.

(2) As of the day of legal validity of the decision, a misdemeanor sanction-prohibition of performance of the activity of up to one year, shall be imposed on the responsible person in the company for the misdemeanor referred to in Article 599 paragraph (1) points 1, 3, 5, 6 and 7 of this Law.

Article 600

(1) A fine in the amount of Euro 3.000 in Denar counter value shall be imposed for a misdemeanor on the general partnership, if it:

1) performs an activity which as a profession can be performed by a person with appropriate qualifications, but does not have among its partners or employees persons with the appropriate qualifications (Article 113),

2) deprives the partners who are not managers of the rights (Article 132), and

3) does not report the termination of the company for entry in the trade register (Article 147).

(2) Fine in the amount of 30% of the determined fine for the general partnership shall be imposed on the responsible person in the general partnership for the activities referred to in paragraph 1 of this Article.

Article 600-a

As of the day of legal validity of the decision, a misdemeanor sanction-prohibition of performance of the activity of up to one year, shall be imposed on the responsible person in the company for the misdemeanor referred to in Article 600 paragraph (1) points 2 and 3 of this Law.

Article 601

(1) Fine in the amount of Euro 3.000 in Denar counter value shall be imposed for a misdemeanor on the limited liability company if:

1) the expenses and the remunerations for participation in the incorporation of a company are not paid out of the profit, in accordance with Article 180, paragraph (3) of this Law;

2) each amendment of the data, each step in and step out of a member in the company is not reported for entry into the commercial register with an

application form (Article 182, paragraph 4);

3) the company's assets required to preserve the basic capital is paid to a member (Article 192, paragraph (2));

4) the book of shares is not kept in accordance with Article 195, paragraph (1) of this Law, that is, it does not keep the book of shares in a proper and correct manner (Article 195, paragraph (2));

5) in accordance with the court decision, within a time period of three days as of the day of acceptance of the decision, it does not enforce the decision and does not enter the entry into book of shares (Article 196, paragraph (4));

6) it does not submit the report of the executed audit by the authorized auditors to the members meeting (Article 230, paragraph (3));

7) the management body is composed contrary to Article 231 of this Law;

8) it does not prepare an annual account, financial report and annual report for the operations of the company for the previous business year or if they are prepared and not submitted at the members meeting, that is the assembly within a time period determined by this Law (Article 240, paragraph (2));

9) the supervisory board, that is, the controller are composed contrary to Article 246 of this Law;

10) the increase of the basic capital is mentioned in the company's business announcements and regulations, prior to the publication of the decision in the trade register (Article 257, paragraph (4));

11) it pays the members on the basis of a decrease in the basic capital, prior to the entry of the amendments to the articles of association in the trade register (Article 264, paragraph (1));

12) it does not report for entry into the trade register the termination of the company (Article 269, paragraph (1)), and

13) it does not submit an application for entry into the trade register of the transformations of the company in a different form (Article 514, paragraph (1)).

14) the company has left without a manager, and the members/partners in the company have not held a members'/partners' meeting and have not elected a manager of the company within the period set in Article 233 paragraph (2) of this Law.

(2) Fine in the amount of 30% of the determined fine for the limited liability company shall be imposed on the responsible person in the company for the activities referred to in paragraph (1) of this Article.

Article 601-a

(1) As of the day of legal validity of the decision, a misdemeanor sanction-prohibition of performance of the activity from one to three years, shall be imposed on the limited liability company for the misdemeanor referred to in Article 601 paragraph (1), points 2,6,8 and 12 of this Law.

(2) As of the day of legal validity of the decision, a misdemeanor sanction-prohibition of performance of the activity of up to one year, shall be imposed on the responsible person in the company for the misdemeanor referred to in Article 601 paragraph (1) points 2, 6, 8 and 12 of this Law.

Article 602

(1) Fine in the amount of Euro 3.000 in Denar counter value shall be imposed for a misdemeanor on the joint stock company if:

1) prior to the entry of the incorporation of the company into the trade register, it has issued stocks (Article 302, paragraph 1);

2) it does not keep the acts and the documents, anticipated in Article 319

of this Law in the head office of the company;

3) it does not allow the stockholders to impose their right of information (Article 320);

4) it guaranties or pays interest to the stockholders (Article 328, paragraph (2));

5) it does not publish the announcement for takeover of the stocks in the "Official Gazette of the Republic of Macedonia" (Article 339, paragraph (5));

6) it does not report the decision of the assembly for election of the board of directors or the supervisory board for entry in the trade register (Article 344, paragraph (5));

6-a) the members of the board of directors, that is, the supervisory board have not acted in accordance with Article 347 paragraph (2) and paragraph (3) of this Law.

