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**TRANSLATION**

**OF**

**THE MACEDONIAN**

**LAW ON TRADE COMPANIES**

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## **Introduction**

This translation was prepared by Angela Kostova, Lazar Popov (both working for the USAID/ Macedonia Commercial Law Project), Ivanka Solomonova and Milan Drakalski (both contracted by the Agency of the Republic of Macedonia for Transformation of Enterprises with Social Capital). The linguistic review of the text was done by Angela Kostova, the legal review was done by Gordana Toseva, and the final terminology was decided upon by Angela Kostova and Gordana Toseva, upon consultation with various foreign and domestic legal experts. In addition, Dejan Georgievski, Elena Atanasova, Aleksandar Shahov and Irena Kacarski (also working for the USAID/Macedonia Commercial Law Project) have devoted time and effort into producing this translation and we would like to thank them for their support and hard work.

A great deal of effort has been made in order to use terminology that will preserve the exact meaning of the Macedonian text of the Law, as well as to make the Law clear and transparent for the foreign readers. However, we would like to point out that this translation should be used only as an informative reference. Legal actions should be undertaken only on the basis of the original Macedonian text of the Law.

### ***Translator's Notes***

- < The numeration (*i*), (*ii*), (*iii*), etc. does not exist in the original text. The translators have used it in order to make the text easier to follow.
- < English words and phrases have been added in brackets [...] in some articles where the meaning was implied or understood in the Macedonian text and the words and phrases seemed necessary to make the meaning clear in the English translation.
- < In order to make the text transparent and to avoid confusion, the terms *interest holder*, *shareholder*, *stockholder*, *partners*, *general partners*, *limited partners*, *contribution*, *stocks*, *share* are used throughout the text with the following meaning:

*Interest holder.* Any party that is a holder of a share, stock or contribution in any type of trade company. This is the most general term and it refers to shareholders, partners, limited partners, general partners and stockholders.

*Shareholder.* A person who holds share(s) in a limited liability company.

*Stockholder.* A person who holds stock(s) in a joint-stock company.

*Partners.* Persons who have contributed basic capital to a general partnership.

*General partners.* Partners in a limited partnership who are jointly and unlimitedly liable for the obligations of the limited partnership with their entire property.

*Limited partners.* Partners in a limited partnership who are liable for the obligations of the limited partnership only up to the amount of the recorded contribution into the limited partnership.

*Contribution.* Investment in the basic capital of a company made in money, property or rights. A contribution may be monetary or non-monetary.

*Stocks.* Equal part of a joint-stock company acquired through invested contribution(s). Stocks are traded on the Stock Exchange Market without any restrictions.

*Share.* A part of a limited liability company acquired through an invested contribution. Unlike stock the share is transferable only under certain conditions.

**Part One  
GENERAL PROVISIONS**

**Chapter One  
COMMERCIAL ENTITIES, SOLE PROPRIETORS  
AND TRADE COMPANIES**

**Section One  
COMMERCIAL ENTITIES**

**Commercial Entities By Type of Activity**

**Article 1**

For the purposes of this Law, a commercial entity shall be any legal entity or natural person that independently and permanently performs one of the following activities:

- 4) Purchase and sale of movables, whether they are sold in their original form, refined or processed;
- 5) Trading securities;
- 6) Purchase of movables for the purpose of refining and processing for other entities, and handicraft activities, provided that these activities exceed the scope of Asmall-scale handicraft activity@;
- 7) Banking;
- 8) Insurance;
- 9) Transport of persons and goods;
- 10) Commission trade activities, freight-forwarding, storage services and leasing;
- 11) Representation and mediation related to commercial activities;
- 12) Hotel and restaurant services, information services, marketing or undertaking of other commercial services;
- 13) Production of movie and video cassettes, audio-visual records, software, and similar activities;
- 14) Publishing and printing activities, as well as other activities connected with trade of books and artistic works; or
- 15) Purchase, construction and decorating of real estate for the purpose of its sale.

**Commercial Entities By Type and Scope of Activity**

**Article 2**

(1) For the purposes of this Law, a commercial entity shall be deemed to be any person or entity who as a professional occupation undertakes a business activity, that by its nature and scope requires organization and operations undertaken in the manner prescribed for the commercial activities, even though such activities are not included in

Article 1 of this Law, provided that the trade name has been entered in the Trade Registry.

(2) Paragraph 1 of this Article shall also apply to agriculture and forestry, but only to the refining or processing of one's own agricultural and forestry products.

(3) For the purposes of this Law, professional services providers (lawyer, notary, physician, patent-engineer, architect, free-lance artist, accountant, etc.) shall be deemed commercial entities if the regulations pertaining to such professional services so provide.

### **Presumption of Commercial Entity Status by Entry in the Registry**

#### **Article 3**

Once a trade company is entered in the Trade Registry, it may not be claimed that the business activity performed under such trade name is non-commercial.

### **Who May Not Be Considered Commercial Entities**

#### **Article 4**

For the purposes of this Law, the following entities may not be considered commercial entities:

- 1) natural persons engaged in agricultural activities (farmers);
- 2) craftsmen whose activities do not exceed the scope of small-scale handicraft activities, and persons who provide professional services, except if their activity is encompassed by Article 2, paragraph 1 of this Law; and
- 3) individuals who rent rooms in their own homes.

### **Application of Provisions Pertaining to Commercial Entities or Persons Performing Commercial Activities**

#### **Article 5**

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

### **Small Commercial Entities**

#### **Article 6**

- (1) The provisions of this Law pertaining to trade names, company trade books and procuration shall not apply to commercial entities that undertake small-scale commercial activities.
- (2) Small-scale commercial activities and the manner of maintaining their trade books shall be defined by regulations promulgated by the Government of the Republic of Macedonia, by the scope of business of the corresponding activity.
- (3) General partnerships and limited partnerships may not be incorporated for the purpose of undertaking small-scale commercial activities.

**Provisions on Small Commercial Entities  
Not Applicable To Companies**

**Article 7**

The provisions of this Law pertaining to the operation of small commercial entities shall not apply to joint-stock companies, limited liability companies and limited partnerships by stock.

Section Two  
SOLE PROPRIETOR

**Sole Proprietor**

**Article 8**

- (1) A sole proprietor is a natural person that as a profession undertakes some of the activities defined in Article 1 of this Law.
- (2) Any natural person with a permanent residence in the Republic of Macedonia that is capable of performing business activities may be registered as a sole proprietor.

**Limitations**

**Article 9**

Sole proprietors may not be:

- 1) persons against whom bankruptcy procedures have been initiated; and
- 2) persons who deliberately undergo bankruptcy procedures which prevented creditors from collecting their claims.

**Entry Into the Trade Registry**

**Article 10**

- (1) Sole proprietorship shall be entered in the Trade Registry based on a filing form that includes:
  - 1) full name, residency, address and personal identification number of the natural person;
  - 2) trade name under which activities will be undertaken;
  - 3) head office and address from which the activities will be undertaken; and
  - 4) type of activities to be undertaken.
- (2) The following shall be attached to the filing form: *(i)* form for an authorized signer, and *(ii)* a statement that the signer's rights to perform any of the activities pertaining to Article 1 of this Law have been revoked.
- (3) A person may register only one trade name as a sole proprietor.

**Trade Name of a Sole Proprietor**

**Article 11**

- (1) The trade name of a sole proprietor shall include his/her first name, father's name and surname.
- (2) The trade name of a sole proprietor shall include the abbreviation ATP@ (Sole Proprietor).

## **Transfer of a Trade Name**

### **Article 12**

- (1) A sole proprietor's trade name may be transferred to a third party provided that the associated business activities are also part of the transfer.
- (2) Sole proprietors may transfer their trade name as provided in paragraph 1 of this Article with the consent of their creditors.
- (3) Successors of the sole proprietor's business activities may retain the sole proprietor's trade name.
- (4) The name of the new owner shall be added to the trade name in cases pertaining to paragraphs 1 and 3 of this Article.
- (5) The transfer of a trade name shall be recorded in the Trade Registry and published in AThe Official Gazette of the Republic of Macedonia.@

## **Joint Liability of Previous and Successive Owners**

### **Article 13**

- (1) Persons who continue business activities using a previous trade name shall be jointly liable with the previous owner, with or without indication of the change in ownership, unless otherwise agreed with the creditors.
- (2) When settling their claims, creditors shall first collect their matured claims from the previous owner.

## **Liabilities**

### **Article 14**

A sole proprietor shall be personally liable such that all of their property is subject to the claims of creditors.

## **Termination of a Sole Proprietor's Operations**

### **Article 15**

- (1) A sole proprietor whose operations are terminated shall notify the institution having authority over the public revenue operations.
- (2) Sole proprietors shall announce the termination of operations and the effective date of such termination in an appropriate manner (in the daily newspaper, at its business premises, etc.), not more than three (3) months before notifying the institution pertaining to paragraph 1 of this Article.
- (3) Paragraph 2 of this Article shall also apply to sole proprietors who intend to sell their business or to invest it in a company.

## Section Three TRADE COMPANIES

## **Definition of Trade Company**

### **Article 16**

- (1) A trade company (hereinafter Acompany@) is an association of two or more natural persons or legal entities that make monetary or non-monetary contributions or contribute rights in property which are used for joint operations and who share the profit or losses from such operations.
- (2) A company shall be an independent and permanent legal entity which undertakes activities for the purpose of realizing profit.
- (3) A company may be incorporated by one entity or person (company incorporated by a single entity or person) as provided by this Law.

## **Basic Capital and Shares of the Company**

### **Article 17**

- (1) Property contributed to the company shall be expressed in cash and shall be represented in its basic capital. :
- (2) Entities that contribute to the basic capital shall be the interest holders of a company (hereinafter Ainterest holders@), or stockholders of a company (hereinafter Astockholders@).
- (3) The rights and liabilities of interest holders acquired in proportion to their contributions to the company's basic capital shall represent their share in the company (hereinafter Ashare@).

## **Types of Trading Companies**

### **Article 18**

- (1) Trade companies are classified according to their type, regardless of their activities, as a:
  - 1) General Partnership;
  - 2) Limited Partnership;
  - 3) Limited Liability Company;
  - 4) Joint-Stock Company; or
  - 5) Limited Partnership by Stock.
- (2) A company may be incorporated only in the form and manner provided by this Law.
- (3) Only joint-stock companies may be incorporated for the purpose of undertaking banking activities, trading securities and providing insurance services.
- (4) As an exception to paragraph 3 of this Article, limited liability companies may be incorporated to undertake banking activities through saving houses and exchange offices, and to undertake mutual insurance activities.

## **Company Charter or Agreement**

### **Article 19**

- (1) A Company Agreement or Charter shall specify the type and duration of the company, its trade name, head office, scope of activities, the value of the basic capital, and the organization and management of the company.

- (2) A Company Agreement shall be in writing and all amendments and appendixes to it shall also be in writing.
- (3) The founders shall define the content of a Company Agreement or Charter in accordance with the Law.
- (4) The founders may agree upon the activities to be undertaken prior to the incorporation of the company. If the obligations imposed by a Company Agreement are not fulfilled, the parties shall only be liable for the caused damage.

### **Duration of a Company**

#### **Article 20**

A company shall be deemed incorporated for an indefinite period of time unless otherwise specified by its Company Agreement or Charter.

### **Company As a Legal Entity**

#### **Article 21**

- (1) As a legal entity, a company may gain rights and assume liabilities, acquire property and other substantive rights, execute contracts, perform other acts having legal significance, file complaints and have complaints filed against it.
- (2) A company shall be considered a legal entity upon its entry in the Trade Registry.
- (3) The founder or party acting on behalf of a company during the process of incorporation and before the company acquired the status of a legal entity, shall be jointly liable with other founders, without limit, if the duly constituted and registered (in the Trade Registry) company does not accept the obligations assumed by the founder or party acted on behalf of the company. Liabilities accepted by the company shall be considered accepted as of the date they were incurred.
- (4) Interest holders who acquired any rights during the time in which the founder was acting on behalf of the pre-incorporated company shall transfer such rights to the company after its entry in the Trade Registry, if the company does not oppose these transfers.

### **Liability for Company Obligation**

#### **Article 22**

- (1) A trade company shall be liable to the entire extent of its property.
- (2) Partners in a general partnership and general partners in a limited partnership shall be liable personally, jointly and without limit and with all of their property for the company's obligations.
- (3) Shareholders in a limited liability company, stockholders in a joint-stock company, and limited partners in a limited partnership shall not be liable for the obligations of the company, unless otherwise determined by this Law.

## **Special Liabilities of Shareholders and Partners**

### **Article 23**

- (1) Partners and shareholders shall also be personally liable for the company's obligations, if they:
  - 1) use the company as a legal entity in order to achieve illegal goals for personal gain;
  - 2) use the company as a legal entity in order to cause damage to their creditors;
  - 3) dispose of the legal entity's property as if it were their own property, contrary to the Law; or
  - 4) decrease the company's property for their own benefit or for the benefit of a third party if they were aware or should have been aware that the company was not capable of meeting its liabilities to third parties.
- (2) Paragraph 1 of this Article shall also apply to silent shareholders.

## **Entities (Persons) Permitted to Incorporate a Company**

### **Article 24**

- (1) Macedonian or foreign natural persons or legal entities may incorporate a company.
- (2) For the purposes of this Law, a foreign entity is any legal entity having a company registered abroad or registered in the country of origin and any natural person who is a foreign citizen, refugee or a person without citizenship.
- (3) A citizen of the Republic of Macedonia who also holds a foreign passport may elect the benefits of being a citizen of the Republic of Macedonia or elect to be considered a foreigner.
- (4) Legal entities or natural persons pertaining to paragraph 2 of this Article that acquire share or stock in a company or will make contributions in the company by contract shall be deemed foreigners.

## **Right To Participate in the Incorporation of a Company or to be an Interest Holder in Several Companies**

### **Article 25**

- (1) Any person or entity may participate in the incorporation or be a shareholder or stockholder in several companies unless prohibited by this Law.
- (2) A company may be incorporated by a minimum of two founders, (at least two partners are required to incorporate) unless otherwise provided by this Law.
- (3) A natural person may be a partner with unlimited liability in only one company. General and limited partnerships may not be a partner with unlimited liability in another company of that type.

**Conditions Under Which a Foreign Entity or Person May Be  
a Founder, an Interest Holder or a Stockholder**

**Article 26**

- (1) Any foreign natural person or legal entity may be an interest holder or a stockholder.
- (2) A foreign person or entity may incorporate a company or acquire stock, in the same manner and under the same conditions as the citizens of the Republic of Macedonia and legal entities entered in the Trade Registry in the Republic of Macedonia, unless otherwise provided by the Law.
- (3) The share of a foreign entity or foreign person in a newly incorporated or an existing company shall be unlimited, unless otherwise provided by another Law.
- (4) A company having foreign shareholders shall have rights and liabilities equal to that of a company without foreign shareholders, except as provided by Law.

**Approval to Foreign Entities or Persons on Incorporation of a Company**

**Article 27**

- (1) The approval of the Ministry in charge of foreign commercial affairs shall be required for: (i) incorporation of a company entirely owned by one or more foreign entities or persons, (ii) incorporation of a company in which foreign entities or persons own a majority of shares, (iii) transformation of a company into a company fully or partially owned by a foreign party or entity, and (iv) acquisition of a majority of shares in a company by a foreign entity or person. The application shall be deemed rejected if this approval is not issued within sixty (60) days of submission of the form.
- (2) If the foreign participation fails to meet the requirements under paragraph 1 of this Article pertaining to incorporation of a company or to contributions in an existing company, the approval shall not be required. The foreign participation in the newly founded company or in the existing company shall be recorded in the Registry on Foreign Investment maintained by the Ministry in charge of foreign commercial affairs.

**Rights of Foreign Entities and Persons**

**Article 28**

- (1) Rights acquired by contributing capital to the company may not be infringed by law or other regulations.
- (2) A foreign entity or person may transfer abroad in the same currency in which the contribution was originally made, her/his share of the company's profit, the amount realized upon termination of the company or upon partial or total alienation of the share of the foreign entity or person upon his/her order without any approval, provided that such company has sufficient funds on its account.
- (3) The benefits and privileges enjoyed by foreign entities or persons in their investments and business activities shall be determined by Law.

## **Statement for Incorporation of a Company**

### **Article 29**

- (1) Founders and initial members of the managing or supervisory bodies shall submit a statement to the Registration Court, which shall describe for the activities related to the company's incorporation and certify that the company has been incorporated in accordance with the Law.
- (2) If the statement pertaining to paragraph 1 of this Article is not submitted, the Registration Court shall not enter the incorporation of the company in the Trade Registry.

## **Statement on Changes to the Company's Documents**

### **Article 30**

- (1) The provisions of Article 29 of this Law shall also apply to the amendment of the Company Agreement or Charter.
- (2) The statement shall be made by the members of the managing or supervisory bodies holding office at the time changes were made to the Company Agreement or Charter.

## **Joint Liability for Damages Caused During the**

### **Company's Incorporation**

#### **Article 31**

- (1) Founders of a company and initial members of the managing and supervisory bodies shall be jointly liable for the damages caused by their failure to include provisions mandated by this Law in the Company Agreement or Charter and for damages caused by their failures to follow procedures prescribed by this Law for incorporation of a company.
- (2) The liability referred to in paragraph 1 of this Article shall also apply to the changes of the Company Agreement or Charter in regard to the liability of the members of the managing or supervisory bodies, holding office at the time such amendments were made.

## **Impossibility to Claim That Company Agreement or Charter Is Not Valid**

### **Article 32**

- (1) Once a company is entered in the Trade Registry, no shareholder shall be allowed to claim that the Company Agreement or Charter is invalid due to mistake, deceit or threat occurring when the Company Agreement was concluded or the Charter adopted.
- (2) The provision of paragraph 1 of this Article shall also apply to changes in a Company Agreement or Charter.

### **Circumstances Under Which a Company Shall Be Deemed Not Incorporated**

#### **Article 33**

- (1) A company shall be deemed not incorporated in case of any violation of the Law which cannot be reconciled.
- (2) Any person with legal interest may require the Registration Court to declare that the company has not been incorporated.
- (3) The Court shall ex-officio [in the line of duty] remove a company not considered incorporated from the Trade Registry and shall appoint a person responsible for winding up to conduct a non-contentious procedure for winding up the company.
- (4) Founders shall be jointly liable without limit for undertaken obligations.

### **Interest Holders' Obligation to Make Contributions in a Company**

#### **Article 34**

- (1) Upon incorporation, interest holders shall entrust the property at the company's own disposal.
- (2) The property of the company at the time of its incorporation shall consist of monetary and non-monetary contributions of the shareholders. Non-monetary contributions may consist of real estate movables and rights in property.
- (3) Shareholders who make non-monetary contributions shall remain liable to the company for five (5) years following the date such contributions were made in regard to the fact that the value of their contribution at the time of the disposal was equal to the value quoted in the Company Agreement, unless otherwise provided by this Law.

### **Share of Profit and Loss Between Interest Holders**

#### **Article 35**

- (1) Interest holders shall share the profit of the company to which they are entitled.
- (2) Interest holders shall be entitled to participate in the profit and to cover the company's losses in proportion to their share, unless otherwise provided by the Company Agreement or Charter.

### **Manner of Making Decisions By the Interest Holders**

#### **Article 36**

- (1) Decisions of the company shall be made by consent of all interest holders, unless otherwise provided by the Company Agreement or Charter.
- (2) All of the company's interest holders shall be entitled to participate in the management of the company unless the Company Agreement or Charter entrusts management of the company to one or more interest holders or to a third party or parties.
- (3) If the Company Agreement or Charter requires decisions to be made by majority vote, the type of majority shall be specified. If the type of majority is not specified, the decisions shall be made by majority of votes from the total number of votes

conferred by the contributions in proportion to such contributions in the basic capital of the company.

### **Interest Holders Prohibited to Undertake Certain Activities**

#### **Article 37**

An interest holder shall not engage in certain activities for personal benefit if such activities are contrary to or harmful to the interests of the company.

### **Mutual Liabilities Of Interest Holders for Expenses or**

#### **Assumed Obligations**

#### **Article 38**

- (1) The company shall compensate interest holders for covering expenses that are justified under the circumstances for direct damages suffered as a result of performing duties for the company, or as a result of danger related to such duties.
- (2) Interest holders may require advance payments to cover the expenses necessary for the company's operations.
- (3) An interest holder shall immediately transfer to the company any benefits received from third parties which relate to the company's operation and any benefits obtained from managing the company.
- (4) Interest holder shall be entitled to remuneration for their personal engagement in the company, unless otherwise provided by this Law.

### **Obligation to Act with Due Care**

#### **Article 39**

- (1) Each interest holder shall be obliged to carry out the company's activities with due care.
- (2) An interest holder shall be liable for the damages caused to the company, deliberately or by negligence.
- (3) Interest holders who are authorized to manage the company and who receive remuneration for performing their managerial duties shall have responsibilities equal to the company's representative.

### **Interest Holder's Right to Be Informed**

#### **Article 40**

- (1) Interest holders shall have the right to be personally informed of the company's operations, to inspect the company books and other relevant documents and to prepare financial reviews for their own purposes, regardless of the extent of their participation in the management of the company.
- (2) Any provision of the Company Agreement or Charter that fails to comply with paragraph 1 of this Article shall be deemed void.

## **Legal Status of the Company's Property**

### **Article 41**

- (1) Monetary and non-monetary contributions and rights transferred to or acquired by the company shall belong to the company.
- (2) A creditor of a company's interest holder may not collect his/her claim from the company's property.
- (3) A creditor of a company may not collect his/her claim from the interest holder or the interest holder's property, unless otherwise provided by this Law.

## **Resolving Disputes by Settlement or through Elected Court**

### **Article 42**

- (1) Interest holders may agree that prior to taking other action, they will attempt to resolve disputes related to the Company Agreement, by settlement.
- (2) Partners in a general partnership and general partners in a limited partnership may resolve disputes related to the Company Agreement through the Elected Court at the Macedonian Chamber of Commerce, if so agreed by the contracting parties in the Company Agreement.

## **Protection of Interest Holding Rights before Registration Court**

### **Article 43**

An interest holder whose rights are violated by the company's bodies may request protection of such rights from a court that maintains the Trade Registry (hereinafter: ARegistration Court@), and has jurisdiction over the territory in which the head office of the company is located.

## **Application of the Law According to the Location of the Company's Head Office**

### **Article 44**

- (1) This Law shall apply to companies having their head office in the territory of the Republic of Macedonia.
- (2) Third parties may refer only to the head office listed in the Company Agreement or Charter, unless otherwise provided by this Law.
- (3) The company may refer only to the head office recorded in the Trade Registry in the case of dealing with third parties.

## **Examination of the Company's Documents and Regulation**

### **Article 45**

- (1) The Registration Court shall review and ensure that the Company Articles of Incorporation, Company Agreement or Charter and the other documents and regulations pertaining to the organisation and management of the company are in compliance with the Law. The registration Court shall also ensure that the company's decisions comply with the laws that apply to the organisation and operation of the

company, and comply with the provisions of Articles of Incorporation, Company Agreement, Charter and other company regulations and documents.

(2) The review pertaining to paragraph 1 of this Article shall not include issues to be decided by another court or administrative procedure.

(3) For the purposes of this Law the court having local jurisdiction over the territory in which the company's head office is located shall have jurisdiction, unless otherwise provided by this Law.

## **Disclosure of Information and Reports**

### **Article 46**

Disclosure of information and company's reports which are required by Law or by other company regulations or documents shall be made in AThe Official Gazette of the Republic of Macedonia,@ unless otherwise provided by this Law.

## **Entities Not Subject to This Law**

### **Article 47**

This Law shall not apply to incorporation, organisation, operation and termination of public enterprises, and other public institutions, co-operatives, associations of citizens and other forms of organisations which do not carry out any of the activities pertaining to Article 1 of this Law.

## **Part Two**

## **TYPES OF TRADE COMPANIES**

### **Chapter One**

### **GENERAL PARTNERSHIP**

#### Section One

#### DEFINITION AND INCORPORATION

### **Definition of a General Partnership**

#### **Article 48**

(1) A general partnership (hereinafter Ageneral partnership@) is an association of two or more legal entities or natural persons, that are personally and jointly liable without limit to the creditors, with their entire property.

(2) A general partnership shall be incorporated by the execution of a Partnership Agreement by the partners.

### **Trade Name**

#### **Article 49**

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

(2) The trade name shall also include the words Javno Trgovsko Drustvo@ (General Partnership) or the abbreviation AJTD. @

### **General Partnership Agreement**

#### **Article 50**

- (1) General Partnership Agreements shall be executed in writing.
- (2) The signatures of partners shall be certified by a notary.
- (3) The General Partnership Agreement shall include:
  - 1) Full name, citizenship, residence and addresses of the partners or the trade name and head office of partners which are legal entities;
  - 2) Trade name and head office of the general partnership;
  - 3) Business activities of the general partnership;
  - 4) Type, amount and assessment of the value of each partner's contributions;
  - 5) The extent to which each partner personally participates in the operation of the general partnership;
  - 6) Distribution of profit and coverage of losses;
  - 7) The model of management and representation, and decision making by the general partnership; and
  - 8) Other issues provided by this Law.

### **Particular Circumstances For Operating**

#### **Article 51**

A general partnership may undertake activities related to a particular occupation if a partner or employee possesses the requisite qualifications, unless the Law requires all or most of the partners of the general partnership to hold the requisite qualifications for the occupation.

### **Entry in the Trade Registry**

#### **Article 52**

A general partnership shall be entered in the Trade Registry. All partners of the general partnership who are authorized to represent it shall file a request to the Registration Court for entry of the incorporation of the general partnership in the Trade Registry. Partners may commence activities and employ workers following entry.

### **Content of the Form for an Entry in the Trade Registry**

#### **Article 53**

- (1) The form for entering a general partnership in the Trade Registry shall include:
  - 1) Trade name and head office of the general partnership;
  - 2) Business activities of the general partnership;
  - 3) Full name, occupation citizenship and residence of each partner, and the trade name and head office, if a legal entity is a partner; and
  - 4) The model of management, and representation, and decision-making by the general partnership.

- (2) The General Partnership Agreement shall be attached to the form.
- (3) The partners or persons who are authorized to represent the general partnership according to the General Partnership Agreement shall deposit their signatures with the court.
- (4) Changes in the information pertaining to paragraph 1 of this Article and the addition of new partners to the general partnership shall be recorded in the Trade Registry.