7) it does not fulfill the obligation in case of loss, insolvency or incapability for paying in accordance with Article 354, paragraph 4 of this Law;

8) it does not submit an application for entry in the trade register of the dismisses or appointed members of the board of directors or the supervisory board (Article 363, paragraph (5));

9) the management board does not submit an application for entry in the trade register of the members of management board authorized for company's representation (Article 377, paragraph (3));

9-a) the stockholder is not informed in accordance with Article 406 paragraph (1) of this Law;

9-b) the invitation, that is, the public call does not contain the data referred to in Article 388 paragraph (1) of this Law; and

9-c) the materials are not available for the stockholders in accordance with Article 388 paragraph (3) of this Law.

10) the management body does not submit to the Central Register of the Republic of Macedonia the legally valid decision for the purpose of entry in the trade register (Article 415, paragraph (1));

11) does not report the increase of the basic capital for the purpose of entry in the trade register (Articles 433 paragraph (1), Article 435 paragraph (2); Article 438 paragraphs (1) and (2), and Article 441 paragraph 1);

12) does not report the decision for decrease of the basic capital, and the conducted decrease of the basic capital, for the purpose of entry in the trade register (Article 444 paragraph (1), and Article 451, paragraph (1));

13) does not submit an application for entry into the trade register of the decision for termination of the company (Article 453, paragraph (1)), and

14) does not submit an application for entry into the trade register the transformations of the company in a different form (Article 514, paragraph (1)).

(2) Fine in the amount of 30% of the determined fine for the joint stock company shall be imposed on the responsible person in the company for the activities referred to in paragraph (1) on this Article.

Article 602-a

(1) As of the day of the legally valid decision, a misdemeanor sanction-prohibition of performance of the activity from one to three years, shall be imposed on the limited liability company for the misdemeanor referred to in Article 602 paragraph (1), points 1, 2, 3, 4, 7, 13 and 14 of this Law.

(2) As of the day of the legally valid decision, a misdemeanor sanction-prohibition of performance of the activity from six months to one year, shall be imposed on the responsible person in the company for the

misdemeanor referred to in Article 602 paragraph (1), points 1, 2, 3, 4, 7, 13 and 14 of this Law.

Article 602-b

(1) Fine in the amount of Euro 1.500 to 2.000 in Denar counter value shall be imposed for a misdemeanor on the members of the management body if:

- 1) the annual report for the work of the company does not contain the prescribed data referred to in Article 337 paragraph (1) of this Law;
- 2) they do not convene the annual assembly in accordance with Article 384 paragraph (1) of this Law;
- 3) the annual report for the work of the company does not contain the prescribed data referred to in Article 384 paragraph (7) of this Law;
- 4) they do not convene an assembly on a request of a stockholder in accordance with Article 385 of this Law;
- 5) they do not convene the assembly in accordance with the ways of convening referred to in Article 387 of this Law;
- 6) they do not put on the agenda the request referred to in Article 390 paragraph (6) of this Law, except in the cases referred to in paragraph (7) of this Article;
- 7) they do not act in accordance with Article 390 paragraph (9) and paragraph (10) of this Law; and
- 8) they have not checked whether the registered stockholders from the list are recorded in the stockholders' book in accordance with Article 391 paragraph (3) of this Law.

Article 602-c

(1) Fine in the amount of Euro 1.500 to 2.000 in Denar counter value shall be imposed for a misdemeanor on the non-executive members of the board of directors, that is, the members of the supervisory board of the joint stock company if:

- 1) they do not convene the annual assembly in accordance with Article 384 paragraph (3) of this Law and
- 2) they do not convene an assembly on a request of a stockholder in accordance with Article 385 of this Law.

Article 602-d

(1) Fine in the amount of Euro 1.500 to 2.000 in Denar counter value shall be imposed for a misdemeanor on an executive member of the board of directors, that is, the member of the management board of the joint stock company if:

- 1) on a request of the stockholder, he/she does not issue a copy of the minutes of the stockholders' assembly in accordance with Article 407 paragraph (4) of this Law.

Article 602-e

Fine in the amount of Euro 1.500 to 2.000 in Denar counter value shall be imposed for a misdemeanor on the persons referred to in Article 457 of this Law if they do not act in accordance with Article 459 of this Law.

Article 603

(1) Fine in the amount of Euro 5.000 in Denar counter value shall be imposed for a misdemeanor on the Central Depository provided that it enables the stockholders an insight into the stockholders book, that is

does not issue a copy of the date recorded in the stockholders book of the company (Article 283 paragraphs (6) and (7)).

(2) Fine in the amount of Euro 1.000 in Denar counter value shall be imposed for the misdemeanor on the responsible person in the Central Depository in accordance with Article 283 paragraphs (6) and (7) of this Law.

Article 604

(1) Fine in the amount of Euro 3.000 in Denar Counter value shall be imposed for a misdemeanor on the limited partnership, if:

1) the entry of the limited partnership by stocks in the trade register is conducted contrary to Article 464 of this Law, and

2) an application for entry in the trade register of the transformation of the company from one to another form has not been submitted (Article 514, paragraph (1));

(2) Fine in the amount of 30% of the determined fine for the limited partnership shall be imposed on the responsible person in the company for the activities referred to in paragraph (1) of this Article.

Article 604-a

(1) As of the day of legal validity of the decision, a misdemeanor sanction-prohibition of performance of the activity from one to three years, shall be imposed on the limited partnership for the misdemeanor referred to in Article 604 paragraph (1) of this Law.

(2) As of the day of the legal validity of the decision, a misdemeanor sanction-prohibition of performance of the activity of up to one year, shall be imposed on the responsible person in the company for the misdemeanor referred to in Article 604 paragraph (1) of this Law.

Article 605

(1) Fine in the amount of Euro 3.000 in Denar counter value shall be imposed for a misdemeanor on the foreign trade company, provided that it conducts an activity on the territory of the Republic of Macedonia without incorporating a subsidiary and has been obliged to incorporate it in accordance with Article 581 paragraph (2) of this Law.

(2) Fine in the amount of 30% of the determined fine for the foreign trade company shall be imposed on the responsible person in the company for the activity referred to in paragraph (1) of this Article.

Article 605-a

Fine in the amount of Euro 5.000 in Denar counter value shall be imposed for a misdemeanor on the company whose stocks are listed on the stock exchange and the company which in accordance with the Law on Securities has a special notification obligation, provided that they have not published the data referred to in Article 387 paragraph (3) of this Law on their official web page.

(2) Fine in the amount of 30% of the determined fine for the company referred to in paragraph (1) of this Article shall be imposed on the responsible person in the company for the activity referred to in paragraph (1) of this Article.

Article 605-b 34

(1) Fine in the amount of Euro 5.000 in Denar counter value shall be imposed on the company for a misdemeanor, provided that the stocks acquired in accordance with Article 335 paragraph (1) of this Law have not been previously offered for sale in the time period referred to in Article 335 paragraph (2) of this Law.

(2) Fine in the amount of 30% of the determined fine for the company referred to in paragraph (1) of this Article shall be imposed on the responsible person in the company for the activity referred to in paragraph (1) of this Article. 35 .

(2) Fine in the amount of Euro 2.500 to 5.000 in Denar counter value shall be imposed for a misdemeanor on the responsible person in the company referred to in paragraph (1) of this Article.

Article 605-b

(1) Fine in the amount of Euro 2.500 to 5.000 in Denar counter-value shall be imposed on the members of the management bodies of the company who have voted for approval of the business deal with an interested party contrary to the provisions of Article 460-a paragraph (1) of this Law.

(2) The Securities Commission may file a motion for initiation of a misdemeanor procedure for the misdemeanors referred to in this Article.

Article 605-c

(1) Fine in the amount of Euro 5.000 in Denar counter-value shall be imposed on a joint stock company that has closed a business deal with an interested party before obtaining an opinion from an authorized auditor thereupon, contrary to the provisions of Article 460-a paragraph (3) of this Law.

(2) The Securities Commission may file a motion for initiation of a misdemeanor procedure for the misdemeanors referred to in this Article.