Section Two  
LEGAL RELATIONS AMONG PARTNERS OF A GENERAL PARTNERSHIP

**General Provision**  
**Article 54**

- (1) This Section shall apply to legal relationship between partners of a general partnership, unless otherwise provided by the General Partnership Agreement.
- (2) The provisions pertaining to obligation relations [contract law] shall apply to general partnerships, unless otherwise provided by this Law.

**Contributions to the General Partnership**  
**Article 55**

- (1) Partners need not make equal contributions to the general partnership.
- (2) Partners may make monetary and non-monetary contributions, and contributions of rights, labour and services to the general partnership.
- (3) Partners shall determine the monetary value of non-monetary contributions by general consent.
- (4) Provisions of the General Partnership Agreement which purport to governing of the rate of interest or amount of remuneration for the contribution shall be void.

**Consequences of Default**  
**Article 56**

- (1) Partners who fail to deposit monetary contributions or to deposit with the cashier of the general partnership money received on behalf of the general partnership in a timely manner or take for their own benefit, without justification, money of the general partnership shall be liable for interest calculated as of the date the contribution was due, or the money was withheld or taken. Requests for compensations of damages shall not be waived (by agreement).
- (2) A general partnership may request compensation for damages if the cases pertaining to paragraph 1 of this Article do not involve monetary contributions.

### **Increasing, Making up for the Difference and Withdrawing the Contribution**

#### **Article 57**

- (1) Partners of a general partnership shall not be obliged to increase their contribution above the amount determined by the General Partnership Agreement nor to cover losses so long as they were not responsible for the losses.
- (2) Partners may request to withdraw their contribution only in the course of terminating their partnership relation to the general partnership.

### **Compensation for Loss and Damage**

#### **Article 58**

- (1) Partners in a general partnership who incur expenses that, may be justified under the circumstances or who suffer damages as a direct result of carrying out activities related to the partnership operation or danger that is inseparably connected to such activities shall be compensated for such expenses or damages. Compensation shall include interest calculated from the date such expenses or damage occurred.
- (2) Partners may request advance payment from the partnership for expenses necessary to perform the partnership's activities.

### **Prohibition on Competition**

#### **Article 59**

- (1) Partners of a general partnership shall not undertake activities within the scope of the general partnership activities, become a partner with personal liability, or become a member of a body or an employee of a company which is or may be a competitor to the general partnership, unless the other partners consent.
- (2) A partner may engage in activities pertaining to paragraph 1 of this Article if, at the time the partner joined the general partnership, the other partners knew that the partner was undertaking such activities and it was not specifically agreed that the partner would cease such activities.

### **Consequences of Prohibited Competition**

#### **Article 60**

- (1) A general partnership may request compensation for damages from partners who violate Article 59, paragraph 1 of this Law. In lieu of compensation for damages the general partnership may require that: (i) the partner claim that activities undertaken on his/her own behalf were undertaken on behalf of the partnership, (ii) the partner give general partnership that which was wrongfully acquired or (iii) transfer to the general partnership the partner's wrongfully acquired future interest.
- (2) The other partners shall decide how to effectuate the rights of the general partnership pertaining to paragraph 1 of this Article. Claims of the general partnership related to violations of Article 59, paragraph 1 of this Law shall be barred three months after the other partners learn of the violation. Claims shall be barred five (5) years after the violation occurred, regardless of when the partners learned of it.

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

### **Transfer of Shares**

#### **Article 61**

- (1) A share in a general partnership may be transferred to a third party only with the consent of all partners.
- (2) The transfer of a share shall be memorialized in writing.
- (3) The transfer of a share shall be effective once the document reflecting the transfer is submitted to the general partnership and approved in writing by the managing partner of the general partnership.
- (4) The transfer of a share may be claimed against third parties until the transfer is recorded in the Trade Registry.

### **Management of a General Partnership**

#### **Article 62**

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

### **Manner of Managing**

#### **Article 63**

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

### **Assignment of Management Rights**

#### **Article 64**

- (1) Partners may assign the authority to manage the general partnership to a third party as provided by the General Partnership Agreement with the consent of the other partners.
- (2) Partners may not assign the authority to manage the general partnership to a third party unless the General Partnership Agreement permits such assignment.
- (3) A partner who has assigned the management authority pursuant to paragraph 1 and 2 of this Article shall be liable for the activities of the delegate manager.

**Extent of Authority to Manage**  
**Article 65**

- (1) The authority to manage shall extend to activities related to the regular operations of the general partnership.
- (2) All partners shall participate in decisions related to activities that are outside the regular operations of the general partnership, regardless of whether the General Partnership Agreement, gives this authority to one or more partners, or to third parties.
- (3) Partners shall make unanimous decisions regarding issues exceeding the authority of managers unless otherwise specified by the Agreement. If the General Partnership Agreement provides that decisions are to be made by a majority vote, each partner shall be entitled to one vote, unless otherwise provided by the Agreement.
- (3) The General Partnership Agreement may permit decisions pertaining to paragraph 3 of this Article to be made by written consultation (unless at least one partner requested a meeting of all the partners). If a decision is made by written consultation, each partners' opinion shall be included in the minutes which shall be signed by the managers. The answers of each partner to the questions shall be attached to the minutes.

**Withdrawal from Management**  
**Article 66**

- (1) A partner may withdraw from his/her management position for justified reasons. The following may be considered justification: (i) inability to carry out entrusted duties because of interference from other partners, or (ii) inability to carry out duties because of health problems.
- (2) A partner with justification may withdraw from management of the general partnership provided that the other partners are informed with sufficient notice to enable them to undertake all the actions necessary to make alternative management activities. A partner, however may withdraw prior to the expiration of the given time period with justification.
- (3) The time period pertaining to paragraph 2 of this Article may not be shorter than three (3) months.

**Expulsion of Managers**  
**Article 67**

- (1) If all of the partners are appointed managers or if one or more managers are appointed from the partners or by the General Partnership Agreement, expulsion shall be carried out only by unanimous vote of all partners. The expelled partner may withdraw from the general partnership and request payments for his/her rights arising from the general partnership relation.
- (2) Managing partners who are not appointed by the General Partnership Agreement, may be expelled pursuant to the conditions provided for in the General Partnership

Agreement, if any; otherwise expulsion may be carried out only by the unanimous vote of all the partners.

- (3) A manager who is not a partner may be expelled pursuant to the conditions provided for in the General Partnership Agreement; otherwise expulsion may be carried out only by a majority vote of partners.
- (4) A manager who is expelled without justification may request compensation for damages.

### **Right to Be Informed**

#### **Article 68**

- (1) Non-managing partners shall have the right to receive the report on the financial state of the general partnership and to receive written answers to their written questions regarding the management of the general partnership.
- (2) Non-managing partners of the general partnership shall be entitled to view the trade books, contracts, correspondence, minutes and all relevant documents created or received by general partnership in its head office.
- (3) The right pertaining to paragraph 2 of this Article shall also include the right to obtain copies of documents.
- (4) A partner exercising the rights in paragraphs 1, 2 and 3 of this Article may be assisted by an expert selected by such partner from the list kept by the Registration Court.

### **Decision-Making**

#### **Article 69**

- (1) The decisions of the general partnership shall be made with the consent of all partners entrusted with managing the partnership.
- (2) For decisions that must be made by a majority of votes according to the General Partnership Agreement, the majority shall be calculated based on the number of partners.

### **Right to Remuneration**

#### **Article 70**

A partner shall be entitled to remuneration for participating in the general partnership's activities as defined by the General Partnership Agreement.

### **Share of Profit and Loss**

#### **Article 71**

Partners shall share the profit and loss in proportion to their ownership of the general partnership unless otherwise provided by the General Partnership Agreement.

Section Three  
RELATIONS OF THE GENERAL PARTNERSHIP WITH THIRD PARTIES

**Representation of the General Partnership**  
**Article 72**

- (1) Each partner shall be authorized to represent the general partnership.
- (2) Partners may authorize one or more partners to represent the general partnership in accordance with the Agreement. In such case, the other partners shall be excluded from the representation.
- (3) Additional partners may be individually authorized to represent the general partnership. The General Partnership Agreement may provide for collective representation.
- (4) Representatives shall sign on behalf of the general partnership, individually or collectively, depending on whether they have authority for individual or collective representation.
- (5) The authority to represent the general partnership shall be full. Limitations on the authority to represent the general partnership shall not have legal effect against third parties, without regard to whether they knew of the limitation.

**Waiver and Denial of the Authority to Represent**  
**Article 73**

- (1) A partner may waive the authority to represent the partnership within a period not shorter than three (3) months of the date in which written notice is provided to the other partners. Exclusions and limitations of such right shall be void.
- (2) The Registration Court may deny the partner's authority to represent the partnership upon complaint of the other partners for significant reasons. In terms of this Law, severe violation of the obligations of the partner or the inability to duly represent the general partnership shall be considered significant reason.
- (3) Termination of the authority to represent shall be effective against third parties as of the date such termination is recorded in the Trade Registry.

**Personal Liability of the Partners**  
**Article 74**

- (1) Each partner shall be directly [individually] liable to the creditors of the general partnership with his/her entire property and jointly liable with all other partners for the obligations of the general partnership.
- (2) Provisions of the General Partnership Agreement contrary to paragraph 1 of this Article shall be void.
- (3) Creditors may request that the partners pay off the debt of the general partnership only after the general partnership defaults on payment after written demand for payment.
- (4) New partners in an existing general partnership shall be equally liable for the obligations incurred prior to him/her becoming a partner.

## **Time-Barred Claims**

### **Article 75**

- (1) A claim against a partner that arises from the general partnership's obligations shall be time-barred within five (5) years of the termination of the general partnership, or of the withdrawal of the partner from the general partnership, unless the claim is time-barred within a shorter period of time by this Law.
- (2) The time period pertaining to paragraph 1 of this Article shall begin to run once the termination of the general partnership or the withdrawal of the partner is recorded in the Trade Registry. If the general partnership is terminated by bankruptcy, the time period shall begin to run once the opening of the bankruptcy procedure is recorded in the Trade Registry.
- (3) If the claim matures after the record pertaining to paragraph 2 of this Article is made in the Trade Registry, the time period shall begin to run once the claim matures.
- (4) Paragraphs 1 and 2 of this Article shall not apply to the aging of claims that result from relations between partners and from relations between partners and the general partnership.

## **Interruption of the Aging of a Claim**

### **Article 76**

- (1) The interruption of the aging of claims against a terminated general partnership shall have legal effect as against those persons who were partners at the time of the general partnerships termination.
- (2) The interruption of the aging of claims against a general partnership that has not been terminated shall not have legal effect as against partners who withdraw from the general partnership. The interruption of the aging of claims that becomes effective only against a certain partner shall not have legal effect against other partners.

## Section Four

## TERMINATION OF GENERAL PARTNERSHIPS AND TERMINATION OF PARTNERSHIPS

## **Reasons for Termination**

### **Article 77**

A general partnership shall terminate:

- 1) upon the expiration of the period for which it has been incorporated;
- 2) by the decision of the partners;
- 3) upon the completion of a bankruptcy procedure against the general partnership;
- 4) upon the death of any partner, or the termination of a partner- legal entity, unless otherwise provided by the General Partnership Agreement;
- 5) upon the opening of a bankruptcy procedure against any partner;
- 6) upon waiver by any partner of the general partnership;

- 7) by a final court decision; and
- 8) in other situations provided by Law and the General Partnership Agreement.

### **Waiver By a Partner**

#### **Article 78**

- (1) Any partner of a general partnership incorporated for an undetermined period may waive the General Partnership Agreement within a six (6) months waiver period calculated from the end of the business year. All partners must receive notice of the waiver. The waiver period may be extended if permitted by the Agreement. Other limitations and exemptions shall be void.
- (2) Paragraph 1 of this Article shall also apply to general partnerships governed by an Agreement which provides that the partnership shall continue as long as its partners are alive and to partnerships that by their Agreement continue silently after the expiration of the period for which the partnership was incorporated.

### **Court Ordered Termination**

#### **Article 79**

- (1) The court may terminate the general partnership upon a complaint by a partner for significant reason prior to the period for which it was incorporated or to terminate it in the absence of a waiver if it was incorporated for an indefinite period.
- (2) Significant reasons according to paragraph 1 of this Article shall include: (i) violation by a partner of an essential duty that renders the fulfilment of duty impossible, (ii) impossibility of the achievement of the general partnership's goal and (iii) achievement of the general partnership's goal.
- (3) Provisions of the Agreement that infringe or exclude the right of partners to request termination of the general partnership contrary to paragraphs 1 and 2 of this Article shall be void.
- (4) A complaint may be filed against other partners.
- (5) Upon request of a partner, the court may exclude the violating partner from the general partnership in lieu of terminating the general partnership.

### **Waiver as a Result of Severe Violation or Behaviour**

#### **Article 80**

Any partner may, without notice, waive his/her partnership in the general partnership if any other partner severely violates the General Partnership Agreement or endangers further cooperation with the other partners or the accomplishment of the general partnership's goal.

### **Protection of Partner's Creditor**

#### **Article 81**

- (1) If the creditor of a partner is unable to settle his/her claims within six (6) months through mandatory enforcement against the movable property of the partner, s/he may request seizure of the partner-debtor's share and termination of the general

partnership. The creditor must inform the other partners in writing that s/he intends to request termination of the general partnership within six (6) months, unless otherwise provided by the General Partnership Agreement.

- (2) Termination shall not occur if the general partnership or other partners individually satisfy the debt after the order for seizure pertaining to paragraph 1 of this Article has been issued.
- (3) The partner's participation in the general partnership shall be terminated, unless otherwise decided by the partners, if the general partnership or other partners individually satisfy the debt.

### **Continuation of a General Partnership After Terminating a Partner's Participation Article 82**

- (1) The General Partnership Agreement may permit the general partnership to continue despite the termination of a partner's participation. In such case, the other partners shall purchase the rights of the partner whose participation is terminated. The successors of a partner who dies may become partners in the general partnership. Successors who wish to acquire partnership status shall state their intent within three (3) months of their designation as successors.
- (2) Where the successors do not wish to become partners, as well as in case of termination of the partnership, the general partnership shall purchase the rights to the successor's share if s/he does not wish to become a partner or in the event a partner's participation in the partnership is terminated.

### **Acquisition of a General Partnership Without a Winding-Up Procedure Article 83**

- (1) If a general partnership consists of only two partners and if one of the partners participation is terminated, the court may authorise the remaining partner, upon complaint, to acquire without a winding-up procedure, the general partnership and all of its assets and liabilities.
- (2) If a bankruptcy procedure is opened against one of the partners, the other partner shall be entitled to acquire the general partnership and all of its assets and liabilities, without a winding up procedure

### **Form for Recording the Termination Article 84**

- (1) Partners shall file the form to record the termination of the general partnership in the Trade Registry, except if the general partnership terminates because of a bankruptcy procedure.
- (2) All partners shall file the form to record the termination of a partner's participation in the Trade Registry.

## **Chapter Two**

## **LIMITED PARTNERSHIP**

### **Section One GENERAL PROVISIONS**

#### **Definition of a Limited Partnership**

##### **Article 85**

- (1) A limited partnership is a partnership of two or more entities or persons, in which, at least one of the partners shall be jointly liable without limit and with its entire property for the obligations of the limited partnership (hereinafter Ageneral partner@) and at least one partner shall be liable for the obligations of the limited partnership only up to its recorded contribution in the limited partnership (hereinafter Alimited partner@).
- (2) General partners shall contribute at least one-fifth of the contributed capital in the limited partnership.

#### **Application of the Provisions Pertaining to General Partnerships**

##### **Article 86**

The provisions of this Law pertaining to general partnerships shall also apply to limited partnerships, unless otherwise provided by this Chapter.

### **Section Two INCORPORATION AND ENTRY IN THE TRADE REGISTRY**

#### **Limited Partnership Agreement**

##### **Article 87**

A limited partnership shall be incorporated by a Limited Partnership Agreement. The Limited Partnership Agreement shall be executed in writing. Certification of the signatures shall be made by a notarization.

#### **Content of the Agreement**

##### **Article 88**

The Limited Partnership Agreement shall include:

- 1) Trade name and head office of the limited partnership;
- 2) Business activities of the limited partnership;
- 3) Names, citizenships, residences, and address of the partners or trade name of the company and its head office;
- 4) Total value of the partners' contributions;
- 5) Type and proportion of the contributions made by each partner;
- 6) Manner and date of payment of the contribution;
- 7) Manner of distributing profit and covering losses;
- 8) Manner of managing, representing and adopting decisions of the limited

partnership; and

9) Other provisions that govern the relations between the partners.

### **Trade Name of a Limited Partnership**

#### **Article 89**

- (1) The trade name of a limited partnership shall include the surname and first name, or the trade name or the abbreviated trade name of at least one of the general partners, and the mark Aand others@, if there is more than one partner, and the words AKomanditno Drustvo@ (Limited Partnership) or the abbreviation AKD@.
- (2) The first name and surname of the limited partner shall not be included in the trade name of the limited partnership.
- (3) A limited partner whose name is included in the trade name of the limited partnership shall be liable as a general partner.

### **Entry in the Trade Registry**

#### **Article 90**

- (1) The general partners shall file the Form for entering a limited partnership in the Trade Registry.
- (2) The announcement of the entry of the limited partnership in the Trade Registry by the Court, except the prescribed data, may include only the number of limited partners and the total value of their contributions. The names of limited partners shall not be announced without their consent.
- (3) Paragraph 2 of this Article shall also apply to limited partners who join an existing limited partnership, those who withdraw from the limited partnership, as well as to changes in the type or the amount of the limited partner's contribution.

## Section Three LEGAL RELATIONS BETWEEN PARTNERS

### **Rights and Obligations of Partners**

#### **Article 91**

- (1) The rights and obligations of partners shall be defined by the Limited Partnership Agreement.
- (2) The provisions of this Law pertaining to general partnerships shall apply to those issues not addressed by the Limited Partnership Agreement, unless otherwise provided by this Section.

### **Obligation of Personal Participation**

#### **Article 92**

- (1) A general partner shall participate personally in the operation of the limited partnership.
- (2) Limited partners may also be obliged to participate personally in the operation of the limited partnership by the Limited Partnership Agreement.

- (3) Limited partners pertaining to paragraph 2 of this Article shall be entitled to reimbursement for their personal participation in the operation of the limited partnership.

### **Management**

#### **Article 93**

- (1) A limited partnership shall be managed by general partners. Limited partners shall not be entitled to manage the partnership.
- (2) Limited partners shall not have the right to oppose the decisions or procedures followed by the general partners, but may oppose actions that exceed the regular operations of the limited partnership.

### **Compensation of Expenses and Damages and**

#### **Prohibition of Competition**

#### **Article 94**

The provisions pertaining to Articles 58 and 59 of this Law shall also apply to a general partner, unless otherwise provided by the Limited Partnership Agreement.

### **Right to Be Informed**

#### **Article 95**

Limited partners shall have the right to be informed of the content of the limited partnership's trading books and documents and to receive written answers to their written questions regarding the management of the limited partnership.

### **Transfer of Shares**

#### **Article 96**

- (1) Shares of the limited partnership may be transferred to a third party only with the consent of all partners of the limited partnership.
- (2) The Limited Partnership Agreement may permit:
  - 1) Free transfer of shares of limited partners among the partners;
  - 2) Transfer of shares of the limited partners to third entities with the unanimous consent of the general partners and the consent of the majority of the limited partners, according to the number and amount of their contributions; and
  - 3) General partner(s) to transfer part of their share to a limited partner or to a third party with the unanimous consent of the other general partners and the majority of the limited partners, according to the number and amount of their contributions.

### **Change of Head Office**

#### **Article 97**

- (1) Partners shall have the right to change the head office of the limited partnership only by a unanimous decision.

- (2) Other amendments to the Limited Partnership Agreement shall be made with the consent of all general partners and the majority of limited partners, according to the number and amount of their contributions.

### **Limited Partner's Participation in Profit and Losses**

#### **Article 98**

- (1) Limited partners shall receive profit of the limited partnership in proportion to their paid contribution.
- (2) A limited partner shall cover the limited partnership's losses up to a maximum of his/her recorded contribution. A limited partner shall not be obliged to return profit received to cover subsequent losses of the limited partnership.

### **Prohibition on Distribution of Profit**

#### **Article 99**

Should a limited partnership show losses reflecting on the paid contribution, the profit shall not be distributed by the time the prescribed proportion is accomplished.

## Section Four

## LEGAL RELATIONS BETWEEN THE LIMITED PARTNERSHIP AND THIRD PARTIES

### **Representing a Limited Partnership**

#### **Article 100**

- (1) A limited partner shall not represent the limited partnership. Provisions in the Agreement to the contrary shall be void.
- (2) A limited partner shall not represent the limited partnership on any authority whatsoever.
- (3) Limited partners who violate paragraphs 1 and 2 of this Article, shall be jointly liable with the general partners for the obligations of the limited partnership that result from the prohibited acts. The extent of the liability shall be determined in accordance with the number and the significance of the prohibited actions.

### **Liability of a Limited Partner**

#### **Article 101**

- (1) Limited partners who have paid the entire contribution as provided for in the Limited Partnership Agreement shall not be liable for the obligations of the limited partnership. Limited partners who have not paid the entire contribution as provided for in Limited Partnership Agreement shall be liable to the creditors of the limited partnership directly and jointly with other partners up to the amount of the agreed contribution less the amount already paid.

- (2) Limited partners who decrease the amount of their contribution pursuant to an agreement with the other partners of the limited partnership shall be liable to third parties up to the amount of their original contribution until such time as the new contribution is recorded in the Trade Registry.
- (3) General partners who become limited partners shall be liable as limited partners once their new status as limited partners is recorded in the Trade Registry.
- (4) A person who becomes a limited partner shall be liable for the obligations assumed by the limited partnership prior to the date the limited partner joined.

Section Five  
TERMINATION OF A LIMITED PARTNERSHIP

**Conditions for Terminating a Limited Partnership**  
**Article 102**

The following events shall terminate a limited partnership:

- 1) withdrawal of all general partners;
- 2) bankruptcy procedure against a general partner;
- 3) loss of business capacity of a general partner;
- 4) death of the sole general partner whose successors are underage and who cannot be replaced by a new general partner and the limited partnership cannot be converted into a limited liability company;
- 5) a court order; and
- 6) other cases provided by Law and the Limited Partnership Agreement.

**Death or Termination of a Limited Partner**  
**Article 103**

- (1) A Limited Partnership shall not terminate because of the death of a limited partner or the termination of a limited partner that is not a natural person.
- (2) If all of the limited partners withdraw, the limited partnership shall continue its operations as a general partnership.
- (3) A form shall be filed requesting that the change pertaining to paragraph 2 of this Article be recorded in the Trade Registry within thirty (30) days of the withdrawal of the last limited partner.
- (4) The limited partnership shall terminate if such form is not filed within the time period pertaining to paragraph 3 of this Article.

**Successor of a Limited Partner and Conversion of a Limited Partnership**  
**Article 104**

- (1) If a Limited Partnership Agreement prescribes that the limited partnership will continue to operate regardless of the death of a general partner through his/her successor, then the successor, if underage, shall be a limited partner until reaching the age of majority.

- (2) The sole general partner who leaves only underage successors upon death may be replaced by a new general partner or the limited partnership may be converted into a limited liability company.
- (3) The limited partnership shall terminate its operations if paragraph 2 of this Article is violated.

### **Bankruptcy against General Partner**

#### **Article 105**

- (10) The limited partnership shall terminate its operations if a bankruptcy procedure is initiated against a general partner, or if s/he has lost business capacity.
- (20) As an exception to paragraph 1 of this Article, a limited partnership shall continue its operations with the general partners who have neither lost their capacity nor had a bankruptcy procedure initiated against them, if continuation is provided by the Limited Partnership Agreement or if unanimously decided by the partners.

## **Chapter Three LIMITED LIABILITY COMPANY**

### **Section One INCORPORATION**

#### **Definition of a Limited Liability Company**

##### **Article 106**

- (1) A limited liability company is a company in which the shareholders participate with one share each (basic contribution) in the company's pre-determined basic capital.
- (2) Basic contributions may differ in value.
- (3) Shareholders shall not be liable for the obligations of the limited liability company.
- (4) Departure from the provisions of this Law which regulate the limited liability company shall be permitted only in the manner and under the terms of this Law and the laws which regulate activities as in Article 1 subitem 4 of this Law.

#### **Number of Company Shareholders**

##### **Article 107**

- (1) A limited liability company may be incorporated by a single entity which shall acquire the status of a sole shareholder.
- (2) A limited liability company may not have more than fifty (50) shareholders.

#### **Shareholders' Obligations to the Company**

##### **Article 108**

Shareholders' obligations to the company shall include additional liabilities defined by the Company Agreement.

## **Content of Company's Trade Name**

### **Article 109**

- (1) The trade name of a limited liability company must include the company's principal activity and the full name of at least one of the shareholders and the words *ADrustvo so ogranicensa odgovornost@* (Limited Liability Company) or the abbreviation *ADOO@*.
- (2) The trade name of a company incorporated by a single entity shall contain the words *ADrustvo so ogranicensa odgovornost osnovano od edno lice@* (Limited Liability Company founded by a single person) or the abbreviation *ADOOEL@*.

## **Company Agreement**

### **Article 110**

- (1) A limited liability company shall be incorporated with a written Company Agreement entered into by all the shareholders of the company.
- (2) If a limited liability company is incorporated by a single entity, instead of a company agreement, the shareholder shall make a statement on the incorporation that is certified by a notary.
- (3) Shareholders enter into the Agreement pertaining to paragraph 1 of this Article in person or by proxy which shall include a power of attorney certified by a notary. A power of attorney is not necessary if the shareholder's representative is legally authorized to enter into the Agreement on shareholders' behalf or to make the statement required to incorporate the company.
- (4) Successive incorporation of a limited liability company shall not be permitted.