Article 605-d

The amount of the fine for the legal entity, that is, the sole proprietor shall be determined in accordance with the Law on Misdemeanors.

SECTION ELEVEN

TRANSITIONAL AND FINAL PROVISIONS

Application of this Law

Article 606

(1) As of the day this Law is applied, the existing sole proprietors, the trade companies, the economic interest group and subsidiaries organized by the foreign companies, that is the foreign sole proprietors shall continue to operate in a manner and under the conditions under which they were entered in the trade register.

(2) The acts of the sole proprietors, the articles of association, the statements of establishment of single-member limited liability companies,

the statutes of the companies, the agreements of the economic interest group and other general acts of the companies not being in accordance with the provisions of this Law, shall not apply regarding the parts not being in accordance with its provisions, except the amount of the basic capital, as of the day of application of this Law.

(3) As an exception to paragraph (2) of this Article, the issues, which in accordance with this Law are regulated by articles of association, a statement of establishment of a single-member limited liability company, a statute of the company, an agreement of an economic interest group and other general act of the company, the existing sole proprietors, the trade companies, the economic interest groups and subsidiaries, organized by foreign companies, that is, foreign sole proprietors, and are not in accordance with this Law, can be applied concluding June 30th 2005.

(4) The provisions referred to in Article 469, paragraphs (2) and (3) of this Law shall be applicable for the financial reports and the consolidated financial reports for year 2004.

Procedures commenced prior to the day of entry of the Law

Article 607

(1) The procedures for incorporation, merger, division and transformation of the trade companies commenced prior to the day of entry of this Law, shall continue in accordance with the provisions of this Law.

(2) Upon the applications for entry in the trade register submitted to the court prior to the day of application of this Law, the court shall finish the procedure in accordance with the regulations which were in force at the time the application have been submitted to the court.

Unity of the trade register

Article 608

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Availability and publication of the unique trade register in an electronic form

Article 609

(1) Until the establishing of the unique trade register in electronic form the entry in the trade register shall have legal action against third parties as of the day following the publication in the "Official Gazette of the Republic of Macedonia", unless otherwise determined by this or other law. Upon the establishment of the trade register in electronic form and its availability in the public, the entry in the trade register shall have legal action against third parties starting from the day of entry in the trade register.

(2) The publications and the enclosure, which in accordance with this Law are determined to be published fully, partially or with a excerpt in the "Official Gazette of the Republic of Macedonia" from January 1, 2006 shall be published through the trade register in electronic form.

Entry of the amendments

Article 610

Until the establishment of the unique trade register if:

- 1) due to change of the registered office of the entity 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 entity subjected to entry was formed by merging of the entity subjected to entry which was registered by another entity, or accession of a entity of an entry which was entered in the trade register by another court, the entry of the new entity, or the accession is done by the court according to the new registered office of the entity, or the court to which the entity 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 entities. The court where the entity was previously entered shall delete the entity that is in accession, or merger; and
- 3) by division of one entity new entities are established the registered office of which is under the competence of another court, the court wherein the entity in division was registered, shall make a decision for entry of incorporation of the new entities. The court shall deliver a copy of the decision to the court of the registered office of the new entity. Once the court receives the notifications that all entities are entered, on the basis of an already submitted registration form by the entity in division, it shall ex officio delete the entity in division and record the registration of the new entities.

Article 611

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Shares providing a right to more votes

Article 612

The issued stocks providing more votes owned by the Republic of Macedonia shall remain in its ownership according to the conditions under which they have been issued. As of the day this Law enters into force, these stocks cannot be transferred to third persons unless they are transferred as common stocks.

Harmonization with the provisions of this Law

Article 613

(1) The limited liability companies and the joint stock companies owned by the state shall be obliged to harmonize their acts with the provisions of this Law, up until December 31,2004 at the latest.

(2) The Government of the Republic of Macedonia shall decide for the harmonization of companies owned by the state and for acquiring a share, that is stocks in the companies determined by this Law and shall exercises all rights and liabilities of the Republic of Macedonia as a member, that is stockholder.

(3) The companies referred to in paragraph (1) of this Article not acting in accordance with the provisions of paragraph (1) of this Law, shall be subject to a liquidation procedure and deleted from the trade register. The court *ex officio* shall initiate the liquidation procedure, and the liquidation shall be conducted in accordance with provisions of this Law.

Harmonization with the provisions of this Law of the entered legal entities in the trade and the court register

Article 614

(1) The legal entities entered in the court register, which on the day of entering into force of this Law are not harmonized in accordance with the provisions of the Law on Trade Companies ("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 51/2003) shall be deleted for the court register in the manner and according to the conditions determined in this Article if within a time period of six months as of the day of application of this Law are not harmonized with this Law. The deletion of these legal entities shall be conducted, *ex officio*, by the court.

(2) The trade companies and the sole proprietors whose accounts are blocked and transferred to the appropriate institution for blocked accounts shall be deleted from the trade register in the manner and according to the terms determined in this Article, if within a time period of six months as of the day of application of this Law they do not de-block the blocked account.

(3) If within the time periods referred to in paragraphs (1) and (2) of this Article the creditor does not report a claim, the court shall *ex officio*, delete the legal entities referred to in paragraph (1) of this Article and the trade companies and the sole proprietor referred to in paragraph (2) of this Article from the court, that is the trade register.

(4) If within the time period referred to in paragraphs (1) and (2) of this Article a claim of a creditor has been reported, the court shall *ex officio* start a liquidation procedure in accordance with this Law, that is a bankruptcy procedure in accordance with the Law on Bankruptcy. The expenses for enforcement of the liquidation or bankruptcy shall be covered by the legal entity, the sole proprietor, that is the trade company. If their assets cannot provide for the necessary means for compensation of expenses, the manager, that is, the members of the management body personally, jointly, severally and without limitation with their whole assets shall compensate the difference of means for covering the expenses.

Adoption of by-laws

Article 615

The by-laws, anticipated by this Law, shall be adopted within a time period of 90 days as of the day this Law enters into force.

Expiry of the validity

Article 616

The Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 28/96, 7/97, 21/98, 37/98, 63/98, 39/99, 81/1999,

37/2000, 31/2001, 50/2001, 6/2002, 61/2002, 4/2003 and 51/2003, as well as the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 58/2002, 98/2002, 42/2003 and 85/2003) shall cease to be valid as of the day this Law enters into force.

Entry into force of this Law

Article 617

This Law shall enter into force on the eight day of its publication in the "Official Gazette of the Republic of Macedonia".

PROVISIONS OF OTHER LAWS:

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 25/2007):

Article 29

The incorporation of a fund wherefrom the employee can acquire stocks of the joint stock company freely or at a privileged price can be determined by the statute of the joint stock company. The fund and the stocks that can be acquired by the employees from the fund can be up to one tenth of the basic capital of the joint stock company, at the latest.

The organization, the fund management, as well as the use and the manner of distribution of the resources intended for stocks of the employees shall be regulated by the statute of the joint stock company. In case of incorporation of the fund referred to in paragraph (1) of this Article, the assembly of the company shall adopt a program in accordance with which the employees can acquire stocks.

The assembly of the company shall adopt a decision for issuance of stocks intended for the fund referred to in paragraph (1) of this Article, the criteria for their distribution and the distribution of the stocks from the fund for acquiring employees stocks.

Unless a greater majority is determined by the statute, the decision shall be adopted by the assembly with majority of votes, which cannot be less than two thirds of the voting stocks, represented at the assembly of the company.

The fund can acquire the stocks referred to in paragraph (1) from the personal stocks of the joint stock company or the general reserve and the accumulated profit of the joint stock company in accordance with this Law.

Article 30

The joint stock companies shall be obliged to harmonize their acts and their operation with the provisions of the Law, until June 30th 2007, at the latest.

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 25/2007):

Article 31

The provisions referred to in Article 29 of this Law shall start to apply as of January 1st 2012.

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 87/2008):

Article 30

The Minister of Finance shall adopt the regulation regarding the manner and the requirements for submission of the annual account in electronic form within a time period of 30 days as of the day this Law enters into force.

The Minister of Economy shall adopt the regulation regarding the encashment of the property of the company in liquidation procedure within a time period of 15 days as of the day this Law enters into force.

Article 31

The legal entities, the sole proprietors and the trade companies registered in the court register, which up until the day of entering into force of this Law are not harmonized with the provisions of the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no.28/2004, 84/2005 and 25/2007) and the legal entities, the sole proprietors and the trade companies registered in the trade register, whose accounts have not been transferred in the business banks and are not blocked, shall be deleted from the appropriate register in a manner and under conditions determined by this Law.