## **Content of the Agreement or Statement**

### **Article 111**

- (1) The Agreement or the statement by the shareholder(s) on the incorporation of a limited liability company shall include:
  - 1) Full name, domicile, citizenship, and address of all the shareholders, or trade name and head office if the shareholder is a legal entity;
  - 2) Trade name and company's head office;
  - 3) Company's principal activity;
  - 4) Duration of the company;
  - 5) Amount of basic capital and extent of each shareholder's share, including a detailed description and value for shares made up of property and rights;
  - 6) The manner and time in which monetary contributions must be fully paid;
  - 7) The manner and criteria for distributing the profit and covering the loss;
  - 8) Management of the company;
  - 9) The extent of shareholders' rights and obligations; and
  - 10) Representation of the company.
- (2) Issues not addressed by paragraph 1 of this Article may be addressed by the Company Agreement.
- (3) Provisions of a Company Agreement that are contrary to this law shall be void.

## **Basic Capital of the Company**

### **Article 112**

(1) The basic capital of a limited liability company shall consist of the sum total of each shareholders' basic contributions.

(2) Basic capital shall be expressed in denars and it may also be expressed in foreign currency calculated in denars according to the average foreign exchange rate of that currency as determined and published by the National Bank of the Republic of Macedonia on the day in which the Company Agreement was executed.

(3) The minimum value of the basic capital shall be Deutsche Marks (DM) 5,000 in denars calculated according to the average exchange rate for DM as published by the National Bank of the Republic of Macedonia on the date the registration form is filed for the company's incorporation, or the date the registration form is filed to enter the change in the basic capital of the company in the Trade Registry. The basic capital must be expressed in a round number divisible by one hundred.

## **Obligation to Increase the Basic Capital**

### **Article 113**

(1) If the basic capital falls below the minimum level specified in Article 112 of this Law, it must be increased to the minimum level determined by this Law within a period of one (1) year, unless the limited liability company is converted into another form of company within that period.

(2) Any person that has legal interest may file a complaint, requesting the termination of the limited liability company if the basic capital is not increased in compliance with paragraph 1 of this Article, after demanding that company representatives correct the deficiencies. The procedure shall be expelled if necessary corrections are made by the time the court brings a decision of first instance.

## **The Amount of Basic Contributions**

### **Article 114**

(1) The basic contributions of shareholders may differ, but no basic contribution may be less than DM 200 in denar counter value. The basic contribution shall be expressed in denars and must be expressed in a round number divisible by one hundred as prescribed by Article 112, paragraph 3 of this Law.

(2) Each shareholder shall be entitled to a single basic contribution upon incorporation of the company. A single basic contribution may be shared [participated in] by several persons.

## **Payment of the Basic Contribution in Legal Tender**

### **Article 115**

Basic contributions not paid in legal tender shall be acceptable only if provided for in the Company Agreement.

## **Non-Monetary Basic Contributions**

### **Article 116**

- (1) For basic contributions consisting of property transferred to the limited liability company, the Agreement shall identify the shareholders contributing the property, and the property transferred, the value at which the property is transferred and the benefits to the shareholder contributing the property, if such benefits are agreed upon by the shareholders.
- (2) The report of an authorized appraiser on the value of the non-monetary contribution shall be attached to the Agreement. Future shareholders shall unanimously appoint the appraiser from the list of authorized appraisers approved by the court.
- (3) Appraisers shall be entitled to reimbursement of their expenses and remuneration for efforts.

## **Determining the Value of Non-Monetary Basic Contributions**

### **Article 117**

- (1) Future shareholders may by unanimous vote decide against appraisal of the value of non-monetary contributions and rights if the value of non-monetary contributions and rights is less than DM 50,000 in denar counter value and the total value of the total non-monetary contributions and rights does not exceed one half of the basic capital. Prior to filing the form for entry in the Trade Registry the shareholders shall prepare a report on the non-monetary contributions stating that the value of the non-monetary contributions or rights is not less than the value of the assumed basic contribution.
- (2) If the value of non-monetary contributions and rights has not been determined by an appraiser or if the value of non-monetary contributions and rights stated in the contract differs from the value determined by the appraiser shareholders shall be jointly liable to third parties for the value of the non-monetary contributions and rights at the moment of incorporating the limited liability company. Such liability shall be barred five (5) years after the company's incorporation is entered in the Trade Registry.

## **Entry of Basic Contributions**

### **Article 118**

- (1) Convening of shareholders by public announcements and making basic contributions in the form of labor or services shall be contrary to this Law.
- (2) Basic contributions shall be subscribed in full.

## **Payment and Investment of Basic Contributions**

### **Article 119**

- (1) Each shareholder must make a payment of one-third of the contribution in cash upon incorporation of a limited liability company. Total payments in cash and the value of non-monetary contributions and rights may not be lower than DM 3,000 in denar counter value.
- (2) Non-monetary contributions and rights must be made in full prior to filing the form for entry of the limited liability company in the Trade Registry. To the extent that the

value of non-monetary contribution is less than the value of the basic contribution, the shareholder must make up the difference in cash.

(3) Payment of monetary contributions must be deposited in the temporary account of the limited liability company maintained by the bearer of payment transactions in the Republic of Macedonia.

(4) Payments pertaining to paragraph 1 of this Article and full non-monetary contributions and rights must be made in full, such that the limited liability company has them at its free and permanent disposal from the moment of the entry of its incorporation in the Trade Registry.

## **Reimbursement of and Benefits to Shareholders Transferring**

### **Property and Rights to the Company**

#### **Article 120**

To the extent that shareholders are reimbursed for the property and rights transferred to the company and the value of these contributions is included in the basic contribution or a shareholder is given special benefits in the company, the Limited Liability Company Agreement shall fully and particularly identify the shareholder, describe the property and rights transferred, state its monetary value, and describe the special benefits acquired by the shareholder in the company.

### **Covering the Expenses of Incorporation**

#### **Article 121**

(1) Shareholders shall cover the expenses incurred in the incorporation of the company in proportion to their contributions.

(2) Shareholders may opt to be reimbursed for the expenses they incur in incorporating a limited liability company and compensate one or more shareholders for their efforts in incorporating the company.

(3) Expenses and compensation pertaining to paragraph 2 of this Article may only be paid out of the profit. Shareholders may choose to make payments for this purpose prior to the distribution of dividends to shareholders.

### **Refunding Paid-In Contributions**

#### **Article 122**

(1) Shareholders may ask the court to determine their right to a refund of the amount of their contribution if the limited liability company has not been incorporated within six (6) months of payment of the initial monetary contribution made pursuant to the Company Agreement.

(2) New procedures for making contributions in the company shall be implemented if shareholders decide to incorporate the limited liability company after the court's decision pursuant to paragraph 1 of this Article.

**Restrictions on Natural Persons or Companies as Shareholders in Another  
Company Incorporated by One Entity**

**Article 123**

(1) A natural person may not be a sole shareholder in more than one limited liability company. A company incorporated by one entity may not be the sole shareholder in another limited liability company.

(2) Persons with a legal interest may file a complaint with a Registration Court of competent jurisdiction requesting that a limited liability company incorporated contrary to paragraph 1 of this Article be terminated. Termination requests based on the fact that a single person has acquired control over all shares in a company that previously had several shareholders may be filed only upon the expiration of one year of the date upon which all of the shares were acquired by a single person.

(3) The court may permit a period of six (6) months in which non-compliance may be rectified and the court shall refrain from ruling in favor of termination of the limited liability company if the situation is rectified by the day it rules.

**Responsibilities of Initial Managing Bodies**

**Article 124**

(1) The initial managing bodies of a limited liability company and those shareholders whom the court finds responsible for the annulling actions undertaken in the process of the incorporation of the company shall be jointly liable to third parties and to other shareholders for damages caused by the annulment.

(2) A complaint shall be filed within three (3) years of the date the decision to annul is made final.

**Registration Form for the Entry of the Company's Incorporation**

**Article 125**

The registration form for the entry of the incorporation of the limited liability company in the Trade Registry shall be signed by all of the company's managers.

**Attachments to the Registration Form**

**Article 126**

(1) The following documents shall be submitted as attachments to the form for entry of the incorporation of the limited liability company:

- 1) the Company Agreement;
- 2) the document for the appointment of the company's manager or managers;
- 3) proof that each shareholder has paid in a minimum of one third of their basic contribution in cash; and
- 4) proof that a minimum of one-half of the basic capital has been paid in.

(2) If the full amount of the monetary contribution has not been paid in upon the limited liability company's incorporation the outstanding amount is paid pursuant to the Company Agreement. The balance of the contribution shall be paid in within one (1) year of the entry of the limited liability company in the Trade Registry.

(3) The Agreement may not contradict paragraph 2 of this Article.

(4) The court may refuse entry if the appraiser of the non-monetary contribution finds or it is obvious that the report referred to in paragraph 1 Article 117 of this Law is not in due order or the order is incomplete or was prepared contrary to the Law or if the appraiser states or the court finds that the value of the non-monetary contribution is less than one-third of the amount of the subscribed basic contribution.

### **Liability of Shareholders and Managers for Damages**

#### **Article 127**

(1) Shareholders and managers shall be jointly liable to the limited liability company for damages caused by premeditation or extreme negligence in the failure to enter or to enter correctly the non-monetary contributions as a result of overvaluation of contributions or any other perilous actions in the incorporation of the company.

(2) A limited liability company may not dismiss or negotiate a claim for compensation if compensation is required to secure obligations to third parties.

(3) The limitation period for claims pertaining to paragraph 1 of this Article shall start to run on the date of entry of the company in the Trade Registry.

(4) A compensation claim for damages shall become time-barred five (5) years from the date of entry of the company in the Trade Registry.

(5) Parties for whom contributions are assumed by a shareholder shall be liable in the same manner as shareholders and managers for damages pertaining to paragraph 1 of this Article.

(6) A party pertaining to paragraph 5 of this Article who acted with due care may not disclaim knowledge if the shareholder who acted on their behalf was aware of or must have been aware.

## Section Two

### RIGHTS AND OBLIGATIONS OF THE SHAREHOLDERS

#### **Obligations of the Shareholders**

##### **Article 128**

(1) A shareholder shall pay in full the amount of the transferred basic contribution in accordance with the Company Agreement and the decision of the Shareholders Assembly.

(2) Shareholders shall make payments for their basic monetary contributions in proportion to their respective basic contributions unless the Company Agreement or the decision of the Shareholders Assembly provides otherwise.

(3) Shareholders may not be exempted from paying the monetary contribution nor may the fulfillment of such obligation be abated or postponed. The obligation to pay the monetary contribution may not be offset with claims against the limited liability company.

#### **Obligation to Pay and Default Interest**

##### **Article 129**

(1) Shareholders who delay fulfilling their obligation shall be permitted an extension period of at least thirty (30) days. The notice sent by the company's manager(s) shall clearly state that failure to fulfill such obligation within the extension period will result in expulsion from the company.

(2) Shareholders who fail to pay their basic contribution within the time prescribed by the Company Agreement or the decision of the Shareholders Assembly shall pay the contribution concurrently with the default interest prescribed by Law unless a higher interest rate is prescribed by the Company Agreement or the decision of the Shareholders Assembly.

### **Expulsion of a Shareholder**

#### **Article 130**

(1) A limited liability company shall expel a shareholder who fails to act within the extended period. The company shall inform the shareholder of expulsion in writing.

(2) A shareholder who is expelled for failure to pay in shall be liable for damages to the company.

### **Sale of a Expelled Shareholder's Share**

#### **Article 131**

(1) The share of the expelled shareholder may be sold by the limited liability company by public auction. Consent of the expelled shareholder is required to convert the share into cash in any other manner.

(2) The proceeds from the sale shall be applied in the following order: (i) expenses of the sale; (ii) default interest; (iii) unpaid portion of basic contribution; and (iv) to the expelled shareholder.

### **Withdrawal or Payment of Contribution by Other Shareholders**

#### **Article 132**

(1) If conversion of a share into cash pursuant to Article 131 of this Law is not feasible, the limited liability company may withdraw the share or the other company's shareholders may pay in full the basic contribution of the expelled shareholder in proportion to their respective basic contribution. The value of their basic contributions shall be increased in proportion to the additional amounts paid in.

(2) In the event of withdrawal of the share or payment of the basic contribution by the other shareholders, the expelled shareholder shall be entitled to a refund of the paid-up part of his/her basic contribution.

### **Rights of the Shareholder in the Company**

#### **Article 133**

Each shareholder shall have the right to: (i) participate in the management of the limited liability company; (ii) division of the profit; (iii) information regarding the company's activities; (iv) access to the company's books and records, and (v) the remainder of the bankruptcy estate or of the winding up estate.

## **Right to Participate in the Profit**

### **Article 134**

- (1) Shareholders shall have the right to participate in the division of profit, which is based on the balance sheet, unless otherwise provided for in the Company Agreement.
- (2) Unless otherwise provided for in the Company Agreement, the profit shall be divided between shareholders in proportion to their share in the basic capital.

## **Secondary Actions**

### **Article 135**

- (1) In addition to paying in the basic contributions shareholders of the limited liability company may perform secondary actions.
- (2) Personal involvement of the shareholders in the activities of the company shall be considered secondary actions, except involvement as elected officials.
- (3) Shareholders shall be entitled to special remuneration for secondary actions, if the remuneration is reflected in the company balance sheet as payable.

## **Additional Payments**

### **Article 136**

- (1) The Shareholders Assembly may require shareholders to make additional payments.
- (2) The Company Agreement may require that all or certain shareholders make payments in addition to their respective basic contributions.
- (3) Shareholders may not off-set their obligations to make additional payment with their claims against the company.
- (4) The obligation to make additional payments must be limited in time and proportional to the assumed basic contributions.
- (5) Provisions of the Company Agreement for making additional payments which are contrary to paragraph 4 of this Article shall be void.
- (6) Shareholders who are obliged to make additional payments shall have the right to vote.

## **Refund of Additional Payments**

### **Article 137**

- (1) Unless otherwise provided for in the Company Agreement, additional payments may be refunded to shareholders in proportion to the assumed basic contribution.
- (2) Refunds of additional payments shall be made three (3) months after the company announces the decision to make the refund.
- (3) The decision to refund the additional payments shall be announced three (3) times in intervals not shorter than one (1) week and not longer than a fortnight.

## **Preservation of the Basic Capital**

### **Article 138**

- (1) A shareholder may not be paid from the limited liability company's property to the extent it is needed to preserve the basic capital.

(2) Shareholders are not entitled to a refund of the basic contribution during the existence of the limited liability company, unless otherwise provided by this law.

(3) A shareholder, however, may be refunded additional payments which are not used to correct a depletion of the basic capital through a loss. Refund may not be made earlier than three (3) months from the date in which the decision to refund has been announced in the defined manner. Refunds of additional payments made prior to the full payment of the contribution shall be void.

### **Loan by a Shareholder**

#### **Article 139**

(1) Loans extended by a shareholder to the company when it is unable to obtain loans under prevailing market conditions shall be deemed to be an asset of the company.

(2) Paragraph 1 of this Article shall also apply to other legal actions of the shareholder and to third parties that undertake actions which in a business sense equate to a loan.

### **Determining the Value of the Share**

#### **Article 140**

(1) The share of a shareholder in a limited liability company shall be determined by the value of the basic contribution of the shareholder, unless otherwise provided by the Agreement.

(2) A shareholder may have only one share in the company. Shareholders who acquire another share shall have the value of their original share increased by the value of the acquired share.

### **Co-ownership of a Share**

#### **Article 141**

(1) One share may be owned by several owners.

(2) Parties referred to in paragraph 1 of this Article shall be deemed one (1) shareholder and shall exercise their rights only through a joint representative. They shall be jointly liable as a single shareholder.

### **Certificate of Share**

#### **Article 142**

(1) A certificate of share issued to a founding shareholder in a limited liability company shall not be considered a security.

(2) The company may not issue documents, the submission of which is a confidential precedent to payment of annual profits.

### **Book of Shares**

#### **Article 143**

(1) The manager(s) of a limited liability company shall maintain a book of shares in which, subsequent to the entry of the company in the Trade Registry, the full name (the company and the trade name), occupation and residential address (head office) of each shareholder, amount of basic contribution acquired, additional payments made and the

extend of separate rights and obligations, if any derived from the share, shall be entered.

(2) Any alterations in the records, or divisions or encumbrances on the share shall be recorded in the book of shares immediately. The managers shall immediately enter the following actions without delay: expulsion, change of owner because of conversion of share into cash, acquisition of new basic contributions, reduction of basic contributions or refunds of additional payments. Other alterations, encumbrances and divisions shall be entered only after proper notice is given to the shareholders.

(3) The book of shares may be examined during office hours by anyone who makes plausible their legal interest. The Registration Court shall decide in a non-contentious procedure whether a party demonstrates their legal interest in the event that the company denies its existence in any particular case.

### **Effects of a Record in the Book of Shares**

#### **Article 144**

(1) Persons whose names are entered in the book of shares are shareholders of a limited liability company.

(2) If conditions are fulfilled, records in the book of shares shall be deemed to have been made on the day that the company receives the form for a record in the book, without regard to when the entry is effectively made.

### **Share Disposal**

#### **Article 145**

(1) Shares in a limited liability company are transferrable and may be inherited pursuant to the Company Agreement.

(2) The company must approve transfer of a share that runs with obligations for secondary actions.

(3) Shareholders may pledge their shares.

### **Transfer of a Share to a Third Party**

#### **Article 146**

(1) Shareholders may transfer their share to a third party only if their contribution is fully paid.

(2) The right of priority purchase [right of first refusal] shall be given in the following order: to other shareholders, the limited liability company and a person designated by the company.

(3) A limited liability company may purchase a share only with assets which are not part of the basic capital.

(4) Selling shareholders may freely dispose of their shares, if the shareholder, the limited liability company or the person designated by the company do not clarify their position within one (1) month of the selling shareholder's notice of his/her intention to relinquish the share, unless special terms are provided by the Agreement.

(5) If the consent of the limited liability company is a prerequisite for the transfer and the company refuses to give it to the shareholder that has paid his/her basic

contribution, the Registration Court may, on the shareholder's proposal and in a non-contentious procedure, allow the transfer.

### **Right of Priority Purchase [Right of First Refusal] of Shares**

#### **Article 147**

The right of priority purchase [right of first refusal] in the context of a sale of a share in a court enforcement procedure, is given in this order: to other shareholders, the limited liability company and a person chosen by the company.

### **Transfer of Rights and Obligations to the**

#### **New Shareholder**

#### **Article 148**

(1) A person who acquires a share shall also obtain the rights and obligations inherent in having the status of shareholder.

(2) The person who purchased a share shall be jointly liable with the seller for the obligations existing at the moment of transfer in proportion to the participation of the basic contribution on the basis of which the share is acquired in the basic capital of the company.

(3) The liability pertaining to paragraph 2 of this Article shall be limited to five (5) years from the time that the form for entry in the Trade Registry is filed.

### **Notice of Changes in the Ownership of Shares**

#### **Article 149**

One who acquires a share has a duty to notice the company of the change of ownership for entry in the book of shares. The report shall include a statement that the person who acquired the share accepts the provision in the Company Agreement.

### **Inheritance of a Share**

#### **Article 150**

(1) Transfer of shares by way of inheritance to spouses, offsprings, or sons and daughters-in-law may not be restricted.

(2) In regard to inheritance of shares from persons not mentioned in paragraph 1 of this Article, and acquisition of any type of company's property as a whole, the Company Agreement may prescribe that the person who inherited the share be obliged to transfer the share to one of the shareholders or a person designated by the company and unless the parties agree otherwise, the share shall be transferred at the price that corresponds to the value of such share recorded in the latest balance sheet. If the company fails to ask the person who inherited the share to transfer it to one of the shareholders or to the person designated by the company within 30 days from the day the company learned of such inherited share, the obligation for a transfer shall become time-barred.

## **Effect of Transfer of Share**

### **Article 151**

The transfer of a share shall be effective for the limited liability company upon its recordation in the book of shares.

## **Terms under which a Share may be Divided**

### **Article 152**

(1) A share may be divided only in the event of a transfer, assignment, legal succession of a terminated shareholder-legal entity or inheritance. Division of a share requires the consent of all shareholders.

(2) Provisions of this law pertaining to minimum basic contributions shall also apply to the division of a share.

(3) The division of shares may be prohibited by the Company Agreement.

## **Payments Prohibited by the Law, the Company Agreement or the Decision of the Shareholders Assembly**

### **Article 153**

(1) A shareholder for whom payment is made contrary to the Law, the Company Agreement or the decision of the Shareholders Assembly must return the payment to the company. Shareholders need not refund amounts received in good faith as share of the profit.

(2) In addition to the shareholder, managers, members of the Supervisory Board and other accountable persons in the company who fail to act with due care usually expected of individuals performing that function with regard to the payments shall also be liable to refund what has been paid out. Accountable persons may not be exempted from this liability in whole or in part.

(3) Shareholders shall provide guaranty to replenish the basic capital in proportion to their basic contributions to the extent the basic capital has been reduced if the shareholder and company officials can not reimburse the company for the payments. Amounts unobtainable from the respective shareholder shall be divided pro rata between the other shareholders.

(4) Requests pursuant to paragraph 3 of this Article shall be time-barred after five (5) years, unless the company proves that the liable party was aware of the illicit nature of the payment.

## **Company's Buyout of a Share with Its Own Assets**

### **Article 154**

(1) Shareholders, by a three-quarters majority vote, may authorize their limited liability company to buyout up to one-third of its own shares using assets that are not part of the basic capital. Only shares with fully paid basic contributions may be bought out.

(2) The company shall be obliged to dispose of the share bought out pursuant to paragraph 3 of this Article or withdraw it by applying the rules for reducing of the basic capital within one (1) year of the buy-out.

(3) Shares bought out by the company do not confer voting rights nor are they considered in evaluating decisions. Any profit or gain in the event of liquidation or

bankruptcy which is represented by this share shall be disbursed to shareholders in proportion to their basic contributions.

(4) Provisions of the Company Agreement which are contrary to this Article shall be deemed void.

### **Withdrawal of a Share**

#### **Article 155**

(1) A share may be withdrawn if a shareholder is expelled or the share is acquired by the limited liability company.

(2) Shares may be withdrawn as provided for in the Company Agreement.

(3) A share may be withdrawn pursuant to paragraph 2 of this Article without the shareholder's consent if the conditions for withdrawal were specified in the Company Agreement at the time the shareholder acquired the share.

(4) A withdrawal which reduces the basic capital may be made only through a reduction in the basic capital.

(5) A limited liability company founded by a single person may not acquire or withdraw a share.

### **Conditions for Terminating Shareholding Status**

#### **Article 156**

(1) Shareholding status in a limited liability company is terminated by:

- 1) death of a natural person shareholder
- 2) termination of a legal entity shareholder
- 3) withdrawal of a shareholder from the company
- 4) expulsion of a shareholder from the company
- 5) completion of a bankruptcy procedure against the shareholder

(2) Ownership relations arising from shareholding status shall be regulated on the basis of the balance sheet prepared at the end of the month in which the partnership status has been terminated.

### **Withdrawal or Expulsion of a Shareholder**

#### **Article 157**

(1) A Company Agreement may provide for a shareholder to withdraw or to be expelled, as well as provide for the terms, manner and consequences of withdrawal or expulsion of a shareholder from the limited liability company.

(2) Shareholders may petition a court of competent jurisdiction requesting that the court permit their withdrawal from the company for justified reasons. Justified reasons include damages to the shareholder caused by other shareholders or a company's body preventing a shareholder from exercising their rights or a company's body imposing unsuitable responsibilities on the shareholder. The shareholder may petition a court of competent jurisdiction for protection within thirty (30) days from the day the shareholder's decision is announced.

(3) A shareholder may petition a court of competent jurisdiction requesting the expulsion of another shareholder based on justified reasons. Justified reasons include: damage inflicted by the shareholder on the company or on any shareholder,

shareholder acting contrary to the decision of the Shareholders Assembly, shareholder failing to partake in the management of the company, such that the regular activities of the company and the rights of other shareholders are impeded or a shareholder violating the provisions of the Company Agreement.

(4) A shareholder may not waive the rights pertaining to paragraphs 2 and 3 of this Article in advance.

### **Effect of Withdrawal or Expulsion of a Shareholder from the Company**

#### **Article 158**

(1) Withdrawal and expulsion of a shareholder shall result in termination of their partnership status and any rights flowing therefore.

(2) A shareholder withdrawing or expelled from a limited liability company shall be entitled to compensation for their share based on its market value at the time of withdrawal or expulsion. Shareholders who withdraw or are expelled from the company shall be entitled to regain their non-monetary contributions and rights not less than three (3) months from the date of their withdrawal or expulsion. Shareholders may not demand compensation for damages to their investments caused by accident, depletion, reduction or regular use. Shareholders shall not be entitled to a refund or return of their contribution until they compensate the company any damage and fulfill any other obligation to the company.

(3) Termination of partnership status pursuant to withdrawal or expulsion shall be effective immediately upon the refund pertaining to paragraph 2 of this Article.

## Section Three BODIES OF A LIMITED LIABILITY COMPANY

### **Subsection One Shareholders Assembly**

#### **Composition of a Shareholders Assembly**

##### **Article 159**

(1) The Shareholders Assembly shall include all shareholders.

(2) Managers of companies who are not shareholders may participate in the Assembly's activities without the right to vote.

(3) The Shareholders Assembly shall convene at least once a year.

#### **Forms of Decision Making by Shareholders**

##### **Article 160**

(1) Decisions of a limited liability company shall be made by the Shareholders Assembly.

(2) A Company Agreement may provide that any decision may be made by written consultation between the shareholders, except for the approval of the annual balance sheet and annual report.

### **Competence of the Shareholders Assembly**

#### **Article 161**

(1) The Shareholders Assembly shall:

- 1) read and approve the annual balance sheet and annual report and decide matters regarding the disbursement of profit and covering of losses, unless otherwise provided by the Company Agreement;
- 2) appoint or expel the manager(s), determine their reward and otherwise act as their employer;
- 3) decide on the election and expulsion of the members of the Supervisory Board, if the Company Agreement provides for the establishment of this body or if this body is formed in accordance with this Law;
- 4) make decisions concerning reimbursement of additional payments;
- 5) make decisions concerning the control over activities of the company and appoint the controllers;
- 6) file requests for compensation of damage suffered by the company during the process of incorporation against the manager(s), members of the Supervisory Board or controllers and appoint a litigation representative if the company cannot be represented by the managers or members of the Supervisory Board;
- 7) approve contracts for the procurement of equipment and non-movable property if the amount which exceeds one-fifth of the company's basic capital;
- 8) approve contracts between the company and a shareholder, a manager or their next of kin, unless these types of contracts are an ordinary part of the company's usual activity; and
- 9) perform all other activities determined by this Law.

(2) The Company Agreement may provide that the Shareholders Assembly may also decide on other issues. The Assembly may unanimously decide on any issue relevant to the company's activities.

### **Persons Who May Convene the Shareholders Assembly**

#### **Article 162**

(1) The Shareholders Assembly shall be convened by the manager(s).

(2) Convening of the Assembly may be requested by one or more shareholders who hold half of the shares or by not less than one-quarter of shareholders who hold not less than one-quarter of the shares in the company.

(3) Shareholders may require that the court appoint a representative in a non-contentious procedure tasked to convene the Assembly and set the agenda of the meeting.

(4) Shareholders Assembly shall be convened by written notice and during periods determined by the Company Agreement.

## **Improperly Convened Shareholders Assembly**

### **Article 163**

- (1) An improperly convened shareholders assembly may be annulled.
- (2) The complaint for annulment shall be dismissed by the court if all of the shareholders were present or represented at the Assembly.

## **Limitations on Shareholders' Right to Vote at the Shareholders Assembly**

### **Article 164**

- (1) All shareholders shall be entitled to participate in the activities of the Assembly and to dispose of votes in proportion to their share of the company. Basic contributions equal to DM 200 calculated according to the average exchange rate determined by the National Bank of the Republic of Macedonia on the day the Company Agreement is executed or on the day the basic contribution is changed shall confer one (1) vote and shares less than DM 200 expressed in denars are not taken into consideration.
- (2) The Company Agreement may provide shareholders with voting rights that vary from paragraph 1 of this Article, whereby each shareholder is entitled to a minimum of two (2) votes.

## **Representation of a Shareholder**

### **Article 165**

- (1) A shareholder in limited liability companies with more than two shareholders may be represented by another shareholder of the company.
- (2) A shareholder may be represented at the Shareholders Assembly by his/her spouse, unless his/her spouse is the only other shareholder in the company.
- (3) A shareholder may also be represented at the Shareholders Assembly by a third party if the Company Agreement permits.

## **Decision Making**

### **Article 166**

- (1) Decisions are made according to the votes of shareholders who represent more than one-half of the shares in the company either by written consultation or at the Shareholders Assembly.
- (2) If the majority referred to in paragraph 1 of this Article is not attained, shareholders may convene another Shareholders Assembly or may consult again with one other. Decisions shall then be made by a majority of votes cast by the present shareholders. Decisions made through written consultation shall be made by a majority vote of all shareholders.

## **Shareholders Not Entitled to Participate in the Decision Making**

### **Article 167**

- (1) Shareholders who stand to be relieved of an obligation or a responsibility pursuant to a decision that is to be made or to whom an advantage or privilege is acknowledged at the expense of the company may not vote at the Shareholders Assembly. Shareholders with whom an agreement is to be concluded or against whom a suit is filed or who have other interests may not vote at the Shareholders Assembly in which such decisions are to be made.

(2) Provisions of the Company Agreement contrary to paragraph 1 of this Article shall be void.

### **Shareholder Liability for Decisions**

#### **Article 168**

Shareholders of a limited liability company who make a decision for which they know or should have known with due diligence that would invariably harm the interests of the company shall share joint and unlimited liability for the damages caused by such a decision.

### **Manner and Time for Convening a Shareholders Assembly**

#### **Article 169**

(1) The Shareholders Assembly shall be convened by a written invitation that shall be delivered to each shareholder at least seven (7) days prior to the day of the meeting, unless otherwise provided by the Company Agreement. The agenda for the meeting shall be enclosed in the invitation.

(2) Decisions may be made at an improperly convened Assembly only if all shareholders are present and they do not object to the Assembly being held.

(3) Any shareholder may propose that a certain item be entered into the agenda provided that the shareholder inform the other shareholders of his proposal not later than three (3) days prior to the day of the Assembly. Items that are not listed in the invitation or of which shareholders have not been informed may be discussed only if all shareholders are present and do not object to discussing the item.

(4) Provisions in the Company Agreement contrary to this Article shall be void.

### **Decision Making Outside of the Shareholders Assembly**

#### **Article 170**

(1) Decisions that may be made in the absence of a Shareholders Assembly pursuant to the Company Agreement shall be announced to the shareholders in writing with a prescribed term for responses. Shareholders who fail to respond within the set term shall be deemed to have voted against the proposal.

(2) A Shareholders Assembly shall be convened upon the request of a shareholder representing not less than one tenth of the basic capital. Issues in an Assembly so convened shall be decided in the manner determined in paragraph 1 of this Article.

### **Complaint for the Annulment of a Decision Made by the Shareholders**

#### **Article 171**

(1) Complaints for the annulment of decisions made at the Shareholders Assembly or by written consultation, on the basis that they violate the law or regulations, may be filed with the court by the manager(s), any shareholder or any member of the Supervisory Board.

(2) The complaint shall be filed against the company.

(3) The company shall be represented in the litigation by a member of the Supervisory Board who is elected by the Board for this purpose, when a complaint is filed by a

manager. The court shall appoint a representative if a Supervisory Board has not been established or if the complaint is filed jointly by all the managers and members of the Supervisory Board.

### **Book of Decisions**

#### **Article 172**

(1) Decisions made at the Shareholders Assembly or by written consultation shall be entered in the book of decisions maintained by the manager(s). Decisions shall be effective once they are recorded in the book of decisions and certified by the signature of at least one (1) shareholder involved in the making of the decision.

(2) Shareholders shall be entitled to review the book of decisions and may request copies of decisions made by the manager(s).

(3) Decisions of a limited liability company incorporated by a single entity shall be entered in the book of decisions immediately after such decisions are made and certified by the signature of the sole shareholder.

## **Subsection Two Manager(s)**

### **Appointment of Manager(s)**

#### **Article 173**

(1) Limited liability companies shall be managed by one or more managers.

(2) Any natural person having business capacity may be appointed a manager.

(3) A person who is not a shareholder may be appointed a manager.

(4) The Shareholders Assembly shall appoint managers. The appointment of a shareholder as manager may be valid for the duration of the shareholdership status in the Company Agreement. If the Company Agreement provides that all shareholders shall be appointed managers, only those who were shareholders when the contract was executed shall be considered to have been so appointed.

(5) Managers appointed by the Company Agreement without a specified term in office shall be considered to have been appointed for the life of the company.

### **Entry of the Appointment of Manager(s)**

#### **Article 174**

(1) Appointment of manager(s), their authorization to represent the company, and all changes shall be recorded in the Trade Registry immediately.

(2) Proofs of appointment, representation and changes shall be attached to the entry form in the form of publicly certified documents.

## **Authority of Manager(s)**

### **Article 175**

- (1) The Company Agreement shall prescribe the activity of manager(s).
- (2) Manager(s) may conduct all management activities in the interest of the company if the Company Agreement is silent on the authority of manager(s).

## **Authority to Represent the Company**

### **Article 176**

- (1) Manager(s) are authorized to act in all circumstances on behalf of the company in the course of contacts with third parties, except as to authority reserved for shareholders by this Law.
- (2) Acts of manager(s) are binding on the company even if they are unrelated to the commercial activities of the company so long as it cannot be proven that third parties were aware or under the circumstances should have been aware that the activity falls outside the commercial activities of the company. The announcement of the Company Agreement shall not be considered proof thereof.
- (3) Manager(s) are obliged to the company to observe limitations on representation contained in the Company Agreement.

## **Managers' Manner of Operation**

### **Article 177**

- (1) No manager may independently undertake activities if several managers have been appointed unless failure to take action may result in damage to the company or its interests or unless otherwise determined by the Company Agreement.
- (2) Even if the Company Agreement authorizes each manager to conduct activities independently, another manager may stop the activity by objecting, unless otherwise determined by the Company Agreement.
- (3) Objections pertaining to paragraph 2 of this Article have no legal effect on third parties unless it is established that they knew of the objections.

## **Prohibition on Competition**

### **Article 178**

- (1) Manager(s) may not do the following without the approval of the Shareholders Assembly:
  - 1) conduct commercial activities of the company on their own behalf;
  - 2) be a shareholder with unlimited liability in another company involved in the same or similar commercial activities; and
  - 3) be chief officers in another company involved in the same or similar commercial activities.
- (2) If a manager violates the prohibitions of paragraph one of this Article, the company may:
  - 1) claim compensation for the damages;
  - 2) claim that the manager(s) of the company consign the business concluded for their personal benefit; and

- 3) claim that the manager(s) transfer the gain born out of the business concluded on someone else's behalf or assign to the company any claims arising from it.
- (3) The company's right to make claims pursuant to paragraph 2 of this Article shall be time-barred three (3) months of the time the manager(s) have learned of it. The right may not be exercised upon the expiration of three (3) years after the occurrence of the violation.
- (4) The manager(s) of the company who are not shareholders may be expelled from their duties without prior notice and right to compensation for violating paragraph 1 of this Article.

**Duty to Maintain the Company Books and Prepare the Annual Balance Sheet**  
**Article 179**

- (1) Manager(s) shall have the duty to duly maintain the limited liability company's books in accordance with the law and regulations.
- (2) The manager(s) shall prepare the report on the management of the company and the annual balance sheet shall be presented to the Shareholders Assembly at the end of the financial year. (3) Documents pertaining to paragraph 1 of this Article, the proposal for decisions submitted by the manager(s), and, if necessary, the auditing report, must be presented to the shareholders in the manner and within the time determined by the Company Agreement.
- (4) Shareholders may pose written questions regarding the documents pertaining to paragraph 3 of this Article to which the manager(s) are obliged to respond at the Shareholders Assembly.
- (5) Any decision reached contrary to paragraphs 3 and 4 of this Article may be declared void.

**Reporting to Shareholders**  
**Article 180**

- (1) The manager(s) shall report to the shareholders upon request on the operations of the limited liability company and provide access to the company's books, documents and records.
- (2) Shareholders shall be entitled to address the Registration Court if the manager(s) fail to satisfy the request of a shareholder. The Court shall render a decision that is effective immediately in a non-contentious procedure.
- (3) An appeal of a decision referred to in paragraph 2 of this Article may be filed but enforcement of the decision shall proceed nevertheless.

**Liability of Manager(s)**  
**Article 181**

- (1) The manager(s) shall be personally and jointly liable to the limited liability company and to third parties for activities conducted contrary to law and regulations, breach of contract and mistakes made in the management of the company.

(2) The court shall determine the fault of each manager if several managers participated in acts that caused damage.

(3) Shareholders may both file the complaints for compensation of the damage suffered personally and individually or jointly file a complaint for compensation on behalf of the company. Plaintiffs may request full compensation for the damage suffered by the company. (4) Any provision in the Company Agreement that states that filing a complaint shall be contingent upon prior opinion or approval of the Shareholders Assembly or any provision that contains a waiver of the right to file a complaint shall be void.

(5) No decision reached at the Shareholders Assembly may effect the filing of a complaint to impose liability on manager(s) for mistakes in the performance of their duties.

(6) Complaints based on the liabilities pertaining to paragraphs 1 and 5 of this article shall be time-barred three (3) years after the perilous action occurred or three (3) years after it is discovered if it was concealed. The complaint shall be time-barred after ten (10) years if the perilous actions qualify as criminal.

### **Expulsion of Manager(s)**

#### **Article 182**

(1) Manager(s) may be expelled from their duties by a decision of the shareholders representing more than one-half of the shares in a limited liability company. Any provision in the Company Agreement to the contrary shall be void.

(2) Manager(s) who have been unfairly expelled shall have the right to be indemnified for damages.

(3) Upon request of any shareholder, expulsion of the manager(s) who are also shareholders may be pronounced by the court in a non-contentious procedure pursuant to paragraph 1 of this Article.

### **Reduction of Number of Managers Below the**

#### **Number Determined in the Agreement**

#### **Article 183**

(1) The remaining managers shall convene a Shareholders Assembly within thirty (30) days of the time that the number of managers falls below the number determined in the Company Agreement.

(2) If the company is left without manager(s) the Registration Court shall convene the Shareholders Assembly in a non-contentious procedure upon the request of any party with a legal interest.

### **Management of a Company with a Single Shareholder**

#### **Article 184**

A limited liability company incorporated by a single shareholder shall be managed by the shareholder or manager(s) appointed by the shareholder. The company shall be

managed by its manager(s) or person(s) appointed by the manager(s) if the only shareholder is a legal entity.

### **Subsection Three Supervision of the Company's Operations**

#### **Supervisory Board Article 185**

(1) The Company Agreement may provide for the formation of a Supervisory Board of the company. The Supervisory Board shall monitor the implementation of the Company Agreement, ensure that the estate of the limited liability company is protected and operated well and submit a report to the Shareholders Assembly.

(2) A Supervisory Board shall be formed if:

1) the basic capital of the company is greater than 100,000 DM calculated in denars;

2) the company has more than 20 shareholders; or

3) the average number of employees exceeds 200 annually.

(3) A company that does not establish a Supervisory Board may appoint a controller.

#### **Appointment of Members of the Supervisory Board Article 186**

(1) Members of the Supervisory Board or the party in charge of supervision shall be appointed by the Shareholders Assembly. The initial Supervisory Board or the initial controller may be appointed in the Company Agreement.

(2) In companies incorporated by one person, members of the Supervisory Board or the party in charge of supervision shall be appointed by the sole shareholder.

(3) The following parties may not be appointed members of the Supervisory Board or a controller:

1) manager(s) and employees;

2) spouses and relatives who are in direct line and in diverse line up to third generation of the parties under paragraph 3 item 1) of this Article;

3) parties who have been deprived the right to audit by a judgment.

(4) Members of the Supervisory Board or controllers shall be released by the Shareholders Assembly with a two-thirds majority vote.

#### **Composition of the Supervisory Board Article 187**

The Supervisory Board shall consist of at least three (3) members.

#### **Frequency of Meetings of the Supervisory Board Article 188**

The Supervisory Board shall meet at least three (3) times during each business year.

**Competence of the Supervisory Board**  
**Article 189**

- (1) The Supervisory Board shall supervise the operation of the limited liability company. In the course of supervising the company's operations the Supervisory Board may review and value the company's trade books, documents, property, treasury, and securities. The Supervisory Board may assign one of its members to review and value such documents or assign an expert that is not a member of the Supervisory Board for certain reviews.
- (2) The Supervisory Board must convene a meeting of the Shareholders Assembly if the company's interest require.
- (3) The Company Agreement may provide for activities that may not be performed without the approval of the Supervisory Board.

**Competence of the Supervisory Board as to the Annual Balance Sheet and the Proposal for the Distribution of Profit**  
**Article 190**

- (1) The Supervisory Board shall review the annual balance sheets, the proposal for the distribution of profit and the annual report for the company's management. The Supervisory Board shall inform the Shareholders Assembly after reviewing the foregoing documents.
- (2) The Supervisory Board shall separately indicate in the report the manner and extent to which it has reviewed the operations of the company during the business year and the conclusions it arrived at after reviewing the annual balance sheets and the annual report.

**Authorization of a Shareholder to Control**  
**Article 191**

- (1) Each shareholder in a limited liability company that lacks both a Supervisory Board and a controller is entitled to obtain information on the company's activities and operations, to review the trade books, documents, inventory of goods, and the treasury, and to personally prepare a balance sheet.
- (2) The Registration Court shall resolve all disputes between the shareholders and manager(s) regarding the right referred to in paragraph 1 of this Article in a non-contentious procedure in which both parties are heard.
- (3) Shareholders may, in writing, bring to the attention of the Supervisory Board or the controller issues over which they have responsibility. When such action is taken by a shareholder or shareholders that represent one-tenth of the basic capital, unless the Company Agreement requires a greater portion of the basic capital, the Supervisory Board shall submit to the Shareholders Assembly a report on such issues at the next meeting.
- (4) If such issues are important and urgent, and the manager(s), upon proposal of the Supervisory Board, or controller have not convened a meeting of the Shareholders

Assembly, the Supervisory Board shall convene a meeting of the Assembly immediately.

### **Right to Give Directions and to Elect Trustees-Experts**

#### **Article 192**

(1) In addition to regular supervision activities, the Shareholders Assembly may, at any time, give necessary direction elect trustees-experts to assist the bodies of regular supervision to inspect the annual balance sheets and annual report on the management of the company and the report of the supervisory bodies, as well as the operations or parts thereof.

(2) If the Shareholders Assembly rejects the proposal for inspection pertaining to paragraph 1 of this Article, shareholder(s) that represent at least one-tenth of the basic capital may petition the Registry Court to order an inspection in a non-contentious procedure and within fifteen (15) days of Shareholders Assembly meeting. The petitioners should make plausible the violation of law, the rights of shareholders or the Company Agreement. The shareholder(s) that propose the inspection may not alienate their shares without the company's consent, until it is decided how the costs of control will be covered.

### **Inspection of Claims by the Registry Court**

#### **Article 193**

Creditor(s) of a limited liability company whose claims are not secured enough and are equivalent to at least one-half of the basic capital may petition to the Registry Court to order an inspection. Upon such proposal, the court may order an inspection in a non-contentious procedure if the petitioners make plausible their claims and the company's operations obviously endanger the collection of their claims or that the company's operations include dishonest actions or severe violations of law. The court shall order the petitioners to deposit an adequate guarantee for the damages that the company might suffer as a result of the inspection. The amount of basic capital and the extent of claims are considered in determining the amount of the guarantee.

### **Application of Provisions on Prohibition on Competition and Liability of a**

#### **Member of the Supervisory Board or the Controller**

#### **Article 194**

The provisions of Articles 178 and 181 of this Law shall apply to members of the Supervisory Board or the controller.

## Section Four

## AMENDING THE AGREEMENT FOR A LIMITED LIABILITY COMPANY

## **Decision to Amend the Company Agreement**

### **Article 195**

- (1) A Company Agreement shall be amended by a decision of the Shareholders Assembly made by at least three-fourth of the total number of votes. The Company Agreement may impose additional requirements for its amendment.
- (2) Amendments to a company's operation as determined in the company agreement shall be made by a unanimous decision of the Shareholders Assembly, unless otherwise provided for in the Agreement.
- (3) An increase of the shareholders' liabilities or a reduction of their rights as for in the Company Agreement shall be made with the consent of all affected shareholders.
- (4) Provisions of a Company Agreement that are contrary to paragraphs 1 and 3 of this Article shall be void.

## **Legal Effect of the Decision to Amend the Company Agreement**

### **Article 196**

- (1) Amendments to a Company Agreement shall have no legal effect until they are recorded in the Trade Registry.
- (2) The company manager(s) shall file a form requesting that the amendments to the Company Agreement be entered in the Trade Registry and announced.

## **Subsection One Increasing the Basic Capital**

### **Decision to Increase the Basic Capital**

#### **Article 197**

- (1) If the Shareholders Assembly decides to increase the basic capital, new contributions may be used to increase the basic capital.
- (2) Basic capital may be increased only if all previous basic contributions have been fully paid.

### **Requirements for Increasing the Basic Capital**

#### **Article 198**

- (1) A decision to increase the basic capital shall state: (i) the amount of the increase, (ii) the time and manner by which the parties that assume such amounts will participate in the division of the profit, and (iii) the amount of the basic capital that must be paid prior to recordation in the Trade Registry. Payment of more than the nominal amount of the assumed basic contribution and conferring special rights on the new contributions may be requested by the parties who are undertaking the increase only by a decision to increase the basic capital.
- (2) The company manager(s) shall file a form requesting that the decision to increase the basic capital be entered in the Trade Registry and then they shall announce the recordation. The manager(s) shall file the form after the increase is covered with the assumed basic contributions and after payments, that must be made prior to the

recordation according to law and the Company Agreement, or the decision of the Shareholders Assembly.

(3) The company may not mention the increase in the basic capital in its business announcements and correspondence prior to the announcement of the recordation of the increase in the Trade Registry.

### **Assumption of New Basic Contributions by the Shareholders**

#### **Article 199**

(1) A limited liability company shall offer new basic contributions to existing shareholders or to parties that are not shareholders.

(2) An assumption of new basic contributions by the shareholders shall be in proportion to contributions that have previously been assumed, unless otherwise agreed or decided by the Shareholders Assembly.

(3) The manager(s) shall, by registered mail, offer to the shareholders the opportunity to assume that proportion of the basic contributions to which the shareholders are entitled in accordance to paragraph 2 of this Article. If a shareholder does not assume the basic contribution within fifteen (15) days of the delivery of the letter, the manager(s) shall offer such contribution to the other shareholders following the same procedure. If other shareholders do not assume the contribution within eight (8) days, the manager(s) may, if in the interest of the company, offer the contribution to other parties who are not shareholders, unless otherwise provided in the Company Agreement or a decision of the Shareholders Assembly.

(4) The statement for assuming the contributions must be made in the form of a notarial act. The statement shall address the amount of the assumed basic contribution, and the liabilities arising from the Company Agreement and the decision to increase the basic capital. If non-shareholder assume a contribution, the statement shall contain their consent to becoming shareholders and their consent to assume the rights and liabilities determined in the Company Agreement.

### **Minimum Amount, Payment and Maturity of the Basic Contributions**

#### **Article 200**

(1) Provisions of this Law pertaining to the minimum amount, manner and maturity of payment of the basic contribution, and the legal effects of default shall also apply to new basic contributions.

(2) Provisions pertaining to the appraisal of non-monetary contributions made in property and rights, and to the liability of the shareholder who makes the contribution shall also apply to new basic contributions.

### **Increase of the Basic Capital from the Company Estate**

#### **Article 201**

A Shareholders Assembly may decide to increase the basic capital using the company estate to the extent it exceeds basic capital. Increases in the contributions shall be in proportion to existing basic contributions of the shareholders.

**Addition of New Partners in a Company Incorporated by One Person**  
**Article 202**

- (1) If new partner(s) are added to a limited liability company incorporated by one person as a result of an increase in the basic capital, such partner(s) shall reconcile the organization and operation of the company with provisions of this Law pertaining to a company with multiple partners.
- (2) Manager(s) shall file a form requesting that the reconciliation pertaining to paragraph 1 of this Article be recorded in the Trade Registry.

**Subsection Two**  
**Decrease in the Basic Capital**

**Decision for Decrease of the Basic Capital**  
**Article 203**

- (1) The basic capital may be decreased by a decision of the Shareholders Assembly to amend the Company Agreement. This decision shall contain a more detailed description of the amount by which the basic capital will be decreased and the purpose and manner in which the decrease will be made.
- (2) A decrease in the basic capital shall be deemed any decrease in the basic capital provided for in the Company Agreement, whether it is by returning the basic contributions to the shareholders, decreasing the amounts of the basic contributions, or full or partial waiver of the obligations for full payment of the basic contributions of the partners and their predecessors who guaranteed payment.
- (3) The basic capital of the company may not be decreased below 5,000 DM calculated in denars. If the basic capital is decreased to return the basic contributions or to write off the obligation of full payment of the basic contributions, the remaining amounts of other contributions may not be decreased below 3,000 DM, calculated in denars. At the same time, a decision shall be made to increase the basic capital to at least 10,000 DM. *[Based on amendments to this Law enacted by the Macedonian Parliament, the figure of 10,000 DM stated herein should in fact be 5,000 DM At this time, however, the official text of the Law on Amending and Appending and the Law on Trade Companies, as published in AThe Official Gazette@ No. 63/98, does not reflect the change].*

**Recordation and Announcement of the Intention to Decrease the Basic Capital**  
**Article 204**

- (1) The manager(s) shall file a form with the Registry Court requesting that the contemplated decrease in the basic capital be recorded into the Trade Registry.
- (2) The manager(s) shall publish the contemplated decrease in the basic capital in AThe Official Gazette@ immediately upon being notified that the decrease in the basic capital was recorded in the Trade Registry. Upon request of the creditor the company shall announce that it consents to settle or secure their claims. It shall be deemed that all creditors consent to the contemplated decrease in the basic capital if no claims have been filed within ninety (90) days of the publication of the announcement.

(3) Known creditors shall be directly informed by the company.

### **Recordation of the Decrease in the Basic Capital**

#### **Article 205**

(1) A form requesting that the decrease of the basic capital be recorded into the Trade Registry shall be filed after the expiration of the time limit for filing the claims. The decrease shall be valid upon its recordation in the Trade Registry.

(2) Payments to the shareholders based on the decrease of the basic capital shall be allowed after amendments to the company agreement have been entered into the Trade Registry.

(3) The writing off of obligations to pay the full amount of the basic contribution covered for with the decrease of the basic capital shall become valid once the amendments to the Company Agreement related to the decrease of the basic capital are recorded in the Trade Registry.

### **Prohibition on the Purchase of Company Stock by the Company to**

#### **Decrease the Basic Capital**

#### **Article 206**

A limited liability company may not purchase its own stock to decrease the basic capital. If the Shareholder assembly is not motivated by losses, it may authorize the manager(s) to purchase a certain number of shares for the purpose of annulling such shares to decrease the basic capital.

## Section Five

### TERMINATION OF A LIMITED LIABILITY COMPANY

#### **Reasons for Termination**

#### **Article 207**

(1) A limited liability company shall terminate upon:

- 1) expiration of the time specified in the Company Agreement;
- 2) a decision of the shareholders;
- 3) a decision to merge with another company or to demerge;
- 4) a bankruptcy procedure;
- 5) a decision of the Registry Court; and
- 6) other actions provided with law.

(2) The Company Agreement may provide for other grounds of termination.

#### **Basis for Terminating a Company Incorporated by One Person**

#### **Article 208**

(1) A company incorporated by a single natural person shall terminate with the death of such person, unless otherwise provided by the Agreement or the request of the employees to continue operations.

(2) When a legal entity is an owner of a share in a company incorporated by one person such company shall terminate with the termination of the legal entity.

### **Decision to Terminate**

#### **Article 209**

(1) The shareholders shall make the decision to terminate by at least three-fourths of the total number of votes.

(2) Provisions in the Company Agreement contrary to paragraph 1 of this Article shall be void.

### **Termination of the Company by a Decision of the Registration Court**

#### **Article 210**

(1) The Registration Court may decide in a non-contentious procedure to terminate the limited liability company if:

1) one or more shareholders whose shares in the company represent at least one fifth of the basic capital request termination for important reasons; and

2) a government body requests termination because the company was not incorporated in accordance with the law or the activities of the company is contrary to the law.