The procedure for deletion shall be conducted by the Central Register of the Republic of Macedonia through the one-shop-stop system.

Article 32

The Public Revenue Office within a time period of 30 days as of the day this Law enters into force shall to the Central Register of the Republic of Macedonia submit a proposal for deletion from the appropriate register of the legal entities, the sole-proprietors and the trade companies referred to in Article 31 of this Law and shall thereon submit a report in electronic form to the Central Register of the Republic of Macedonia. The Central Register of the Republic of Macedonia upon the recording of the data from the submitted report in its database, shall publish an announcement on its web page calling up the managers, the management bodies and the creditors within a time period of 30 days to submit a proposal for initiation of a liquidation or a bankruptcy procedure over the legal entities, the sole proprietors and the trade companies referred to in Article 31 of this Law. The submitters shall be obliged in writing to inform the Central Register of the Republic of Macedonia regarding the submitted proposals for initiation of a liquidation or bankruptcy procedure.

Upon the expiry of the time period referred to in paragraph 1 of this Article, the Central Register of the Republic of Macedonia shall delete from the appropriate register all legal entities, sole proprietors and trade companies for which a proposals for initiation of a liquidation or bankruptcy procedure shall not be submitted.

The Central Register of the Republic of Macedonia on its web page shall publish the deletion of the legal entities, the sole proprietors and the trade companies and shall

dispatch it thereon via electronic package to the Public Revenue Office for the purpose of their deletion from the database of the Public Revenue Office.

The funds for the deletion by the Central Register of the Republic of Macedonia shall be provided by the Budget of the Republic of Macedonia.

Article 33

Upon the completion of the procedure for deletion, all funds from the accounts of the deleted legal entities shall be transferred on the treasury account of the Budget of the Republic of Macedonia.

Article 34

Deleted [38](#)

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 87/2008):

Article 35

The provisions referred to in Articles 14,15,16,17,18 and 19 of this Law shall start to apply as of the day of accession of the Republic of Macedonia in the European Union.

Article 36

The provisions referred to in Article 84 paragraph (2) and Article 85 paragraph (6) shall start to apply as of the day the Central Register of the Republic of Macedonia shall start to apply the electronic signature through the one-stop-shop system in accordance with the E-registration System and the regulations on the one-stop-shop system.

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 42/2010):

Article 13

Fine in the amount of Euro 5.000 in Denar counter value shall be imposed for a misdemeanor on the company whose stocks are listed on the stock exchange and the company which in accordance with the Law on Securities has special notification obligations, if it does not publish on its web page the data referred to in Article 4 adding new Article 388-b, Article 6 adding new Article 391-b paragraph (6), Article 8 adding new Article 392-a paragraph (7) and Article 10 adding new Article 401-a paragraph (3) of this Law. [39](#)

Article 14

Fine in the amount of Euro 5.000 in Denar counter value shall be imposed for a misdemeanor on the company provided it acts contrary to Article 4 adding new Article 388-a, and Article 8 adding new Article 392-b paragraph (3) and 392-c paragraph (2) of this Law. [40](#)

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 42/2010).

Article 15

The provisions referred to in Article 1 of this Law amending Article 31 paragraph (1) of the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" nos. 28/2004, 84/2005, 25/2007 and 87/2008), shall start to apply as of the day the Central

Register of the Republic of Macedonia shall start to apply the electronic signature through the one-stop-shop system in accordance with the E-registration System and the regulations on the one-stop-shop system.

Article 16

The provisions referred to in Articles 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14 of this Law shall start to apply as of January 1st 2011.

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 48/2010):

Article 27

Fine in the amount of Euro 5.000 in Denar Counter Value shall be imposed on the company that shall not organize an internal audit service as an independent organizational unit in the company in accordance with Article 10 of this Law adding new section "SECTION 6-a, Internal audit service" and four new Articles 415-a, 415-b, 415-c and 415-d.

A fine in the amount of Euro 2.500 to 5.000 in Denar counter value shall be imposed for a misdemeanor on each member of the supervisory body of the company, provided that he/she has not adopted a decision regarding the organization of an internal audit service as an independent organizational unit in the company in accordance with Article 10 of this Law adding new section "SECTION 6-a, Internal audit service" and four new Articles 415-a, 415-b, 415-c and 415-d. ⁴¹

Article 28

The by-laws anticipated by this Law shall be adopted within a time period of 90 days as of the day this Law enters into force.

Article 29

The provisions referred to in Article 1 paragraph (2) of this Law amending Article 29 paragraph (6) referring to the submission of the statement in electronic form via the one-stop-shop shall be applied as of the day the Central Register of the Republic of Macedonia shall start to apply the electronic signature via the one-stop-shop system in accordance with the E-registration System and the regulations on the one-stop-shop system.

The provisions referred to in Article 2 of this Law adding two new Articles 29-a and 29-b, shall be applied as of the day when the Central Register shall release into function the electronic system for keeping the register of persons who cannot incorporate and manage with the trade companies in the Republic of Macedonia.

Article 30

The provisions referred to in Article 17 of this Law amending Article 469, referring to the application of the international standards for financial notification of small and middle size entities, shall be applied following the publication of the international standards for financial notification for small and middle size entities in the "Official Gazette of the Republic of Macedonia".

Until the publication of the international standards for financial notification of small and middle size entities the commercial entities referred to in Article 469 paragraph

(1) point 2 of this Law shall have an obligation to keep accounting in accordance with this Law and the accounting regulations adopted on the basis of this Law.

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 48/2010):

Article 31

The provisions referred to in Article 10 of this Law adding a new section "SECTION 6-A Internal Audit Service" and the four new Article 415-a, 415-b, 415-c and 415-d shall start to apply as of January 1st 2011.

Article 32

The provisions referred to in Article 5 of this Law amending Article 284 paragraph (1) for bonds issuance securing priority purchase right issued by the company shall start to be applied as of the day the Republic of Macedonia acquires the status of a member of the European Union.

Article 33

The provisions referred to in Article 434 of this Law regarding the increase of priority right by the stockholders during a conditional increase of the basic capital shall start to apply as of the day the Republic of Macedonia acquires the status of a member of the European Union.

Article 34

The provisions referred to in Article 25 of this Law regulating the cross-border merges with the companies in the European Union shall start to apply as of the day the Republic of Macedonia acquires the status of a member of the European Union.

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 24/2011):

Article 56

The by-law referred to in Article 31 paragraph (3) of this Law, shall be adopted within a time period of 90 days as of the day this Law enters into force.

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 166/2012):

Article 8

The sole proprietors and the trade companies which are registered by the Public Revenue Office to have their accounts blocked shall be deleted from the appropriate register in the manner and under the conditions defined by this Article except for the companies of special interest for the Republic of Macedonia.

Within a period of 30 days as of the day of entry into force of this Law, the Public Revenue Office shall deliver an overview of sole proprietors whose accounts are blocked and trade companies whose accounts are blocked to the Central Register of the Republic of Macedonia in an electronic manner. The Central Register of the Republic of Macedonia shall create a special register of entities whose accounts are blocked where the sole proprietors whose accounts are blocked and the trade companies whose accounts are blocked included in the overview received by

the Public Revenue Office shall be entered.

Upon taking the action referred to in paragraph (2) of this Article by the Public Revenue Office, the Central Register of the Republic of Macedonia shall, within a period of eight days, publish an information on its web site inviting all the creditors and the persons and bodies authorized to manage, represent and supervise the sole proprietors whose accounts are blocked and the trade companies whose accounts are blocked, within a period of 30 days as of the day of publication of the information, to submit proposals for their liquidation in accordance with the Law on Liquidation and shall inform the Central Register of the Republic of Macedonia thereof and shall at the same time publish an overview containing the names of all sole proprietors whose accounts are blocked and trade companies whose accounts are blocked.

If the Central Register of the Republic of Macedonia, within a period of 30 days as of the day of publication of the information referred to in paragraph 3 of this Article, does not receive a written information about a submitted proposal for opening a liquidation procedure for a sole proprietor whose accounts are blocked, that is, a trade company whose accounts are blocked, it shall delete it from its records and shall publish the deletion on its web site.