(2) The court shall hold a hearing and question the manager(s) and the Supervisory Board if any, before ordering termination, unless otherwise provided by law. The order may be entered without a hearing, if such hearing was not held because a duly invited party failed to appear in the court or did not file a written statement within the prescribed time period.

### **Termination of a Company on the Basis of a Judgement**

#### **Article 211**

(1) Upon the complaint of a shareholder(s), the court may render a judgement to terminate the company if the achievement of the company's goal as stated in its registered activity becomes impossible or if there are other significant reasons to terminate. The complaint shall be filed against the company.

(2) Plaintiffs shall be jointly liable to the company for damages caused by any complaint filed on purpose or in total negligence.

### **Termination of a Company upon Request of a Creditor**

#### **Article 212**

(1) Creditors whose claims are equivalent to at least one half of the basic capital may file a complaint requesting that the Registry Court order the termination of the company if any balance sheet or inspection reveals: that the reserve or one half of the basic capital was lost; that the manner in which the company operates obviously endangers the collection of such creditors' claims; or that the company caused damages to the creditors or severely violated the law.

(2) Plaintiffs shall be jointly liable to the company for damages caused by any complaint filed on purpose or in total negligence.

**Regular Winding Up**  
**Article 213**

A winding up procedure shall be initiated when a limited liability company is terminated pursuant to items 1, 2 and 5 of paragraph 1, Article 207 of this Law.

**When a Company Shall not Terminate**  
**Article 214**

- (1) A limited liability company shall not terminate if one or more shareholders go bankrupt or lose their business capacity.
- (2) A limited liability company shall not terminate if one shareholder dies, unless otherwise provided by the Company Agreement.

**Recording the Termination of a Company in the Trade Registry**  
**Article 215**

- (1) The manager(s) shall file a form requesting that termination of the limited liability company, on the basis of the expiration of the time period for incorporation or an order to terminate, be recorded in the Trade Registry.
- (2) In all cases, the court shall immediately record in the Trade Registry the termination of a limited liability company and state the manner of termination. The court shall record terminations that occur upon an order of final judgement of the court ex-officio [in the line of duty].
- (3) If the manager(s) do not follow the call of the court and do not file a form notifying the court of the termination, the court shall state in a second call that it shall record ex officio [in the line of duty], the termination in the Trade Registry and appoint liquidators upon expiration of a specified time limit. The manager(s) and, if possible, the shareholders that are not authorized to manage the company shall be questioned prior to recordation of the company's termination in the Trade Registry.

Section Six  
CONVERSION OF A JOINT-STOCK COMPANY INTO A LIMITED  
LIABILITY COMPANY

**Conversion of a Joint-Stock Company into a Limited Liability Company**  
**Article 216**

- (1) A joint-stock company may be converted into a limited liability company by a decision of the Assembly without winding up.
- (2) The decision of the Joint-Stock Company Assembly shall be made in a manner and in accordance with the requirements for making a decision to amend the Charter. The Charter of the joint-stock company may require a higher capital majority than provided by this Law. The Charter may also impose other requirements.

## **Conditions for Conversion**

### **Article 217**

(1) A joint-stock company may be converted into a limited liability company under the following conditions:

1) Stockholders shall be asked, in the manner prescribed by law or the Charter to make a statement concerning whether they wish to participate in the limited liability company with the share in the property of the joint-stock company that correspond to their stock. Invitations shall be published three (3) times, in intervals of between eight (8) and not longer than fifteen (15) days. If stock is registered by name or certificates of the stock are not issued, stockholders shall be asked by registered mail to make a statement immediately. The time in which to make a statement may not be shorter than one (1) month of the third announcement or the date in which the registered mail was delivered. There shall be no calling [by registered mail] if all stockholders are represented at the Assembly. The one-month period for stockholders who state before the Assembly that they will not participate in the limited liability company shall begin once the meeting of the Assembly is held;

2) Stockholders shall participate in the limited liability company with a basic contribution conforming to the share of the joint-stock company's property that corresponds to their stock. These stockholders shall become shareholders in the limited liability company;

3) The total nominal value of the stock belonging to the stockholders that participate in the limited liability company shall be equivalent at least three-fourths of the joint-stock company's basic capital; and

4) If the basic capital does not meet the participation requirements of item 3 of this paragraph because all of the stockholders do not participate in the or do not participate with all of their stocks, or the value of the share in the joint-stock company's property that corresponds to certain stock does not equal the nominal value of the stock, the reduction in the basic capital may be compensated for with basic contributions from parties who are not stockholders.

These basic contributions shall be fully paid in cash prior to the entry of the decision for conversion in the Trade Registry.

(2) The value of the joint-stock company's property and the share that corresponds to certain stock shall be computed based on the balance sheet that was prepared for such purpose and shows the property's real value. The balance sheet shall be approved by a decision of the Assembly of the joint-stock company. The decision of the Assembly shall be valid if three-fourths of the basic capital is represented and the majority constitutes at least three-fourths of the votes.

## **Manner of Conversion**

### **Article 218**

(1) Basic contributions shall be assumed by statements that have been certified with a notarial act.

- (2) A Company Agreement shall be executed for a limited liability company that is incorporated by the conversion of a joint-stock company in accordance with this Law.
- (3) If the Agreement pertaining to paragraph 2 of this Article is adopted at the same meeting of Joint-Stock Company Assembly at which a decision for the conversion of the joint-stock company into a limited liability company is made, the Agreement shall be certified by a notary who, upon the request of the parties that made statements for a take over of the contributions, at this meeting shall certify the statements in the minutes of the meeting, if the content of such statements is in accord with this Law.
- (4) If the value of the estate of the joint-stock company is decreased in the course of the conversion or if the basic capital of the limited liability company is less than the basic capital of the joint-stock company, the provisions of this Law pertaining to calling and making payments to creditors in a procedure for decreasing the basic capital shall apply.
- (5) The provisions of this Law pertaining to basic capital and basic contributions in a limited liability company shall apply to the conversion of a joint-stock company into a limited liability company.

### **Recordation of Conversion in the Trade Registry**

#### **Article 219**

- (1) The filing form for recordation [of the conversion] in the Trade Registry shall be signed by the members of the managing body and the Supervisory Board of the joint-stock company and by the manager(s) of the limited liability company who are authorized by the decision to convert the company.
- (2) The original or a certified copy of the following documents shall be attached to the filing form:
- 1) minutes of the meeting of the Joint-Stock Company Assembly at which the decision to convert the company into a limited liability company was made;
  - 2) statement of all members of the managing body or the Supervisory Board of the joint-stock company and the manager(s) of the limited liability company that the requirements for conversion prescribed by this Law have been satisfied; and
  - 3) the decision to convert the joint-stock company into a limited liability company.
- (3) A joint-stock company shall become a limited liability company upon recordation of the decision to convert.
- (4) The limited liability company pertaining to paragraph 3 of this Article shall be authorized to dispose of the estate of the converted joint-stock company and shall be its legal successor.
- (5) The decision shall be deemed not to have been made if the filing form referred to in paragraph 1 of this Article has not been filed within three (3) months of the Assembly's decision to convert .

### **Stockholder's Rights after Recordation of the Conversion in the Trade Registry**

#### **Article 220**

- (1) Stockholders who have not assumed a basic contribution or have not assumed it to the amount of all their stock may, after the limited liability has been entered in the

Trade Registry, request payment in money for the stock for which they did not assume a basic contribution according to the value based on a balance sheet. The limited liability company may set a time limit for the payment that may not be shorter than three (3) months. It shall be announced that the stock is void once the time limit expires and the money shall be deposited with the court. The stockholders shall be warned of such potential action in the invitations and letters. The amount deposited with the court for voided stock may be collected on the basis of such announcement.

(2) The provisions of paragraph 1 of this Article shall apply to stock which when calculated into basic shares are not divisible by one hundred, unless the difference is compensated for with money. The provisions of paragraph 1 of this Article shall also apply to stockholders who can not participate as shareholders in the limited liability company because they do not own sufficient stock, unless they merge their stock for that purpose or they make additional payments in money to satisfy the minimum amount of basic capital prescribed by law.

(3) Stockholders of the joint-stock company that is being converted into a limited liability company shall not have other claims against the company.

## **Chapter Four JOINT-STOCK COMPANY**

### **Section One GENERAL PROVISIONS**

#### **Definition of a Joint-Stock Company**

##### **Article 221**

(1) A joint-stock company is a company that has, by its Charter, defined capital (basic capital) divided in equal parts (stocks). Stockholders shall participate with one or more stocks and their liabilities shall be secured with the entire capital of the company.

(2) The stockholders shall make certain contributions as defined in the Charter and shall not be liable for the obligations of the joint-stock company.

(3) Departures from the provisions of this Law pertaining to joint-stock companies are permissible only in a manner and under the conditions provided for in this Law and separate laws that govern the activities pertaining to Article 1, items 2, 4 and 5 of this Law.

#### **Trade Name**

##### **Article 222**

The trade name of a joint-stock company must specify the nature of the company's operations followed by the words *A Akcionersko Društvo@* (Joint-Stock Company) or the abbreviation *AAD@*.

## **Basic Capital and Stocks**

### **Article 223**

The basic capital and stocks shall be payable in Denars, but may also be expressed in a foreign currency equivalence.

## **Nominal Amount of Basic Capital and Stock**

### **Article 224**

(1) The minimum amount of basic capital required to incorporate a joint-stock company by public offer shall be 50,000 Deutsche Marks (DM) expressed in Macedonian Denars ("MKD"). Incorporation by a manner other than a public offer shall require a minimum of 20,000 DM in basic capital, calculated according to the middle exchange rate of the National Bank of Macedonia on the date in which the form is filed for entering the incorporation of the joint-stock company or the date in which the form is filed for entering the change in the basic capital in the Trade Registry. The amount of basic capital must be a whole number divisible by one hundred.

(2) The minimum nominal amounts of basic capital expressed in paragraph 1 of this Article shall not apply to a joint-stock company incorporated for the purposes of banking, insurance or securities trading. A separate Law shall govern the minimum basic capital requirements in such cases.

(3) The minimum amount of a stock may not be less than 10 DM calculated according to the middle exchange rate of the National Bank of Macedonia on the date of filing the form for an entry of the incorporation of the joint-stock company or on the date in which the form is filed for entering the change in the basic capital in the Trade Registry.

Stock having a nominal amount of less than 10 DM expressed in MKD shall be void.

(4) Stocks with nominal amounts greater than the minimum basic capital requirements specified in paragraph 3 of this Article must be expressed in whole numbers divisible by ten. Nominal amounts of stock greater than one hundred must be divisible by one hundred.

(5) Issuers of stock or the parties responsible for the issuing of stock shall be liable to stockholders for any damages arising from the issuance of stocks contrary to paragraphs 3 and 4 of this Article.

## Section Two

## STOCKS

### **Definition of a Stock**

#### **Article 225**

(1) Stocks are securities.

(2) A certificate will be issued to represent each stock or several stocks of the same kind (a sum of stocks).

(3) Stocks of a joint-stock company are inseparable.

## **Issuance of Stocks at Values Lower or Greater than their Nominal Amount**

### **Article 226**

- (1) Stocks may not be issued at a value lower than their nominal amount. Issuers of such stocks shall be jointly liable for resulting damages.
- (2) Stocks may be issued at values greater than their nominal amount.
- (3) If the stocks according to the provisions in the Charter are issued for a value greater than their nominal amount, the surplus must be paid prior to the entry of the company in the Trade Registry.

## **Denominating the Value of the Amount of the Stocks**

### **Article 227**

The Assembly of a joint-stock company may by changing the Company Charter denominate the amount of stocks, express the amount in a foreign currency or increase or decrease the nominal amount of the stocks so long as the amount of the basic capital remains unchanged.

## **The Title Above Article 228 and Article 228 Is Hereby Deleted**

## **Kinds of Stocks**

### **Article 229**

- (1) A joint-stock company may issue stocks that provide different rights. Stocks that provide their holders with equal rights shall constitute one kind of stock.
- (2) Stocks may be common or preferred depending on the type of rights that are conferred on their holders.
- (3) A company may request a special, additional single monetary payment for issuing stock that provides special rights (preferred stock). Such additional payments shall be made at the time such stocks are issued.

## **Rights Arising from Stocks**

### **Article 230**

- (1) Common stock entitles holders to:
  - 1) vote at the Company Assembly;
  - 2) a portion of the profit (dividend); and
  - 3) a portion of the company's assets that remain in the winding up or bankruptcy estate.
- (2) Preferred stocks provide their holders with preferred rights such as the right to appoint or nominate less than half of the members of the company's bodies or some other property rights that are considered special benefits in regard to the profit or property of the company.
- (3) Preferred stock may provide more than one of the rights described in paragraph 2 of this Article.

## **Types of Preferred Stocks**

### **Article 231**

- (1) Preferred stock may be cumulative or participative.
- (2) Cumulative preferred stock entitles holders to the payment of cumulative unpaid dividends prior to payment of any dividends to the holders of common stocks.
- (3) Apart from their determined dividend, participative preferred stock entitle their holders to be paid dividends that belong to the holders of common stocks in accordance with the decision for issuing stocks.

## **Right to Vote**

### **Article 232**

- (1) Each stock entitles the holder to vote at the Assembly of the joint-stock company.
- (2) In accordance with the provisions of this Law, preferred stock may be non-voting.
- (3) One stock entitles the holder to one vote only.
- (4) The Ministry that is in charge of the economy according to the Government of the Republic of Macedonia may approve the issuance of stock with more than one vote, if such action is necessary to protect economic interests or when it is determined by law that the business operations of a company are of interest to the public.
- (5) It is prohibited to issue stocks that confer different voting rights in the Assembly of the company for equivalent nominal amounts.

## **Stock Issued Free of Charge or at a Privileged Price**

### **Article 233**

- (1) A Company Charter may provide for the issuance of stock to company employees at privileged prices or free of charge.
- (2) Stocks may be issued pursuant to paragraph 1 of this Article only if the company has assets in excess of the company's basic capital. If the basic capital is increased, such stock may be issued in an amount equal to a maximum of ten percent of the increased basic capital.
- (3) Stock issued pursuant to paragraph 1 of this Article are registered stocks and may be transferred among current and retired employees.
- (4) The company shall have priority rights of first refusal to purchase such stocks in the event of death or termination of employment not including retirement. The company shall purchase these stocks at their market value, but not for less than the stock's nominal amount.
- (5) Employee stocks confer the same rights as other stocks. The managing body that may permit certain groups of employees to acquire such stocks jointly shall define the conditions under which such stocks may be acquired and transferred.

## **Decision for Issuing Stocks**

### **Article 234**

- (1) The decision to issue stock shall be made by the founder(s) or the Assembly of the company.
- (2) The decision to issue stock shall include the following:

- 1) trade name of the stock issuer;
  - 2) type of stock;
  - 3) kind of stock;
  - 4) sum for which stock is issued;
  - 5) nominal amount of the stock;
  - 6) item 6 is erased
  - 7) number of votes conferred by the stock;
  - 8) manner in which payment of dividends will be made;
  - 9) time and manner of subscription of stocks;
  - 10) number of stocks;
  - 11) manner and time-limit in which to pay for subscribed stock;
  - 12) time-limit and interest rate for refunding payments when issues of stock are canceled;
  - 13) right to priority and the order in which the priority to purchase is exercised when stock is issued in more than one series;
  - 14) manner in which the issuance of stock is announced;
  - 15) procedure to be followed in allotting and delivering stock;
  - 16) manner of disposing of stock;
  - 17) possibility of substituting stock;
  - 18) extent of rights conferred to the holder of stock;
  - 19) allocation of risk; and
  - 20) other issues related to the issuance of stock.
- (3) As an alternative to issuing a document (or certificate) representing stock, a company may issue stocks in an intangible form, if the Company Charter permits and under the conditions defined in another law.

### **Stock Certificates and Temporary Certificates**

#### **Article 235**

- (1) The decision to issue stock may provide for the issuance of a stock certificate. Stock certificates shall be proof that its owner has paid the sum of the value of the stock and that the holder of the certificate owns the number of stocks listed therein.
- (2) The decision to issue stock may provide for the issuance of a stock certificate for a portion of the stock's value paid by the stockholder (temporary certificate). The temporary certificate shall be personal to its owner.
- (3) Certificates of stock and temporary certificates may only be used as identification for participating at the Company Incorporation Assembly and in subsequent Company Assemblies with a certain number of votes and in the manner and under the conditions provided for in this Law.

### **Constituent Parts of Stock**

#### **Article 236**

- (1) Stock shall consist of three parts.
- (2) The first part shall be a stock cover that contains the following information:
  - 1) denotation that it is a stock;

- 2) the type and kind of stock;
  - 3) trade name and head office of the stock issuer;
  - 4) name and surname, or trade name of the owner of the stock;
  - 5) sum of money paid for the stock and the number of stocks;
  - 6) time limits for collecting dividends;
  - 7) place and date of issuance and the serial and control number of the stock;
  - 8) signatures of the parties authorized by the stock issuer; and
  - 9) rights conferred by the stock.
- (3) The second part shall consist of a sheet containing coupons for the collection of dividends. Coupons for collection of the dividends shall contain the following information:
- 1) ordinal number of the coupon for collecting dividends;
  - 2) number of stock under which dividends are collected;
  - 3) trade name of the stock issuer;
  - 4) year in which the dividend is collected; and
  - 5) signatures of the parties authorized by the stock issuer.
- (4) The third part of a stock shall be a stub that will enable the stock owner to exercise the right to obtain a new coupon sheet to collect dividends.

**Signing Stocks**  
**Article 237**

Stocks and temporary stocks may be signed by facsimile. Validity of the signature, however, may be conditioned by the signatory's compliance with a special form of signing. Provisions regarding the signing stocks may be contained in the Joint-Stock Company Articles of Incorporation or Charter.

**Convertible Bonds**  
**Article 238**

- (1) A joint-stock company may issue bonds that are convertible into stock upon the owner's request (convertible bonds), subject to the limitation that the value of these bonds may not exceed more than half of the company's basic capital.
- (2) A joint-stock company may issue bonds that confer upon its holders a priority to purchase new stocks that may be issued in the future on the basis of an increase in the company's basic capital (bonds that provide a right to priority purchase).
- (3) The Company Charter shall determine whether the issuance of convertible and priority purchase bonds described in paragraphs 1 and 2 of this Article are permissible.

Section Two  
INCORPORATION OF A JOINT-STOCK COMPANY

## **Founders of a Joint-Stock Company**

### **Article 239**

- (1) A minimum of two (2) legal entities or natural persons may incorporate a joint-stock company.
- (2) Under certain conditions prescribed by this Law, however, a joint-stock company may be incorporated by one person.
- (3) Bankrupt legal entities may not incorporate a joint-stock company.

## **Parties Having the Status of Founders**

### **Article 240**

- (1) Legal entities or natural persons that signed the Company Articles of Incorporation are deemed the founders of the joint-stock company.
- (2) The signatures of the founders on the Articles of Incorporation of the joint-stock company shall be notarized by a notary.

## **Content of the Articles of Incorporation**

### **Article 241**

- (1) The Articles of Incorporation of a joint-stock company shall state the following:
  - 1) the trade name and the head office;
  - 2) business operations;
  - 3) the amount of basic capital;
  - 4) the nominal amount and the number of stocks by type and kind, if issuance of different types and kinds of stock is anticipated;
  - 5) any preferences reserved by the founders;
  - 6) any non-monetary contributions that must be made by founders or other parties;
  - 7) whether the founders have reserved the right to appoint the initial members of the Managing and Supervisory Bodies; and
  - 8) any other issues important to the company's incorporation.
- (2) The preferences pertaining to paragraph 1 item 5 of this Article may not be bonuses, interest or prior withholdings of the company's profit.
- (3) The requirements pertaining to paragraph 1 of this Article may be contained in the Company Charter<sup>1</sup> rather than its Articles of Incorporation if the company is incorporated simultaneously.

## **Special Profit of a Stockholder and Incorporation Costs**

### **Article 242**

- (1) Special profit of a stockholder must be provided for in the Articles of Incorporation under the name of the party having the right to such profit.
- (2) The Articles of Incorporation shall specify all of the costs, whether fees, remuneration or other costs incurred by founders or other parties to incorporate or prepare for incorporation that the company guarantees to reimburse.

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<sup>1</sup> A company that is founded simultaneously is not required to adopt Articles of Incorporation and all issues may be determined in the Company Charter.

(3) All agreements and other legal activities that purport to provide for earnings, fees and remuneration contrary to paragraphs 1 and 2 of this Article shall be considered void as against the company. An amendment to the Articles of Incorporation after the company is entered into the Trade Registry may not render such void agreements valid or enforceable.

### **Non-Monetary Contributions or an Assumption of Plants**

#### **Article 243**

(1) If future stockholders make non-monetary contributions or if the joint-stock company acquires existing plants or plants under construction, the Articles of Incorporation shall: (i) describe the property that is to be contributed or acquired, (ii) identify the party from which the company acquired the property or plant, and (iii) state the nominal amount of stock given as consideration for the property received by the company.

(2) Articles of Incorporation or related contribution agreements concluded in accordance with the Articles of Incorporation, and legal activities for their enforcement that are adopted or executed in violation of paragraph 1 of this Article shall have no legal effect for the company. This voidness shall not effect the validity of the Articles of Incorporation so long as the company was entered in the Trade Registry. A person who receives stock pursuant to a void contribution agreement shall pay the nominal or a greater amount for the stock received.

(3) An amendment to the Articles of Incorporation shall not render a void contribution agreement valid or enforceable if the company was already entered into the Trade Registry.

### **Subscription, Contribution and Payment of Contributions**

#### **Article 244**

(1) Basic capital shall be fully subscribed.

(2) A minimum of one-third of the nominal amount of the monetary contributions shall be paid prior to the company's entry in the Trade Registry. The balance shall be paid in one or more installments pursuant to the decision of the managing body over a period of time not to exceed three years following the date on which the company is entered in the Trade Registry.

(3) Non-monetary contributions to the company shall be completed prior to the entry of the company in the Trade Registry.

(4) Contributions may not consist of labor or services.

### **An Assumption of Monetary Contributions**

#### **Article 245**

3) Representatives of a joint-stock company may not assume monetary contributions prior to the company's entry into the Trade Registry.

(2) If a company is not incorporated within six months following the entry of its Articles

of Incorporation in the Registration Court, any subscriber may request that the Court appoint a representative in a non-contentious procedure to oversee the reimbursement of subscribers.

(3) A new procedure for the payment of monetary contributions shall be instituted if one or more founders decide to proceed with incorporation of the company.

### **Manner of Disclosure of Data or Reports**

#### **Article 246**

(1) If the law or the Company Charter requires the disclosure of data or reports, such data and reports shall be published in the Official Gazette of the Republic of Macedonia@.

(2) Other data and reports that the managing body considers to be of interest to stockholders may be published in the daily newspapers listed in the Company Charter.

## **Subsection One Simultaneous Incorporation**

### **Definitions**

#### **Article 247**

(1) A joint-stock company may be incorporated when the founders, alone or with other parties, either personally or through a representative assume all the stocks with one or several statements, without a public announcement, and make a statement that they are incorporating a company.

(2) Founders shall assume stock by making a statement that they are assuming the obligation to pay for the stock.

(3) Documents related to the assumption of stock pertaining to paragraph 1 of this Article shall describe: (i) the party assuming the stock, (ii) the number, type, kind and nominal amount of such stocks, and (iii) the manner and time of payment.

(4) The statement for assuming stock may be included in the company's signed draft Charter if all of the stock is being assumed exclusively by founders or if the joint-stock company is founded by one person.

### **Valuation of Non-Monetary Contributions**

#### **Article 248**

(1) A Charter shall include valuations of non-monetary contributions. A valuation report prepared by an appraiser appointed by the court from its list of appraisers shall be attached to the Charter. The appraiser shall be personally liable for the report.

(2) The appraiser may request of founders necessary explanations and evidence related to valuations. (3) An appraiser is entitled to reimbursement of all costs and fees for the completed assignment.

## **Report for the Course of the Incorporation**

### **Article 249**

(1) Founders shall write a report on the activities for the incorporation of the joint-stock company (incorporation report).

(2) The incorporation report shall state the basic requirements concerning the suitability of contributions of property or rights. The report shall include the following:

1) legal operations used by the company to acquire contributions in property or rights;

2) costs of purchasing or production associated with contributed property during the previous two years;

3) the income based on the financial reports of any enterprises which were contributed during the previous two years;

4) number of stocks that were assumed by or on behalf of a member of the managing body or Supervisory Board;

5) type of special benefits and the manner in which a member of the managing body or Supervisory Board acquired special benefits, compensation or remuneration for his/her participation in the incorporation.

## **Parties That Prepare and Sign the Charter of the Company**

### **Article 250**

The Charter of a company shall be prepared by the founders and signed by all stockholders, in person or through representatives authorized by a special power of attorney, after the certificates for the monetary contributions have been issued and the valuation report pertaining to Article 248 of this Law has been given at stockholders' disposal.

## **Content of the Company Charter**

### **Article 251**

(1) A Charter of a joint-stock company must contain provisions for:

1) the trade name and the head office of the company;

2) the subject of the company's operations;

3) the amount of the basic capital, the nominal amount of the stocks, the number of stocks for each nominal amount, the type and the kind of stocks - if stocks from different types or kinds are issued, as well as the number of stocks that were issued in each type or kind;

4) the number of members of the managing body and the Supervisory Body, if establishment of such a Body is provided for in the Charter;

5) the form and the manner of the announcements that are of importance for the company or the stockholders;

6) the personal name, domicile, citizenship or the trade name and the head office of each founder;

7) the life of the company; and

8) the manner of termination of the company.

(2) In addition to the provisions pertaining to paragraph 1 of this Article the Charter may include other provisions that are of importance for the company, provided that such provisions are not prohibited by this Law.

(3) Other issues of importance for the company that are not arranged by the Charter may be arranged, according to this law, with other regulations of the company.

### **Initial Members of the Managing and Supervisory Board**

#### **Article 252**

(1) The initial members of the Managing and the Supervisory Board (if such a Board is established) shall be appointed pursuant to Company Charter.

(2) If, according to the Company Charter, the Assembly of the Company must appoint the members of a Managing or a Supervisory Body, the founders shall convene a separate meeting of the parties that subsequently acquire stocks in order to appoint the members.

(3) Other provisions of this Law that pertain to the Company Incorporation Assembly shall also apply to the Assembly as it relates to paragraph 2 of this Article.

### **Unconditioned and Unlimited Acquisition of Stocks**

#### **Article 253**

(1) An acquisition of stocks must be unconditional and unlimited. Once a company is entered into the Registry, the party that subsequently acquires the stocks may not object to the creditors and the company on the grounds that s/he was not familiar with the contract for assumption of stock, the Charter and the founders' report, and that s/he has not agreed with the aforementioned documents.

(2) Paragraph 1 of this Article shall also apply to the party on behalf of whom the signer of the contract acquires the stocks.

### **Contract by Which a Company Is Deemed Incorporated**

#### **Article 254**

A joint-stock company shall be considered incorporated once a contract for the acquisition of its stocks is executed. If more than one contract is involved, the incorporation shall be made effective upon the execution of a contract for completing the acquisition of stocks. Once the initial bodies of the company are appointed, during a separate meeting and so long as the total cost is determined at such a meeting, the company shall be incorporated by appointing its bodies and determining and approving the costs.

### **Acquisition of Unpaid Stocks**

#### **Article 255**

In the event that any payments which are required to be made prior to the entry of the joint-stock company into the Trade Registry are not made on time, the founders may acquire the unpaid stocks or they may find a third party that will acquire the unpaid

stocks. Payments made by the previous party who acquired the stock shall belong to the company.

## **Subsection Two Successive Incorporation**

### **Definitions**

#### **Article 256**

(1) A joint-stock company may also be incorporated through subscription of all or a specified number of stocks on the basis of an announcement.

(2) If some of the stock is not subscribed on the basis of an announcement, the remainder of the stocks shall be acquired by application of the provisions of this Law pertaining to acquisition of stocks when a company is incorporated simultaneously.

### **Prospectus**

#### **Article 257**

(1) An announcement that calls for subscription of stocks (the prospectus) shall be prepared in accordance with the provisions of the Articles of Incorporation (Decision for Incorporation, Decision for Issuance of Stocks, Plan or Proposal for Issuance of Stocks).

(2) The prospectus shall contain provisions for:

- 1) the document that forms the basis upon which the prospectus is being issued;
- 2) the number, type and kind of stocks that are being offered for subscription, their nominal amount, their emission value, if applicable, as well as the number, type and kind of stocks acquired on the basis of the prospectus without subscription;
- 3) the place and financial institution in which the stocks are subscribed and information, that the Articles of Incorporation and the draft charter are available for inspection at the financial institution, and the reports of the founders and the appraiser in certain cases;
- 4) the date on which the file for entry into the registry was opened and the date in which the procedure for entry into the Registry was completed;
- 5) how many, where and when the stocks should be paid prior to the entry of the company into the Trade Registry, as well as the consequences of the installments not being duly paid;
- 6) the manner in which the stocks will be distributed in case of an exceeding subscription;
- 7) the date in which the subscriber's obligation ceases to exist in the event the company is not entered into the Registry up to that date;
- 8) accurate data on the non-monetary contributions, supplies used in the course of incorporation, utility, remunerations and fees;
- 9) certain periodical giving of the stockholders;

- 10) the manner in which the Incorporation Assembly will be convened;
  - 11) the highest amount of the incorporation costs, if the company is responsible for such costs; and
  - 12) full name (the trade name and the title), profession, domicile (head office) and citizenship of the founders.
- (2) The prospectus may also contain other provisions of importance for issuance and sale of stocks.

### **Valuation of Non-Monetary Contributions**

#### **Article 258**

- (1) If the founders make any non-monetary contributions and in cases when they or other parties receive special benefits pursuant to an agreement, the founders shall appoint one or more appraisers from the list of certified appraisers provided by the court.
- (2) The appraisers who shall be personally liable for the stated value shall determine the value of the non-monetary contributions and the special benefits. The appraiser shall submit the valuation report to the Registration Court and this document together with the draft charter will be available to the subscribers for inspection.
- (3) The Incorporation Assembly shall confirm the value of the non-monetary contributions and the special benefits. The Incorporation Assembly may lower the value of the non-monetary contributions and the special benefits, but only if all of the subscribers or users of special benefits agree.
- (4) The company shall not be incorporated, unless the concurrence of all contributors and users of special benefits is memorialized in the [company's] minutes.

### **Subscribing Stocks with a Financial Institution**

#### **Article 259**

- (1) Stock shall be subscribed with a financial institution.
- (2) Payments may be made only in the form of a regular deposit.
- (3) The Articles of Incorporation and the draft charter of the company shall be made available to subscribers at the financial institutions in which the subscription is made. A copy of any permit(s) required for the incorporation of the company or document showing that the permit(s) is valid as issued shall also be made available to the subscribers [at the financial institution].

### **A Written Statement (Subscription Form)**

#### **Article 260**

- (1) Stocks shall be subscribed by way of a written statement (subscription form). The subscription form shall be based on provisions of the Articles of Incorporation and the text of the prospectus. Each subscriber shall sign three copies of the subscription form, one copy for himself and the other two for the company. If the subscription is done by a representative under power of attorney, the power of attorney shall be enclosed with the subscription forms that remain in the company.
- (2) The subscription form must contain the following:

- 1) the number, type and kind of the subscribed stocks, their nominal amount and the emission value, if necessary;
  - 2) the subscriber's obligation to pay for the stock in accordance with existing requirements;
  - 3) the monetary amount that the subscriber pays upon subscription;
  - 4) a statement by the subscriber that s/he is familiar with the Articles of Incorporation, the draft charter, the prospectus and that s/he agrees with the draft charter; and
  - 5) the subscriber's signature, his/her profession, domicile, citizenship, or trade name, title, head office and the signature of the financial institution through which the payment and subscription have been made, as well as a statement from the financial institution confirming that payment has been accepted.
- (3) The subscriber shall be bound to a subscription form only if the company is incorporated.

### **Time Limit for Subscription of Stocks**

#### **Article 261**

- (1) The time for the subscription of stock may not exceed three months from the date in which the subscription was initiated.
- (2) If all of the stock offered for subscription is not subscribed and paid for within the time limit prescribed for subscription, the founders may acquire or subscribe the unsubscribed and unpaid stocks to themselves fifteen (15) days after the expiration of the time limit for subscription. If the stock offered for subscription is not acquired or subscribed and paid for in such a manner, the incorporation shall be considered unsuccessful and the stockholders must, within fifteen (15) days, call the subscribers by way of an announcement to withdraw their subscribed amounts. The announcement shall be published in the same manner as the prospectus.
- (3) If an incorporation of a joint-stock company is unsuccessful, the following parties shall be informed that they may withdraw their payments or contributions to the company: (i) non-monetary contributors i.e. contributors of property, (ii) providers of supplies in the course of incorporation, and (iii) parties that have acquired stock without a subscription on the basis of a prospectus.

### **Default in Payment Due Prior to the Entry of the Company in the Registry**

#### **Article 262**

If the payment is not made prior to the entry of the company into the Trade Registry, the founders may announce that the acquisition or further subscription of stock is invalid, and acquire the stocks, i.e. subscribe the stock to themselves or give them to third parties.

### **Manner of Distributing Stock to Subscribers**

#### **Article 263**

- (1) If the subscription is successful, the founders shall distribute the stock to the stockholders within fifteen (15) days of the time limit specified in the announcement for

subscription. Under paragraph 2 of Article 256 of this Law, stock must be distributed within one month of the expiration of the time limit set for subscription determined in the announcement

(2) A complete list of the stock shall be made available to subscribers for inspection at each place for subscription. This list shall indicate the total number of stocks that were subscribed by type and kind, as well as the number of stock by kind and type that were distributed to each subscriber. The list shall also contain an invitation to subscribers that have not been distributed stock or have not been distributed the full amount of stock to withdraw payments made for stock not distributed.

(3) If a subscription of stock exceeds the number of stock permitted by the company's Articles of Incorporation, the founders may reject surplus of stock.

(4) The Incorporation Assembly shall reject or accept surplus stock [pertaining to Article 263 (3)] when they determine the final amount of basic capital.

(5) If the founders or the Incorporation Assembly reject the unauthorized stock subscription, subscribers of surplus stock shall be reimbursed within thirty (30) days of the date of rejection. The founders shall be jointly liable for fulfilling such obligations.

### **Founders Prohibited from Disposing of Stock Payments**

#### **Article 264**

(1) The founders must not dispose of stock payments. The managing body may dispose of payments once the company is entered in the Trade Registry.

(2) The company's basic capital may not be used for special remunerations, fees and reimbursement of payments.

### **Manner of Conveying Incorporation Assembly**

#### **Article 265**

(1) The founders shall convene the Incorporation Assembly and shall invite subscribers to participate once the stocks are subscribed and two months after the expiration of the time limit for the subscription of stocks specified in the announcement. The Registration Court, having jurisdiction over the head office of the company may, upon a reasoned request by the founder in a non-contentious procedure, permit the Session of the Incorporation Assembly to occur up to thirty (30) days after the time limit.

(2) If the founders do not convene the session of the Incorporation Assembly within the time limit determined with paragraph 1 of this Article, subscribers of stocks shall be released from their obligations and the subscribers may request reimbursement of payments already made. The founders shall be jointly liable for the reimbursement of amounts paid for subscribed stocks.

(3) Subscribers of stock shall participate in voting or may be represented in a manner and under conditions prescribed by this Law pertaining to representation at the Company Assembly.

## **Operation of the Incorporation Assembly**

### **Article 266**

- (1) A quorum of the Incorporation Assembly shall discuss and resolve all issues based on a majority vote as provided for in the provisions of this Law pertaining to the Company Assembly. (2) A stockholder may participate in the decisions made at the session of the Incorporation Assembly depending on the number of stocks they own, i.e. the number indicated on the certificate of stock or the temporary certificate. (3) As to discussions of the Incorporation Assembly regarding the confirmation of the valuation of non-monetary contributions or recognition of the special benefits, the votes represented by stock of parties that made such non-monetary contributions or for whom such special benefits should be recognized shall not be considered in determining the majority. Such parties shall not be entitled to vote either personally or through a representative. (4) The Incorporation Assembly shall by special decision conclude that the basic capital has been subscribed in total and that the stock has been paid for as prescribed by the Articles of Incorporation. The Incorporation Assembly shall accept or reject the Charter and shall appoint members of the managing body and the Supervisory Board. Minutes of the session of the Incorporation Assembly shall state, if necessary, that appointed members of the Board of Directors or the Managing Board and the Supervisory Board have accepted their appointments. (5) The Charter pertaining to paragraph 4 of this Article may be amended only by unanimous vote of the subscribers.

## **Review of the Company's Incorporation Report**

### **Article 267**

- (1) If the Assembly rejects a request for another review of the incorporation report, the report must be reviewed if, prior to the appointment of the joint-stock company's bodies, such an action is requested by the subscribers and the acquirers of stocks that represent one-fifth of the total number of stocks paid with money. (2) Subscribers and parties who have acquired stocks paid for with money shall elect three trustees. Parties who have acquired stocks and subscribers who have requested a second review of the incorporation report shall be entitled to elect one of the trustees. Such subscribers and parties who have acquired stocks shall also be entitled to vote in the election of the remaining two trustees. (3) Following the election of the trustees, the Incorporation Assembly shall cease its operation for seven days after which time it shall, without invitations, schedule the continuation of the session. (4) The trustees shall submit a written report to the Incorporation Assembly. If a majority of the trustees are of the opinion that the value of the contributions in property and rights is less than two-thirds of the initially stated value, the Incorporation Assembly shall decide whether to continue with the incorporation procedure. (5) Neither founders, subscribers, nor parties that have acquired stocks and from whom the company has to acquire contributions of property and rights, shall be entitled to

vote on the decision pertaining to paragraph 4 of this Article. The aforementioned parties are also prohibited from voting as representatives on behalf of third parties.

(6) Incorporation of the company shall be deemed unsuccessful, if a majority of votes was not achieved, unless the founders or third parties acquire all of the stock of the parties who voted against incorporation of the company and who declared that they did not wish to become stockholders at session of Assembly. Parties that acquire the stock shall make all due payments to the designated notary public and shall, simultaneously, fill out and sign the subscription forms. (7) If the trustees' report does not indicate a need to vote for the incorporation of the company, the cost of a second review of the founders' report shall be jointly provided for by the parties who requested a second review. In all other cases the costs of a second review shall be covered by the founders.

### **Entry of a Company into the Trade Registry** **Article 268**

(1) The managing body of the joint-stock company shall immediately file a request for entry of the incorporation of the joint-stock company into the Trade Registry.

(2) The Trade Registry entry form shall state that the requirements for incorporation of the company have been satisfied and shall also state the amount for which stock has been issued and the amount paid for the stock. Evidence that the company may freely dispose of paid amount(s) shall be attached to the entry form.

(3) The following shall be attached to the entry form:

- 1) Charter and Articles of Incorporation;
- 2) contract for the acquisition of stocks and a copy of the prospectus under which all or part of the basic capital was subscribed;
- 3) minutes of the session of the Incorporation Assembly, the invitation for the session and a list of the participants;
- 4) a statement by the appointed managing body that payments for the stock, prescribed by law and the Charter, have been made and that from the moment of the entry of the company into the Trade Registry the company may dispose of:  
(i) payments, (ii) non-monetary contributions, and (iii) supplies in the course of the incorporation, as well as a certificate from the authorized financial institution for the cash payments;
- 5) a list of members of the Board of Directors or the Managing Board and the Supervisory Board. This list shall contain: full name of the members, their profession, domicile and citizenship. For members who are citizens of a foreign country, a statement of the members of the company that they accept the foreign parties is required;
- 6) a permit, if required by law; and
- 7) a report of the founders and the appraiser(s), if required by law.

(4) All members of the managing body shall sign the entry form before the court, if the members' signatures have not yet been verified. Appointed members of the Board of Directors or the Managing and the Supervisory Board shall deposit their signatures with the Registration Court.

(5) The Registration Court shall maintain the originals, copies or publically certified copies of the submitted documents.

### **Grounds for Rejecting Application for Entry into the Trade Registry**

#### **Article 269**

The Registration Court may reject the company's entry into the Registry if the appraiser(s) declare or if it is obvious that the report of the founders or the report of the appraiser(s) is inaccurate, or incomplete, or not in compliance with the law. The Court shall also reject the entry if the appraiser(s) declare or if the court believes that the value of the contributions in property and plants that have been acquired is much lower than the nominal amount of the stock or lower than the amount of the payments necessary for that.

### **Entry of the Charter and Other Data into the Trade Registry**

#### **Article 270**

(1) Entry of the Charter of a joint-stock company into the Trade Registry shall be considered entry of the joint-stock company into the Trade Registry.

(2) In addition to the data prescribed by this Law, the following information shall also be entered into the Trade Registry:

- 1) the date of incorporation of the company, and if a permit for incorporation was required, the body that issued the permit, and the date and registry number of the permit;
- 2) the company's trade name, head office and business operations;
- 3) the amount of basic capital and portion paid for;
- 4) the type of stock, the nominal value of stock and the total number of stock by type;
- 5) the total amount paid for issued stocks and the manner of payment, and a brief description of contributions of property and supplies in the course of incorporation, and the monetary amount for which they were acquired, as well as the special benefits, remunerations and fees;
- 6) the date the Charter was adopted;
- 7) the life of the company;
- 8) a statement of the Company Assembly's members that they are familiar with their responsibility to inform the Registry Court of any circumstances that could be contrary to the provisions of this Law;
- 9) the authorizations of the members of the Board of Directors, or of the Managing Board and the Supervisory Board indicating the manner in which the company is represented and the manner of signing on behalf of the company, if abided from the provisions of the law;
- 10) the type of supervision of the company;
- 11) the manner in which decisions of the Assembly and other bodies will be announced, if it differs from the provisions of the law.

(3) The full name, the profession and domicile of each member of the Board of Directors or of the Managing and the Supervisory Boards shall also be entered into the Registry, and their citizenship, if they are foreigners.

### **Announcement of the Company's Entry**

#### **Article 271**

(1) In addition to the entries pertaining to Article 270 of this Law, the following shall also be announced:

- 1) data contained in the Charter but not entered in the Trade Registry;
- 2) provisions of the Charter or another document pertaining to the structure of the Managing Board;
- 3) emission amount of the stocks; and
- 4) full name and domicile of the founders.

(2) The announcement shall state that the documents listed in it may be examined at the court.

### **Liability for the Company's Operations Prior to Entry in the Trade Registry**

#### **Article 272**

(1) Each party that acts on behalf of a joint-stock company prior to its entry in the Trade Registry shall be personally liable. If there are more than one person, they each shall be jointly liable. (2) If prior to entry in the Trade Registry the company assumes an obligation that was transferred to the company by a contract with a debtor, such that the company becomes the debtor, the debt will become legally binding on the company without the consent of the creditor if the assumption of the debt occurs within three months of the time that the company is entered in the Trade Registry and if the creditor was informed of this change by either the company or the debtor. (3) Prior to entry in the Trade Registry the company is prohibited from: (i) assuming rights by making contributions in other companies, and (ii) issuing stock or temporary stock.

(4) Stock or temporary stock issued prior to entry of the company in the Registry shall be void. The stock issuer shall be liable to the stock owners for damages arising from the void issuance of stock.

### **Joint Liability for the Accuracy and Completeness of Data related to**

#### **Incorporation of a Company**

#### **Article 273**

(1) The founders shall be jointly liable to the joint-stock company for the accuracy and completeness of data related to the company's incorporation or assumption of stock, payment of stock, usage of the paid amounts, special profits and fees, incorporation costs and [non-monetary] contributions of property.

(2) The founders shall be liable for the selection of a place [financial institution] appropriate to make the payments of basic capital and shall ensure that amounts paid are available to the managing body. In addition to compensation for damages, the founders shall also compensate for the unperformed payments and for the compensation that has not been covered by the incorporation costs.

(3) If the company is damaged by the deliberate or extreme negligence of the founders in regard to: (i) contributions, (ii) assumption of property, or (iii) incorporation costs, the founders shall be jointly liable to the company for such damages.

(4) A founder who acted with due care shall not be liable for damages unless s/he is aware of the conditions on which liability for damages is based.

(5) If a stockholder who became insolvent or unable to make his/her contribution in property is excluded, the damages shall be compensated, as joint debtors, by the founders that have accepted the participation of that stockholder, although they were aware that s/he was insolvent or unable to make his/her contribution in property.

(6) In addition to founders, parties on whose behalf the stock have been acquired shall also be liable for damages. They cannot claim that they were not aware of the circumstances of which the person that acted on their behalf knew or should have known.

### **Other Joint Debtors**

#### **Article 274**

In addition to founders and the parties on whose behalf the founders have assumed stocks, the following parties shall also be jointly liable for damages to the company:

1) a party who accepted payments, which contrary to the law are not accepted as incorporation costs, and who was aware or must have been aware due to the circumstances that such concealment was purposeful or s/he conscientiously participated in the concealment;

2) a party who, by contributing property has, purposefully or as a result of extreme negligence, caused damages to the company or made possible for the damage to be caused.

3) party who, prior to the entry of the company into the Registry or during the first two years following the entry, publically announces that s/he will release stock for trading, with knowledge of: (i) the inaccuracy and incompleteness of data regarding the company's incorporation or (ii) the damages caused to the company through contributions or assumption of property or s/he must have been aware of such actions if s/he was acting with due care.

### **Waiver of Compensation from Founders and Parties**

#### **Who Have Taken Stocks Through Representatives**

#### **Article 275**

(1) A joint-stock company may waive its right to compensation from the founders and those parties referred to in Article 274 of this Law three years following the entry of the company in the Trade Registry or may settle with them [the founders and the parties referred to in Article 274 of this Law] provided that the decision of the Company Assembly will not be contested by the minority stockholders whose total share amounts equal to one-tenth of the basic capital.

(2) The company's claims to compensation for damages shall be time-barred after five years. This limitation period shall begin to run: (i) on the date on which the company is entered in the Trade Registry, or (ii) upon the undertaking of an action upon which the

obligation is based, if such action was undertaken after the company was entered in the Trade Registry.

**Termination of a Company for Violation of Law after its Entry in the Trade Registry**  
**Article 276**

(1) If, after the entry of the company in the Trade Registry, it is discovered that the provisions of this Law have been violated and such violation may be harmful to the company, the stockholders or any third party that has a legal interest may, within thirty (30) days after the time the violation was discovered, but not more than a year after the company's entry into the Trade Registry, file a complaint to the Registration Court, requesting that the company be terminated. (2) Where the Charter does not contain some or any of the mandatory provisions required by this Law or it violates some or all of the mandatory provisions of the Law, the parties under paragraph 1 of this Article may, within the above-stated time periods, file a complaint for termination of a company.

Section Three  
LEGAL RELATIONS BETWEEN A JOINT-STOCK COMPANY AND ITS  
STOCKHOLDERS

**Equal Position of the Stockholders**  
**Article 277**

Stockholders having stock which confer the same rights shall occupy equal positions in the company.

**Obligations of a Stockholder**  
**Article 278**

- (1) A stockholder may be obliged, according to the Charter of the company, to pay only the nominal amount of the stock, or to pay the total amount, if such a stock has been issued above the nominal amount or with an additional payment, as well as to transfer property or rights if s/he is paying for the stock in property or rights.
- (2) Monetary payments of the nominal amounts may be requested only equally for all stocks that have to be paid for in cash only.
- (3) A stockholder may neither set off his/her claims against the company by way of payments for the stocks, nor have a right to retain the non-monetary payments.
- (4) The company may not: (i) let certain stockholders defer their payment, (ii) release the stockholders from payment or (iii) accept anything else as payment than that provided for in the Articles of Incorporation or the Charter. A non-monetary contribution, that is a claim, shall be deemed paid only after the company has settled it. The company shall be liable to the stockholder if it does not handle the payments with due care.
- (5) If a stock is owned by more than one stockholder, they shall be jointly liable for the obligations arising from such a stock.

## **A Call for Payment of Contributions**

### **Article 279**

- (1) Stockholders must pay their contributions upon notice from the managing body of the joint-stock company. Such notice shall be published in the company's newsletter, unless otherwise provided for in the Charter.
- (2) If payment is not made on time, the stockholder shall not be entitled to vote until the payment and the default interest is paid. A request for compensation of damages is not excluded, unless a penalty subject to agreement is provided for in the Charter.
- (3) The Charter may provide for loss of the right to further installment payment and utilization of the dividend to which the stockholder is entitled, until the default payment is made.

## **Conditions under Which a Stockholder May Be Deprived of**

### **His/Her Rights Arising from a Stock or a Temporary Stock**

#### **Article 280**

- (1) If, within sixty days, the stockholder fails to make the payment, the default interest and other payments subject to agreement, the joint-stock company may, without further notice, deprive the stockholder of the rights arising from the stock or temporary stock. The joint-stock company shall inform the stockholder of the deprivation by registered mail which shall be recorded in the book of stock.
- (2) If an ex-stockholder owns stock or a temporary stock, the joint-stock company shall announce that the rights arising from such stock have been terminated.
- (3) A joint-stock company may, within 1 (one) month of sending the notice pertaining to paragraph 1 of this Article, sell stock or temporary stock that is kept by the company or by an institution [financial] through the stock exchange or public auction, at the stockholder's expense and risk.
- (4) Amounts pertaining to paragraph 3 of this Article which remain after the expenses for notice [sent to the stockholder], announcement and sale, default interest and the penalty subject to agreement have been paid shall be used to pay default installments. An amount remaining from previous payments shall be given to the ex-stockholder unless the Charter provides that the previous payments will belong to the company.
- (5) The company may substitute the stock, the rights of which were terminated pursuant to paragraph 2 of this Article, by issuing new stock in accordance with paragraph 3 and 4 of this Article. Partial payments and amounts owed shall be listed on such stocks. The ex-stockholder shall be liable to the company for damages up to such amount or amounts acquired later.

## **Joint Liability of a Party that Assumes Stocks or a Subscriber of Stocks**

### **Article 281**

- (1) If a joint-stock company does not arrange for a sale or if the requested sales price is not achieved, the stockholder, his/her predecessors that were entered into the book of

stocks and the party that assumes the stock or the subscriber shall be jointly liable for all claims in accordance to Articles 272 and 273 of this Law.

(2) The liability pertaining to Article 1 of this Law shall expire (5) five years after the date in which the stocks were entered in the book of stock. Such liability may not be waved by the company.

(3) If the stock is not sold, the predecessors shall become owners of the stock to the extend that they made default payments, unless otherwise agreed by the predecessors.

### **Decrease of the Basic Capital for [the Value of] the Nominal Value**

#### **of Stock Not Paid For**

#### **Article 282**

(1) If the default payment of a stock is not paid within six months of the expiration of the business year in which the stockholder was deprived of the rights associated with such stock, the managing body shall, in agreement with the Supervisory Board or the Assembly, decrease the basic capital by the nominal value of such stock, at which time the stock ceases to exist. This decrease in the basic capital shall be entered into the Trade Registry and such entry shall be announced. If the decrease is greater than 5% of the basic capital, provisions of this Law pertaining to a decrease in the basic capital shall be applied.

(2) If the stock is owned by the company or maintained by a financial institution, the company shall render such stock void. The annual report shall state the number of voided stock, the extent of the rights associated with such stock which ceased to exist, and the unpaid amounts which led to the decrease in basic capital.

(3) Amounts paid for stock that remain with the company shall be entered into the company's general reserves after deducting the uncovered expenses associated with the procedures conducted pursuant to Articles 280 and 281 of this Law.

### **Return of Contribution**

#### **Article 283**

(1) Contributions shall not be returned to stockholders, except as permitted under this Law. Where the company permits the purchase of stock, payment of the purchase price shall not be considered a return of contribution.

(2) Stockholders may not be guaranteed nor paid interest.

(3) During the time needed to prepare the company for the initiation of business operations, the Charter may provide for the payment of a certain amount of interest to stockholders, as an exception to paragraph 2 of this Article. The Charter shall also state the time period in which the payment of interest will cease.