If the Central Register of the Republic of Macedonia, within a period of 60 days as of the expiry of the deadline referred to in paragraph 3 of this Article, does not receive a decision on opening a liquidation procedure, it shall delete the sole proprietor whose accounts are blocked, that is, the trade company whose accounts are blocked from the special register defined in paragraph 2 of this Article and shall publish the deletion on its web site. In the information, the partners, that is, the stockholders of the sole proprietors and the trade companies whose accounts are blocked shall be invited to distribute the property of the company among themselves in accordance with Article 546 paragraph (2) of this Article.

If the property of the company is not distributed within a period of one year as of the day of deletion of the entity whose accounts are blocked, that is, in case of a newly identified property within a period of one year as of the moment of identifying such property, it shall be recorded as a property in ownership of the Republic of Macedonia in accordance with the law.

Article 11

The companies, that is, the entities to be registered, which up to the day of entry into force of this Law have the status of "inactive" in the Central Register of the Republic of Macedonia since they have not confirmed the data from the unique trade register transferred from paper into an electronic form under Article 67 of the Law on One-Stop-Shop System and Keeping a Trade Register and Register of Other Legal Entities are identical, shall be deleted from the register by the Central Register of the Republic of Macedonia in the manner prescribed in Article 552-a of this Law.

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 166/2012):

Article 14

This Law shall enter into force on the eight day as of the day of its publication in the "Official Gazette of the Republic of Macedonia", and shall start to apply as of 1 January 2013, except for the provisions of Article 3 which shall start to apply as of 16 March 2013.

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 120/2013):

Article 2

The provision of Article 1 of this Law shall also apply to the commenced procedures upon bankruptcy proposals in accordance with the Law on Bankruptcy and to the deletion of the entity from the Central Register of the Republic of Macedonia.

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 38/2014):

Article 14

The procedures for deletion of inactive entities initiated prior to the adoption of this Law shall end in accordance with the provisions of this Law.

Article 15

The deadline foreseen by Article 10 which refers to Article 552-a paragraph (3) shall apply also to the entities for which bankruptcy proposals are already submitted in accordance with the Law on Bankruptcy, or liquidation proposals in accordance with the provisions of this Law.

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 38/2014):

Article 16

The provisions of Article 3 which amends Article 29 paragraph (2) point 5, Article 4 which amends Article 29-a paragraph 1, Article 6 which amends Article 197 paragraph (7), Article 8 which amends Article 477 paragraphs (10), (11), (12) and (15), Article 9 which amends Article 477-a paragraph (8), Article 11 which adds a new Article 552-b and Article 12 which amends Article 597 paragraphs (2), (3), (4), (5) and (6) of this Law shall start to apply as of 1 January 2015.

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 41/2014):

Article 7

This Law shall enter into force on the eight day as of the day of its publication in the "Official Gazette of the Republic of Macedonia" and shall start to apply one year as of the day of entry into force of this Law, except the requirement for knowledge of a foreign language which shall start to apply two years as of the day of entry into force of this Law.

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 88/2015):

Article 36

The provisions of Articles 1, 2, 3, 4, 5, 6, 7, 8, 11, 13, 14, 16, 19 and 30 of this Law shall apply as of 1 November 2015.

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 88/2015):

Article 37

The data referred to in Article 82 paragraph (3) transferred in a written form from the registry courts in accordance with Article 67 of the Law on the One-Stop-Shop System and Keeping a Trade Register of other Legal Entities shall be kept in a paper form. The data on the entries completed after 1 January 2006 based on a submitted application in a written form, as well as the enclosures, shall be kept in a paper and electronic form. The data on the completed entries based on an electronic application for entry and the enclosures shall be kept in an electronic form, provided that they are prepared as PDF files and are verified by an electronic signature of a registration agent or an authorized submitter, that is, in a paper form as well, provided that they are converted from a written into electronic form and verified by electronic signatures of a registration agent. The data on the completed entries made in the single trade register of entities that are not covered by this Law shall be kept in a paper form.

Article 38

The companies referred to in Article 498 of this Law which have a share, that is, stocks in their own controlling company shall be obliged to dispossess the stocks of the controlling company within a period of one year as of the day of entry into force of this Law.

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 30/2016):

Article 7

This Law shall enter into force on the day of its publication in the "Official Gazette of the Republic of Macedonia".

Law Amending the Law on Trade Companies ("Official Gazette of the Republic of Macedonia" no. 61/2016):

Article 4

This Law shall enter into force on the day of its publication in the "Official Gazette of the Republic of Macedonia".