### **Secondary Periodical Non-Monetary Payments**

#### **Article 284**

(1) If liability for secondary periodical payments is provided for, the Charter shall determine the conditions, content, value and the timing of such payments. If such payments can be compensated for by payment, the Charter shall specify the time-limit

and basis for calculation. The payment may not be greater than the value exchanged for the payments. If there is a default in providing such payments the Charter may provide for a special contractual penalty. The liability and the value of the payments shall be recorded on the stock.

(2) The Charter may provide for the liability of secondary periodical payments to be performed by the stockholder free of charge or for a fee. Such fee, to the extent it is provided, may be requested regardless of whether the company has finished the business year with after-tax profit. (3) The liability for a particular payment and the obligation to pay shall become time barred in three years.

**Rights Arising from Stock That Is Owned Temporarily  
and the Manner of Exercising Rights by Co-owners  
Article 285**

(1) If the stockholder, contrary to his/her will, has not owned the stock for some period of time or acquired the stock as part of a heritage, by way of inheriting property as a whole or by inheriting a part of the property, the time during which the stock was temporarily in somebody else's possession shall be deemed to be time in which the stockholder was the owner.

(2) The co-owners of stock issued by the company shall exercise their rights through a single representative. Legal activities undertaken by the company against the co-owners shall be exercised against this representative if the representative was registered with the company or against anyone of the co-owners, having the legal effect against all of the co-owners.

(3) The Registration Court may appoint a trustee for the owners if proposed by the company. The representative shall be recorded in the book of stock, provided that the document has been recorded therein.

**Advance [Payment] Based on Probable Profits  
Article 286**

(1) To the extent authorized by the Charter, the managing body may, in the course of the business year, pay an advance to stockholders based on a probable profit reflected in the annual balance sheets.

(2) The managing body may pay the advance if the temporary income statement for the previous year shows profit. The advance payment may not exceed one-half of the amount that remains from the annual profit after deducting amounts designated as reserves according to the Law or the Charter. The advance [payment] may not exceed the profit realized in the previous year, according to the annual balance sheets

(3) The advance may be paid only with the consent of the Supervisory Board, and if there is no Supervisory Board, consent of the non-executive members of the Board of Directors shall be required.

## **Method of Determining the Stockholders' Participation in the Profit**

### **Article 287**

- (1) Stockholders are entitled to participate in the profit, unless the profit is excluded from distribution to the stockholders by a decision of the Assembly for utilization of profit made in accordance with the Law or the Charter.
- (2) Stockholders shall participate in the profit in proportion to the number of stock they own.
- (3) Participation in the dividend shall be determined in proportion to the payments made. If payments of the stock have not been made in the same proportion, the calculation shall be made for the time that passed following the date of payment.
- (4) The Charter may provide that the profit will not be distributed to stockholders or to stockholders of certain types of stock, but that the profit will be used in a different manner.

## **Stockholder Liability to Return to the Company That Which Was Illegally**

### **Accepted**

### **Article 288**

- (1) A stockholder who knowingly accepts something contrary to the provisions of this Law or the Charter must return it and compensate the joint-stock company for any damages. The company may not release any stockholder from this liability.
- (2) A stockholder is not obliged to return that which was accepted in good faith as a share in the annual profit, if the profit was correctly computed in an income statement accepted by the Company Assembly.

## **Recording Stock in the Book of Stock**

### **Article 289**

- (1) Stocks shall be recorded in the joint-stock company's book of stock. The full name, domicile, citizenship and profession of the stockholder, or the trade name and head office (if the stockholder is a company) shall be recorded in the book.
- (2) Each party that is recorded in the book of stock shall be a stockholder in the company.
- (3) If the company believes that a party has been recorded in the book of stock without grounds, the company may delete the entry, if it informs the stockholder and allows him/her time to complain. If the stockholder submits a complaint within the prescribed time limit, the deletion of the entry shall be postponed until a final decision is made.
- (4) The book of stock may be examined by any stockholder.

## **Transfer of Stock with Endorsement**

### **Article 290**

- (1) Stock may be transferred with endorsement. The form of the endorsement and the methods for proving ownership rights in stock shall be governed by this Law.
- (2) The company shall be notified of the transfer of a stock to another party.

## **Record of Transfer or Changes in the Book of Stock**

### **Article 291**

- (1) A joint-stock company shall record any transfers [of stock] or the changes in its book of stock.
- (2) The company shall check the regularity of the sequence of endorsements and of statements of transfer.
- (3) The company shall not check the signatures.
- (4) The provisions of this Article shall also apply to temporary stocks.

## **Contract to Entrust Some or All Rights Arising from the Stock**

### **to One or More Representatives**

### **Article 292**

- (1) Stockholders may agree by a written contract verified by the court to entrust some or all of their rights arising from the stock to one or more representatives for a specified period of time, not to exceed five (5) years.
- (2) If the contract provides for a possible extension of time, any party may cancel its participation in the extension six (6) months prior to the expiration of the original period. Any extension of the contract may not exceed five (5) years.
- (3) A representative must inform the contracting parties of his/her work at least once every six (6) months. A contract may provide for a shorter time period.
- (4) Any party may withdraw without a cancellation period from the contract if any other party or representative violates an essential provision of the contract.

## **Acquisition of Company Stock by the Company**

### **Article 293**

- (1) A joint-stock company may purchase its own stock but only from the profit or special reserves reflected in the last approved annual balance sheet. The company may only purchase those stocks that have been fully paid for.
- (2) The Company Assembly shall issue a decision both approving the purchase of its own stock and specifying the purchase procedure. The decision must specify the number of stock that may be purchased, the lowest and the highest price that may be paid for the stock and the time limit for effecting the purchase.
- (3) The time limit for purchasing of stock pursuant to paragraph 2 of this Article may not exceed one (1) year.
- (4) The nominal value of the stock purchased by the company may not exceed one-tenth of the company's basic capital.
- (5) Purchases of stock contrary to the provisions of this Article shall be void. The stock must be sold within one (1) year of the date in which they were acquired pursuant to the Assembly's decision pertaining to paragraph 2 of this Article. If the stock is not sold within this time period, such stock shall be rendered void without delay and proceedings for a respective decrease of the company's basic capital shall be initiated.
- (6) The provisions of this Article shall also apply to the company's purchase of its stock through an intermediary or user.

## **Special Cases Related to Company's Acquisition of its Own Stocks**

### **Article 294**

(1) The limitations imposed by Article 293 of this Law shall not apply if the company acquires its stock as follows:

- 1) on the basis of the Assembly's decision to decrease the basic capital by withdrawing or annulling the stock;
- 2) free of charge, provided that the company's own stock is paid in full;
- 3) by universal succession or integration; or
- 4) in a procedure for mandatory enforcement to settle the company's claims, provided that the company's own stock is paid in full.

(2) If the total nominal value of the stock acquired by the company itself exceeds one-tenth of the basic capital in situations contemplated by items 2 through 4 of paragraph 1 of this Article, the surplus stock must be sold within one (1) year, in compliance with the manner and under the conditions for the sale of the company's stocks.

## **Regulations for Handling Company's Own Stock**

### **Article 295**

(1) Neither members of the Board of Directors, members of the Managing or Supervisory Board nor other representatives of the company may dispose of the company's own stock without prior authorization.

(2) The Company Assembly shall determine whether to provide the authorization pertaining to paragraph 1 of this Article as well as the conditions for the disposal of the company's own stock. (3) So long as the company owns stock, the rights to dividends and to priority purchases of subsequent emissions arising from such stock shall be proportionally transferred to other stock [not owned by the company]. Stock owned by the company do not confer the right to vote, but shall be counted for the purpose of determining the quorum required for the operation of the Stockholders' Assembly and its decisions.

(4) The joint-stock company must establish a special reserve which must be equivalent to the amount of the company's own stocks that is stated as an entry on the asset side in the balance sheet for stocks owned by the company. This special reserve must be maintained until the company sells all its own stock or annuls them.

## **Prohibition Against Subscription of the Company's Own Stocks**

### **Article 296**

(1) A joint-stock company may not subscribe its own stock.

(2) Stock subscribed in violation of the prohibition pertaining to paragraph 1 of this Article shall be deemed subscribed and paid for by the founders when the basic capital is increased by members of the Board of Directors or Managing Board and the Supervisory Board.

(3) A founder or member of the Board of Directors, Supervisory Board or Managing Board shall be released from the liability pertaining to paragraph 2 of this Article if the founder or member proves that s/he did not act in violation of paragraph 1 of this Article.

(4) A party that subscribes a company's stock to him/herself on behalf of the company shall be deemed to be a party that subscribed such stock on his/her own behalf.

**Other Legal Activities Related to the Company's Ownership of its Own Stock**  
**Article 297**

(1) The company may not extend loans, guarantees or other forms of security for the purpose of subscribing or acquiring the company's own stock.

(2) The company may not accept its own stock as security through a representative or user.

(3) The provisions of this Article shall not apply to the acquisition of stock by employees or by a controlled or controlling company. Any loans, guarantees or other forms of security extended for the purpose of subscribing or acquiring its own stock may not exceed the amount of profit or special reserves reflected in with the most recently approved annual balance sheet.

**Document for Lost or Destroyed Stock**  
**Article 298**

(1) It may be announced that a document for lost or destroyed stock or temporary stock is void in a procedure for such an announcement in accordance with the rules of non-contentious procedure.

(2) If the coupons have been issued on name, claims arising from coupons that are not yet due shall cease to exist by an announcement that the stock or temporary stock is void.

**Announcing The Voidness of Stock**  
**Article 299**

(1) If changed legal relations render the content of stock incorrect, the joint-stock company may by a court decision reached in a non-contentious procedure, announce that those stock, which were not submitted for correction or change, despite the invitation, are void.

(2) If the incorrectness relates to a decrease in the nominal value of the stock, as a result of the decrease in the basic capital it may be announced that such stock is void.

(3) Stock may not be substituted if the mark of the stockholder was rendered incorrect.

(4) Public invitations for the submission of stock shall contain a warning that such stock will be announced as void and shall refer to the approval of the court. It may be announced that stock is void, if the public invitation is not announced in compliance with the manner prescribed for additional time periods by this Law. The stock shall be voided by the publication of an announcement in the daily newspapers. The announcement shall contain the stock that is announced as void.

(5) The voided stock shall be substituted with new stock that shall be given to the respective party or deposited if there is a right to deposit. The Registration Court shall be notified of the giving or depositing of such stocks.

(6) Provisions of this Law pertaining to a decrease in the company's basic capital shall apply to situations in which stock is collected because of a decrease in the basic capital.

## **Issuance of New Coupons for the Collection of Dividends**

### **Article 300**

- (1) New coupons for the collection of dividends shall not be issued to the owner of the stub if the owner objects to such issuance.
- (2) Coupons shall be given to those owners of stock who submit the major document.

## Section Four

### GOVERNANCE AND MANAGEMENT OF A JOINT-STOCK COMPANY

## **Systems of Governance in a Joint-Stock Company**

### **Article 301**

- (1) A joint-stock company may be governed through either a one-tier system (Board of Directors) or a two-tier system (Managing Board and Supervisory Board).
- (2) A joint-stock company shall choose its system of governance. The Charter may be amended to provide the one-tier system to be substituted by a two-tier system of governance and vice versa during the course of operating the company.
- (3) Provisions pertaining to the Company Assembly shall apply to companies irrespective of whether they utilize the one or two-tier system.

## **Subsection One**

### **Board of Directors**

## **Composition of the Board of Directors**

### **Article 302**

- (1) The Board of Directors shall consist of non-executive and executive members (directors).
- (2) The Board of Directors shall have a minimum of five (5) and maximum of fifteen (15) members. The number of the non-executive members must be divisible by three and greater than the number of executive members.

## **Appointment of Non-Executive Members**

### **Article 303**

- (1) The non-executive members of the Board of Directors of joint-stock companies with fewer than 300 employees shall be appointed by the Company Assembly.
- (2) The non-executive members of joint-stock companies with 300 or more employees may also be appointed by the employees, if so provided in the Charter. If the majority of the employees vote against appointment of members of the Board of Directors, the employees shall not appoint such members. A majority of employees must vote in favor of the appointment of members of the Board of Directors.

(3) In companies pertaining to paragraph 2 of this Article, the Assembly shall appoint three-fourths of non-executive members of the Board of Directors and the employees shall appoint one-fourth.

(4) The Assembly may appoint the initial non-executive members pursuant to the Articles of Incorporation or the Charter of the company.

(5) The Board of Directors shall elect the President from the non-executive members appointed by the Assembly.

### **Appointment of Executive Members**

#### **Article 304**

(1) Non-executive members shall appoint the executive members by a majority of votes.

The Charter may provide that the executive members be appointed by a greater majority or by unanimous vote of the non-executive members of the Board of Directors.

Executive members of the Board of Directors shall have equal rights and obligations, regardless of the extent of the duties they are entrusted by the Charter.

(2) If the Board of Directors consists of more than one executive member, non-executive members shall decide by a majority vote which executive member is responsible for answering the questions of employees and communicating with them.

### **Conditions for the Appointment of a Non-Executive Member by Employees**

#### **Article 305**

(1) A non-executive member appointed by the employees of a joint-stock company must be permanently employed by the company for a minimum of two (2) years prior to his/her appointment, except if the company has been incorporated for less than two years.

(2) Any employee who executed an employment contract more than three months before the non-executive members' election shall be entitled to vote. Voting shall be by ballot.

(3) If a [non-executive] position is reserved for employees with particular qualifications (engineers, lawyers, economists or other similar profession), the employees shall be divided into two (2) groups to vote separately. The first group shall vote for position(s) requiring particular qualifications, the latter shall vote for the other employees. The Charter shall allocate positions into the groups, depending on the structure of the employees of the company.

(4) Candidates for the non-executive members of the Board of Directors appointed by the employees may be nominated by one-fifth of the employees or if the number of the employees is greater than two thousand, 100 employees, as well as by the Employees' Council.

(5) The Charter shall provide the method of appointing non-executive members by the employees in much greater detail.

**The Mandate of Non-executive Members Appointed by the Employees**  
**Article 306**

- (1) The Charter shall specify the duration of the mandate of non-executive members of the Board of Directors appointed by the employees which shall not exceed six years. The mandate may be renewed, unless otherwise provided by the Charter.
- (2) Non-executive members appointed by the employees shall not lose their rights arising from the employment contract. Their compensation as employees may not be lowered because they are members of the Board of Directors.
- (3) Termination of employment shall be the basis for termination of the mandate of a non-executive member of the Board of Directors appointed by the employees. A decision for termination of an employment of a non-executive member of the Board of Directors shall be made by the court following a complaint, unless the termination is result of the employees request.

**Conditions for Appointment of Executive and Non-Executive Members**  
**Article 307**

- (1) Only natural persons with business capacity may be appointed executive members of the Board of Directors.
- (2) A legal entity may be appointed a non-executive member of the Board of Directors.
- (3) A party may not serve as an executive and a non-executive member of the Board of Directors simultaneously.
- (4) A legal entity which is appointed a non-executive member of the Board of Directors shall appoint a permanent representative who will have rights, obligations and liabilities equal to that of other non-executive members. This representative shall not preclude the legal entity from joint liability.
- (5) Any employee of the company may be appointed a member of the Board of Directors. Parties appointed to the Board of Directors under paragraph 3 of this Article shall not lose their rights arising from the employment contract. The number of members of the Board of Directors that are employed on permanent basis may not exceed two thirds from the [total] number of members of the Board of Directors.
- (6) A minimum of one (1) non-executive and one (1) executive member of the Board of Directors must be a citizen of the Republic of Macedonia.

**Duration of the Mandate of Members of the Board of Directors**  
**Article 308**

- (1) The members of the Board of Directors shall be appointed for a period specified by the Charter, not to exceed six (6) years. If the Charter does not specify the duration of the mandate of the member of the Board of Directors, the mandate shall be four (4) years.
- (2) The members of the Board of Directors may be reappointed, unless otherwise provided by the Charter.

## **Remuneration for the Members of the Board of Directors**

### **Article 309**

- (1) The manner and extent of remuneration for the executive and non-executive members of the Board of Directors shall be specified in the document containing the appointments of members of the Board of Directors.
- (2) Participation of the members of the Board of Directors in the profit may be approved based on their work. As a rule, such participation shall be a share of the company's annual profit.
- (3) If members of the Board of Directors are approved to share in the company's annual profit, that share shall be calculated based on the annual profit, deducted for: (i) the loss transferred from the previous year, and (ii) amounts deducted from the annual profit as charter reserves in accordance with the Law and the Company Charter. Provisions contrary to this provision shall be void.
- (4) The total earnings of a member of the Board of Directors (salary or a share of the profit, reimbursement of costs, insurance or anything similar to this) shall be based on the extent of their duties and personal contribution to the successful operation of the company, and the successful operation of the company as a whole.
- (5) If the overall situation of the company worsens after determination of the earnings of the member of the Board of Directors, the earnings pertaining to paragraph 4 of this Article may be reduced to the extent that they will be a substantial burden on the company. The reduction of earnings shall not affect the contract or employment contract of the executive member. Members of the Board of Directors may resign but such resignation may not be effective earlier than the end of the following three-month period. Such resignation shall be submitted with a notice period of at least 30 days.

## **Limitations on the Appointment of Non-Executive Members**

### **Article 310**

Non-executive members of the Board of Directors may not be simultaneously appointed to more than five (5) Boards of Directors or Managing Boards of joint-stock companies having their head offices in the territory of the Republic of Macedonia.

## **Vacancies on the Board of Directors**

### **Article 311**

- (1) If one or more non-executive members of the Board of Directors cease to or are unable to perform the duties of their office during their mandate, the other members of the Board of Directors shall, unless otherwise provided by the Charter, continue to work until the vacancy is filled during the next meeting of the Assembly.
- (2) If the number of non-executive members is fewer than the minimum required by Law, the remaining members of the Board of Directors shall convene a meeting of the Assembly for the purpose of achieving a full complement of members of the Board of Directors.
- (3) If the number of non-executive members is lowered below the minimum required by the Charter, but such number complies with the minimum required by Law, the Board of Directors may appoint an acting member to complete the composition of the Board

within three months of the date in which the departing member left office. Appointment of the acting member must be confirmed at the next meeting of the Company Assembly. The decisions of the Board of Directors shall be valid regardless whether the acting member's appointment is certified.

(4) If the Board of Directors does not conduct the necessary appointment, any party with legal interest may request, in a non-contentious procedure in a court of competent jurisdiction, to appoint a party to convene a session of the Assembly for the purpose of appointing a member or confirming the existing appointment.

(5) The provisions pertaining to paragraphs 1 through 5 of this Article shall not apply to filling a vacancy of an executive member of the Board of Directors.

### **Prohibition Against Competition**

#### **Article 312**

(1) Executive members of the Board of Directors may not perform any paid or unpaid registered activity or involve themselves in any kind of paid or unpaid activities of another company whether on their own behalf or on behalf of a third party, without prior permission of the non-executive members.

(2) The Company Assembly shall be notified of decisions of the Board of Directors approving the involvement of an executive member in certain activities.

(3) Prior to the appointment of a natural person as a non-executive member of the Board of Directors, the proposer shall disclose to the company's body in charge all of the paid and unpaid activities of such person undertaken in some other companies, whether on his/her own behalf or on behalf of third parties.

### **Conflicts of Interest**

#### **Article 313**

(1) Contracts in which a joint-stock company is a party and in which an executive or a non-executive member has an indirect or direct interest may be executed if the contract is approved by at least a majority of non-executive members of the Board of Directors.

(2) Any member of the Board of Directors or the member with interest shall inform the Board of Directors if s/he has knowledge of some of the conditions pertaining to paragraph 1 of this Article that have been satisfied. The member with interest is entitled to be heard, but may not participate in the: (i) discussion of the non-executive members regarding the contract, (ii) decision of the non-executive members regarding the contract and (iii) decision of the non-executive members of the Board of Directors regarding the approval pertaining to paragraph 1 of this Article.

(3) The Company Assembly shall be informed of any approvals pertaining to paragraph 1 of this Article.

(4) A company may not have demands against third parties based on the Board's adverse or irregular decision, unless the company proves that the third party knew or must have known based on the circumstances that the approval was not given or that the decision was irregular.

## **Responsibilities and Obligations of Members of the Board of Directors**

### **Article 314**

- (1) Members of the Board of Directors are obliged to work in the interest of the joint-stock company and its stockholders and employees.
- (2) Members of the Board of Directors are obliged to treat all confidential information related in any manner to the company as a business secret.
- (3) The obligation pertaining to paragraph 2 of this Article shall not cease upon the termination of the [member's] mandate in the Board of Directors, but shall continue in accordance with the employment contract.

## **Authority of the Board of Directors**

### **Article 315**

- (1) The Board of Directors shall have the broadest authority to act in all situations on behalf of the company pursuant to the Articles of Incorporation, the Charter, the Law and the authorities exclusively given to the Company Assembly.
- (2) All documents of the Board of Directors that exceed the authorities provided for in paragraph 1 of this Article, shall be binding for the company in regard to its relations with third parties, unless it is proved that the third parties knew or, taking the circumstances into consideration, must have known that such documents exceeded the authorities.

## **Authority of Executive Members**

### **Article 316**

- (1) Executive members of the Board of Directors shall represent the joint-stock company in its relations with third parties and shall be responsible for the company's operations.
- (2) Executive members shall have the broadest authority to act on behalf of the company in all situations, except as to authorities exclusively granted to the Company Assembly and those authorities reserved in a special manner for the Board of Directors.
- (3) The actions of and documents issued by executive members of the Board of Directors that exceed the authority provided for in paragraph 1 of this Article shall be binding on the company regarding its relations with third parties, unless it is proven that the third parties knew or, taking into consideration the circumstances, must have known that such actions or documents exceeded the members' authority.
- (4) The fact that the Charter and its provisions that limit the authorities of the Board of Directors was made public may not be raised [as a defense] against third parties.

## **Authorities of the Board of Directors that cannot be Delegated to Executive Members**

### **Article 317**

- (1) The Board of Directors may not delegate to executive members authority related to the following decisions:

- 1) to close the company or transfer the company or any part of it that contributes more than ten (10) percent to the company's income;
  - 2) to decrease or expand the company's operations;
  - 3) for structural changes in the company that are arranged by the Charter, the Articles of Incorporation or any document of the company;
  - 4) to create long term cooperation with other companies or to terminate such cooperation; and
  - 5) to incorporate or terminate branch offices of the company.
- (2) The Company Charter may prohibit the delegation of authority vested in the executive members of the Board of Directors and the decision-making authority regarding other rights within the scope of the Board's authority.
- (3) Prohibitions provided for in paragraphs 1 and 2 of this Article may not be raised against third parties, unless the company proves that the third party knew or must have known based on the circumstances of such prohibitions.

**Report on the Company's Operations prepared by  
the Executive Members of the Board of Directors  
Article 318**

- (1) The executive members of the Board of Directors shall submit to the non-executive members a written report concerning the operations of the joint-stock company which shall be submitted at least once every three-month period.
- (2) In accordance with the Law, the executive members shall submit to the non-executive members draft copies of the annual balance sheet and annual report of the operations of the company after the end of each business year.
- (3) Upon request of the non-executive members of the Board of Directors, the executive members shall prepare a special report on the condition on the company or on certain aspects of the company's operations.
- (4) The non-executive members of the Board of Directors shall be authorized, personally or by their representatives, to undertake actions for the purpose of examining first-hand the company's operations and management by the executive members of the Board of Directors. The executive members shall prepare all documents necessary for the supervision of their work in response to the request of at least one-third of the non-executive members.
- (5) Each non-executive member is entitled to examine all reports, documents and notices submitted or prepared by the executive members in response to the request of any of the non-executive members of the Board of Directors.

**Decisions of the Board of Directors  
Article 319**

- (1) Decisions of the Board of Directors shall be valid if a minimum of one-half of its members, and at least one-half of the non-executive members, are present. Decisions contrary to this provision shall be void.
- (2) Decisions shall be reached by a majority of the vote of members who are present, unless otherwise provided by the Charter.

(3) Unless otherwise provided by the Charter, the President of the Board of Directors shall serve as the tie-breaker in the event of a vote split evenly.

### **Liability of the Members of the Board of Directors for Damages**

#### **Article 320**

(1) Members of the Board of Directors must work with due care and maintain business secrets. (2) Members of the Board of Directors who violate their obligations toward the company shall be jointly liable for damages caused. Members of the Board of Directors have the burden of proving that they acted [exercised] with due care.

(3) In particular, members of the Board of Directors shall be liable for damages caused, if in violation of this Law they:

- 1) return to stockholder that which they contributed to the company;
- 2) pay the stockholders interest or dividends;
- 3) subscribe, acquire, take as collateral or withdraw the company's stock;
- 4) divide the company's property;
- 5) make payments once the company was insolvent, i. e. company liabilities exceed its assets; and
- 6) issue stock contrary to the purpose of increasing the basic capital or before such stocks are paid in total.

(4) Stockholders may request that the [offending] members of the Board of Directors compensate for damage to eliminate the violations described in paragraph 3 of this Article. The request for compensation of damage or the possibility of settling the damages may be time-barred three years after the date in which the request for compensation was filed, if the company's Assembly agrees and the minority that disposes of at least one-tenth of the company's basic capital has no objections.

(5) Members of the Board of Directors shall not be liable for the damages if they acted pursuant to a decision of the Company Assembly that was made despite the fact that the members stated their opinion that such a decision was contrary to this Law.

(6) If a member of the Board of Directors severely violates his/her obligation to act with due care the company's creditors may request compensation for damages after failing to settle their claims with the company.

(7) Requests pertaining to paragraphs 1 to 5 of this Article shall be time-barred after five years.

### **Release of an Executive and a Non-Executive Member**

#### **Article 321**

(1) An executive member of the Board of Directors may be released at any time by a majority vote of non-executive members. An executive member of the Board of Directors who is released without being informed of the reasons therefore shall be entitled to request compensation for damage.

(2) Non-executive members may be released at any time by the body or the parties that appointed the non-executive member following the procedure under which s/he was appointed.

## **Other Rights of the Executive Members**

### **Article 322**

In addition to the rights and obligations of the executive members of the Board of Directors enumerated by this Law, they shall have other rights and obligations as specified by the employment contract executed between the executive members and the joint-stock company. This contract shall be executed by the non-executive members of the Board of Directors on behalf of the company.

## **Subsection Two**

### **Managing Board and Supervisory Board**

#### **Composition of the Managing Board and Appointment of Its Members**

##### **Article 323**

- (1) The Managing Board shall consist of at least three (3) members, but not more than eleven (11) Board members.
- (2) The members of the Managing Board shall be appointed by the Supervisory Board.
- (3) Initial members of the Managing Board may be appointed in the Articles of Incorporation or the Charter. With the decision for appointment of the Board members, one of them shall be appointed President of the Managing Board.
- (4) The Supervisory Board shall decide which member of the Managing Board shall be responsible for communicating with and answering questions of the employees.

#### **Conditions for Appointment, Mandate and Release**

##### **of Members of the Managing Board**

##### **Article 324**

- (1) Only natural persons with business capacity may be appointed members of the Managing Board. At least one of the members of the Managing Board must be a citizen of the Republic of Macedonia.
- (2) A person may not be a member of the Managing and Supervisory Board simultaneously.
- (3) Members of the Managing Board shall be appointed for a period specified by the Charter, not to exceed six (6) years. Their mandate shall be four (4) years if the Charter does not specify the duration of the mandate of members of the Managing Board.
- (4) Members of the Managing Board may be released by the Company Assembly upon the Supervisory Board's proposal. A member who is released without being informed of the reasons therefore shall be entitled to request compensation for damages.
- (5) The release of a member of the Managing Board who has executed an employment contract shall have no effect on the existence of this contract.

**Limitations on the Number of Managing Boards in Which the Same Person May Be Appointed**

**Article 325**

A member of the Managing Board may not be appointed simultaneously to more than five (5) Managing Boards of joint-stock companies having their head offices on the territory of the Republic of Macedonia.

**Remunerations for the Members of the Managing Board**

**Article 326**

(1) The extent and the manner of remunerating the members of the Managing Board shall be specified in the document by which members of the Managing Board are appointed.

(2) Members of the Managing Board may be approved for participation in the profit based on their work which, as a rule, shall be a share of the company's annual profit.

(3) If members of the Managing Board are approved to share in the company's annual profit, their share(s) shall be calculated based on the annual profit, deducted for: (i) the loss transferred from the previous year, and (ii) amounts deducted from the annual profit as the Charter reserves in accordance with the Law and the Company Charter. Provisions contrary to this provision shall be void.

(4) The total earnings of a member of the Managing Board (salary, share of the profit, reimbursement of costs, insurance or anything similar to this) shall be determined by the Supervisory Board based on the extent of their duties, personal contributions to the successful operation of the company, and the successful operation of the company as a whole.

(5) If the overall situation of the company worsens after determination of the earnings of the member of the Managing Board, the Supervisory Board may reduce the earnings pertaining to paragraph 4 of this Article to the extent that they will be a substantial burden on the company. Any reduction of earnings shall not affect the employment contract of the member. Members of the Managing Board may cancel the contract which may not be effective earlier than the end of the following three-month period. A notice period of at least thirty (30) days shall be given in the event of cancellation.

**Prohibition Against Competition**

**Article 327**

(1) Members of the Managing Board may not perform any paid or unpaid registered activity or involve themselves in any kind of paid or unpaid activities of another company whether on their own behalf or on behalf of a third party, without prior permission of the Supervisory Board.

(2) The Company Assembly shall be notified of any approvals pertaining to paragraph 1 of this Article.

(3) The company may request compensation for damages from a member of the managing body who violates the prohibition stated in paragraph 1 of this Article. In lieu of compensation for damages, the company may request of the violating member of the Managing Board that the offending actions undertaken on behalf of the member

be registered on behalf of the company. In addition, the company may request that the member give to the company any remuneration s/he has received for the offending actions undertaken on somebody else's behalf or that the member transfer his/her right to such remuneration.

(4) The company's claims shall be time barred-three (3) months after the time in which members of the Supervisory Board learned of the action that entitles the company to compensation for damages, or within five (5) years of the time in which the offending action occurred.

### **Authority of the Managing Board**

#### **Article 328**

(1) The Managing Board shall manage the joint-stock company.

(2) The Managing Board shall have the broadest authority to act on behalf of the company in all situations that are within the company's scope of operations, except as to the authority exclusively granted to the Company Assembly and Supervisory Board.

(3) Documents of the Managing Board that exceed the authority provided for in paragraph 1 of this Article shall be binding on the company regarding its relations with third parties, unless it is proven that the third party knew or, taking into consideration the circumstances, must have known that such documents exceeded the authority of the Managing Board.

(4) The Managing Board shall operate and make decisions in the manner specified in the Company Charter.

### **Representing the Company**

#### **Article 329**

(1) The President of the Managing Board shall represent and act on behalf of the joint-stock company in its relations with third parties.

(2) The Supervisory Board may, if so provided by the Company Charter, authorize one or several members of the Managing Board to act on behalf of the company. Such authorized members shall have the title AGeneral Director A.

(3) Provisions of the Charter that limit the authority of the Managing Board or the authority to act on behalf of the company may not be raised [as a defense] against third parties.

### **Report of the Managing Board on the Company's Operations**

#### **Article 330**

(1) The Managing Board shall submit to the Supervisory Board a written report concerning the operations of the joint-stock company which shall be submitted at least once every three- month period.

(2) The Managing Board shall submit to the Supervisory Board draft copies of the annual balance sheet and annual report of the operations of the company at the close of the business year.

(3) Upon request of the Supervisory Board the Managing Board shall prepare a special report of the overall situation [condition] of the company or of certain aspects of the company's operations.

(4) The Supervisory Board may undertake actions either personally or by their representatives for the purpose of examining first-hand the company's operations and management by the Managing Board. The Managing Board shall prepare any documents and notices necessary for the supervision of its work, upon request of at least one-third of the members of the Supervisory Board.

(5) Each member of the Supervisory Board is entitled to examine all reports, documents and notices submitted to the Supervisory Board by the Managing Board.

### **Decisions of the Managing Board with a Prior Approval of the Supervisory Board** **Article 331**

(1) With prior approval of the Supervisory Board, the Managing Board shall decide on:

- 1) a shut down or a transfer of the company or any part of it;
- 2) decrease or expansion of the company's operations;
- 3) structural changes in the company;
- 4) creating long-term cooperation [business relationship] with other companies or termination of such cooperation;
- 5) incorporation or termination of company branch offices .

(2) The Law and the Company Charter may require prior approval of the Supervisory Board for other decisions of the Managing Board.

(3) The lack of approval from the Supervisory Board may not be raised [as a defense] against third parties, unless the company proves that the third party knew or, taking into consideration the circumstances, must have known that approval was not given.

### **Rights and Obligations of the Managing Board Arising from a Contract Executed between the Members of the Managing Board and the Company** **Article 332**

In addition to the rights and obligations of the Managing Board provided for in this Law, other rights and obligations of the Board may be provided for in the contract executed between the members of the Managing Board and the joint-stock company. An authorized member of the Supervisory Board shall execute the contract with members of the Managing Board on behalf of the company.

### **Application of Provisions Regarding Liability for Damages** **Article 333**

Provisions of Article 320 of this Law related to liability of members of the Board of Directors shall also apply to members of the Managing Board.

## **Composition of the Supervisory Board and Appointment of Its Members**

### **Article 334**

- (1) The Supervisory Board shall consist of at least three (3) members. The Supervisory Board may not have more than eleven (11) members of which at least one (1) member must be a citizen of the Republic of Macedonia.
- (2) The members of the Supervisory Board shall be appointed by the Company Assembly in companies with fewer than three hundred (300) employees, including the employees in controlled companies.
- (3) The employees may appoint members of the Supervisory Board, if so provided by the Charter in companies with three hundred (300) or more employees.
- (4) Employees may decline to exercise their right to appoint members of the Supervisory Board if a majority of them are in agreement.
- (5) Fluctuations in the average number of employees in the company above or under the number provided for in paragraphs 2 and 3 of this Article shall not affect the application of this Article unless the average number of employees falls or exceeds such number [provided for in paragraphs 2 and 3] two (2) years in a row.
- (6) The members of the initial Supervisory Board may be appointed by the Articles of Incorporation or the Charter.

## **Participation of the Employees in the Supervisory Board**

### **Article 335**

In companies in which the employees participate in the appointment of members of the Supervisory Board, the Company Assembly shall appoint three-fourths of the members and the employees shall appoint one-fourth of the members.

## **Conditions for Appointment and the Mandate**

### **of Members of the Supervisory Board**

### **Article 336**

- (1) Only legal entities or natural persons with business capacity may serve as members of the Supervisory Board.
- (2) A legal entity which is appointed a member of the Supervisory Board shall immediately after the appointment designate a permanent representative having the same conditions, obligations and liability as any other member of the Supervisory Board. The legal entity serving as a member of the Supervisory Board shall remain jointly liable for any violations of this Law.
- (3) Members of the Supervisory Board who are appointed by the Company Assembly or employees shall serve terms not to exceed six (6) years. Members who are appointed by the Charter shall serve terms not to exceed four (4) years. Members of the Supervisory Board may be reappointed without limitations.
- (4) The Supervisory Board shall elect a President from those members of the Board appointed by the Company Assembly.

**Limitations on the Number of Supervisory Boards  
in Which the Same Party May Be Appointed**

**Article 337**

A person or a legal entity may not be simultaneously appointed to more than five (5) Supervisory Boards of joint-stock companies that have their head offices on the territory of the Republic of Macedonia.

**Keeping the Minimum Number of Members of the Supervisory Board**

**Provided for with the Charter or the Law**

**Article 338**

(1) If the number of members of the Supervisory Board falls below the minimum number requested by Law or if no member is a citizen of the Republic of Macedonia, the Managing Board shall convene a meeting of the Assembly to appoint new members to complete the required composition of the Supervisory Board.

(2) If the number of members of the Supervisory Board falls below the minimum required by the Charter, but not below the minimum required by Law, or the Board lacks a member who is a citizen of the Republic of Macedonia, the Supervisory Board shall initiate a procedure to temporarily appoint new members in order to complete the composition of the Supervisory Board within three (3) months of the date in which such position(s) became vacant.

(3) If the Supervisory Board does not undertake any of the actions required by paragraph 2 of this Article, each party having a legal interest may request in a non-contentious procedure that the court appoint a party to convene a session of the Assembly during which appointments of new members of the Supervisory Board or confirmations of the appointment of the members of the Supervisory Board shall occur.

**Number of Members of the Supervisory Board Appointed by the Employees**

**Article 339**

(1) Employees may appoint not more than three (3) members of the Supervisory Board. If the employees appoint two (2) or more members of the Supervisory Board, the educated [qualified] employees (e.g. engineers, experts, etc.) shall elect at least one (1) of those members.

(2) Provisions of this Law pertaining to the right to be appointed, the right to appoint, the composition of the council, the procedures for appointment, the duration and conditions under which the mandate is performed, and release, protection, and employment contracts executed when appointing members of the Board of Directors, together with the necessary amendments, shall also apply to the appointment of members of the Supervisory Board by the employees.

## **Authority of the Supervisory Board**

### **Article 340**

- (1) The Supervisory Board shall supervise the work of the Managing Board which is in charge of the managing the joint-stock company.
- (2) The Supervisory Board may inspect and check all books, documents, records and property of the company, particularly the company's cash box, securities and goods. The Supervisory Board may entrust the supervision of operations which require special expertise to particular members of the Board or to experts [not serving on the Board].
- (3) The Supervisory Board shall convene meetings of the Assembly if a simple majority of the Board agree that the meeting is in the company's interest.
- (4) The Managing Board may not delegate its authority to manage the company to the Supervisory Board. The Company Charter, however, may provide that the Managing Board may undertake certain actions only with the Supervisory Board's approval. If the Supervisory Board refuses to approve an action proposed by the Managing Board, the later may request that the Assembly grant such approval. The decision for such approval shall require a minimum of three-fourth of the votes. The provisions related to the Assembly's decision-making may not be changed by the Charter.

## **Representation of the Company Against the Members of Managing Board**

### **Article 341**

A joint-stock company shall be represented by members of its Supervisory Board in all trial and non-contentious procedures against members of the Managing Board.

## **Decision-Making Authority of the Supervisory Board**

### **Article 342**

- (1) The Supervisory Board shall make decisions with a quorum of at least one-half of its members.
- (2) The Supervisory Board shall make its decisions by a majority of vote from the quorum required by paragraph 1 of this Article, unless the Charter provides for a higher majority.
- (3) The President of the Supervisory Board shall serve as the tie-breaker in the event of a vote split evenly [equal], unless otherwise provided by the Charter.

## **Annual Monetary Remunerations for Members of the Supervisory Board**

### **Article 343**

- (1) The Company Assembly may set the annual monetary remunerations of members of the Supervisory Board. Such remuneration shall be debited from the company's operating costs. Monetary remunerations shall be in proportion to the assignments of members of the Supervisory Board, taking into consideration the financial condition of the company.
- (2) The Supervisory Board may approve special remunerations for members of the Supervisory Board who perform special assignments. Such remunerations shall be debited from the company's operating costs.

(3) Members of the Supervisory Board may not accept remunerations other than those permitted by paragraphs 1 and 2 of this Article.

**Supervisory Board's Approval of a Contract in Which the Company is a Party and in Which a Member of the Managing or Supervisory Board Has an Interest**  
**Article 344**

(1) The Supervisory Board must approve any contract to which a joint-stock company is a party and in which a member of the Managing or the Supervisory Board has an indirect or direct interest.

(2) A member of the Managing or Supervisory Board shall inform both bodies, if s/he has knowledge that the conditions pertaining to paragraph 1 of this Article have been satisfied. The member with interest is entitled to be heard, but may not participate in the: (i) Managing Board's discussion of the contract, (ii) decision of the Managing Board regarding the contract, and (iii) decision of the Managing Board regarding the approval requested by the Supervisory Board pursuant to paragraph 1 of this Article.

(3) The Company Assembly shall be informed of any approvals pertaining to paragraphs 1 and 2 of this Article at the next session of the Assembly.

(4) A company may not make demands of third parties based on the Supervisory Board's adverse or irregular decision regarding an approval request, unless the company proves that the third party knew or must have known, based on the circumstances, that the approval was not given or that the decision was irregular

**Legal Effect of Contracts Approved by the Supervisory Board**  
**Article 345**

(1) Contracts approved and disapproved by the Supervisory Board shall have legal effect against third parties, unless annulled as a result of fraud.

(2) Harmful consequences that result from the disapproved contracts may be covered by the members of the Managing or Supervisory Board.

**Execution of Contracts Harmful to the Company**  
**Article 346**

(1) Contracts pertaining to Article 345 which are executed without the approval of the Supervisory Board, may be annulled, if such contracts are harmful to the company, regardless of the responsibility of the interested member of the Managing or Supervisory Board.

(2) The complaint for annulment shall be filed within three (3) months of the date in which the contract was executed.

(3) The Company Assembly may declare the contract void based on a separate control's report which contains the reasons for the disapproval.

**Equal Rights and Obligations of All Members of the Managing and the  
Supervisory Board**  
**Article 347**

- (1) All members of the Managing and the Supervisory Boards shall have equal rights and obligations in accordance with their position as provided for by this Law, regardless of the manner in which the rights and obligation are allocated among members of the Managing or Supervisory Board.
- (2) All members of the Managing and the Supervisory Boards shall effect their rights and fulfill their obligations to the Board in a manner consistent with the company's best interests, and that of stockholders and employees.
- (3) Members of the Managing or Supervisory Board shall maintain as a business secret all confidential information and data regarding the company's operation. This obligation continues even after the termination of membership on the Managing or Supervisory Board.

Section Three  
Joint-Stock Company Assembly

**General Provisions for the Assembly**  
**Article 348**

- (1) Unless otherwise provided in the Charter, the stockholders shall, in the Company Assembly, effect their rights and interests in the joint-stock company, particularly in the annual balance sheets, usage of the profit, and the appointment and release of members of the company's bodies. (2) Members of the Board of Directors or the Supervisory and Managing Boards may participate in the Assembly without voting rights, unless they are stockholders.

**Competence of the Assembly**  
**Article 349**

- (1) The Company Assembly shall decide only matters that are strictly provided for in the Law or the Charter, particularly:
  - 1) amending and appending the Company Charter;
  - 2) decreasing or increasing the company's basic capital;
  - 3) changing rights associated with particular types and kinds of stock;
  - 4) appointing and releasing non-executive members of the Board of Directors and the members of the Supervisory Board, except those appointed by the employees;
  - 5) approving the work of members of the Board of Directors, and the Managing and Supervisory Boards;
  - 6) adopting annual balance sheets and resolutions regarding the use of profit;
  - 7) appointing auditors to audit annual balance sheets and controllers of the company's management;
  - 8) terminating and transforming the company into another company;

- 9) issuing bonds; and
  - 10) making structural changes in the company.
- (2) The Company Assembly may decide matters regarding management only if requested by non-executive members of the Board of Directors or the Managing Board.

**Competence of the Company Assembly to  
Approve the Operations of Other Company Bodies  
Article 350**

- (1) At the end of each business year, the Company Assembly shall decide whether to approve the operation of the members of the Board of Directors or the members of the Managing and Supervisory Board. Voting on the approval of the work of members of the company bodies shall be conducted separately for each member of the body if the Assembly so decides or upon request of one or more stockholders who hold at least one-tenth of the basic capital or based on a decision of the Assembly.
- (2) The process of approving operation of the company's bodies must involve discussion of the income statement.
- (3) The Company Assembly shall approve (or disapprove) the manner in which the Board of Directors or the Managing and Supervisory Boards have managed the company.
- (4) Approval of the operation of the company's bodies shall not constitute a waiver of compensation for damages.

**Convening a Meeting of the Company Assembly  
Article 351**

- (1) Meetings of the Company Assembly shall be convened when required by Law or the Company Charter or when necessary in the company's interest.
- (2) The Company Assembly shall convene within three (3) months after completion of the annual balance sheet and annual report in order to:
- 1) review and decide whether to approve the annual balance sheets and annual report;
  - 2) decide how to use the profit or cover the losses; and
  - 3) approve the work of the members of the Board of Directors or the Managing and Supervisory Board.
- (3) The Charter may shorten the time period pertaining to paragraph 2 of this Article.
- (4) If the Managing Board or the executive members of the Board of Directors do not convene a meeting of the Company Assembly within the period of time set in paragraph 2 of this Article, the Supervisory Board or the non-executive members of the Board of Directors shall immediately convene a meeting of the Company Assembly.

## **Conditions Under Which the Company Assembly May Convene**

### **Article 352**

- (1) Executive members of the Board of Directors or members of the Managing Board shall decide whether to convene a meeting of the Company Assembly by simple majority.
- (2) Other parties may convene a meeting of the Company Assembly in accordance with this Law or the Company Charter.
- (3) Stockholders whose joint share in the company is equivalent to one-tenth of the company's basic capital may request that the Company Assembly convene for a meeting. Such request shall be submitted to the executive members of the Board of Directors or the Managing Board in writing and include the purpose and reasons for convening a meeting of the Company Assembly.
- (4) If a meeting of the Company Assembly is not convened within 30 days of the stockholders' request, the Registration Court having jurisdiction shall by non-contentious procedure convene a meeting of the Company Assembly or shall authorize the requesting stockholders or their representatives to convene the meeting of the Company Assembly.
- (5) The company shall bear the costs of convening a meeting of the Company Assembly in accordance with paragraph 4 of this Article and the court fees if the court approves their request.

## **Invitations for Convening a Meeting of the Company Assembly**

### **Article 353**

- (1) The meeting of the Company Assembly shall be convened by sending invitations to all stockholders of record (i.e. stockholders whose stocks are recorded in the book of stock). Invitations shall be sent in a manner that provides: (i) confirmation that the invitation is sent to each stockholder and (ii) the date when it was sent and when it was received.
- (2) A meeting of the Company Assembly may be convened by a call to all stockholders. Such call shall be published in the Company Newsletter and in at least one daily newspaper.

## **Obligation of Notice**

### **Article 354**

- (1) Within 10 days of the announcement of the meeting of the Company Assembly, the executive members of the Board of Directors or the Managing Board shall inform those financial institutions and Stockholder's Associations which voted on behalf of the stockholders at the last meeting of the Assembly or requested convening of such a meeting of the requests and proposals of the stockholders, their full names and the elaborations and opinions of the executive members of the Board of Directors or the Managing Board.
- (2) The executive members of the Board of Directors or the Managing Board, shall also deliver the notification pertaining to paragraph 1 of this Article to stockholders who keep their stocks with the company or who have requested such notifications.

(3) Non-executive members of the Board of Directors and members of the Supervisory Board may request that notification pertaining to paragraph 1 of this Article be delivered to them.

(4) Stockholders who keep their stock with the company or who are entered in the book of stock as stockholders, non-executive members of the Board of Directors, and members of the Managing Board may request that they be informed in writing of all issues about which the Assembly will hold discussions or make decisions.

### **Potential Liability of Financial Institutions Which Maintain Stock** **Article 355**

(1) Financial institutions which maintain stocks on behalf of stockholders must deliver to stockholders the notifications in accordance with Article 354 of this Law immediately.

(2) If the company intends to vote on behalf of stockholders at the meeting of the Company Assembly, it must inform stockholders of its proposals regarding the voting on particular items on the agenda. Financial institutions shall require of stockholders guidelines on how to vote. If stockholders fail to provide such guidelines, the financial institution shall advise stockholders that it will vote as it has previously informed the stockholders.

(3) If the guidelines on how to vote provided to the financial institution by the stockholders are in writing, the financial institution does not have to inform the stockholder(s) about its own proposal regarding the voting.

(4) The liability of financial institutions for damages to stockholders from violations of obligations pertaining to paragraphs 1 and 2 of this Article may never be limited or waived in advance under any circumstances.

### **Content of the Invitation or the Call for Participation** **at the Meeting of the Company Assembly** **Article 356**

(1) The invitation or the call for participation at the meeting of the Company Assembly shall contain, at a minimum, the following:

- 1) trade name and head office of the company;
- 2) date and location of the meeting of the Company Assembly;
- 3) other information provided in the Company Charter that is important for participation at the meeting and manner of voting;
- 4) provision of the Charter which arrange the criteria, i.e. the conditions for appointment of a stockholder's representative; and
- 5) agenda.

(2) The mailing of invitations or the date of publishing the call for participation at the meeting of the Company Assembly must occur at least twenty-one (21) days before the meeting is held.

**Deposit of Stock as a Condition of Participating at the Meeting of the Assembly or for Effectuating the Right to Vote**

**Article 357**

- (1) Participation at the meeting of the Company Assembly or the effectuation of the right to vote may be conditioned on the depositing of stock for a limited period of time prior to the meeting of the Assembly or with registration of the stockholders prior to the meeting of the Company Assembly.
- (2) If the Charter requires the depositing of stock as a condition for participation at the meeting of the Company Assembly or exercising the right to vote, the stocks shall be deposited not later than seven days prior to the meeting of the Assembly.
- (3) If the Charter requires registration of stockholders as a condition of participating at the meeting of the Company Assembly or exercising the right to vote, the stockholders shall register not later than three days prior to the meeting of the Assembly.
- (4) The meeting of the Company Assembly shall be held at the head office of the company, unless the Company Charter provides otherwise.

**Right of Stockholders to Add New Items to the Agenda of a Meeting**

**Already Convened**

**Article 358**

- (1) One or more stockholders whose joint share is one-tenth of the basic capital may request in writing that one or more items be added to the agenda of a meeting that has already been convened.
- (2) Requests for adding items to the agenda shall be submitted to the company within seven (7) days of when the invitation was sent or the date when the call for participation at the Assembly's Meeting was announced.
- (3) Requests for adding an item to the agenda shall be delivered to all stockholders, or announced in the same manner in which invitations were delivered, or in which the call for participation at the meeting of the Assembly was announced.

**Assembly Decisions on Regular Agenda Issues**

**Article 359**

- (1) The Assembly may only decide issues duly included in the agenda.
- (2) The Assembly may also discuss issues outside the agenda.

**Opposition to a Proposal and Counter-proposal**

**Article 360**

- (1) Stockholders who oppose certain proposals of the Board of Directors, the Managing Board or the Supervisory Board, may inform the company of their intent to oppose such proposals and to persuade other stockholders to vote for their proposals within seven (7) days of the publication of the announcement for convening a meeting of the Company Assembly. Such stockholders will present their proposals pursuant to Article 350 of this Law.
- (2) Counter-proposals and their reasoning need not be presented if:
  - 1) presentation constitutes a criminal act;

- 2) based on the counterproposal the Company Assembly may make a decision that is illegal or contrary to the Company Charter;
  - 3) the reasoning of the material issues are based on evident misinformation or information misleading to the stockholders;
  - 4) based on the same factual condition as another counter proposal previously presented to the Company Assembly;
  - 5) the same counter-proposal and reasoning were presented to the Company Assembly at least twice in the previous five (5) years and stockholders having stock constituting at least one-fifth of the basic capital of the Company voted for such counter-proposal;
  - 6) it is evident that the stockholder will not participate or be represented at the Assembly's meeting;
  - 7) the stockholder did not either personally or through a representative present a counter-proposal during (at least) two meetings of the Assembly in the previous two years.
- (3) Reasoning exceeding 100 words should not be presented.
- (4) Stockholders who present counter-proposals on the same matter may join their reasoning in a single proposal.

**Shareholders' Right to Vote and Participate in the Operation of the Assembly**  
**Article 361**

- (1) Each stockholder is entitled to vote and participate in the operation of the Assembly, unless otherwise provided by Law.
- (2) The right to participate in the operation of the Assembly encompasses the right to participate in discussions.

**Representation of Stockholders in the Assembly**  
**Article 362**

- (1) Each stockholder may appoint a representative in the Assembly.
- (2) The appointment of representatives for one or several categories of (persons) stockholders may be restricted by the Company Charter. A stockholder may appoint another stockholder to represent him/her in the Assembly.
- (3) Representation is conferred through a written court certified power of attorney which is submitted to the company at least three (3) days before the meeting of the Assembly.

**Attendance Records of Stockholders or their Representatives**  
**Article 363**

- (1) A list of the names (trade name) and address (head office) of each stockholder or their representative who attend the meeting of the Assembly as well as the stocks and the number of votes to which each stockholder is entitled shall be compiled. The list of attendees shall be certified by the signatures of the president of the Assembly and the minutes taker.

(2) Participants in the meeting of the Company Assembly shall be permitted to inspect the list of attendees prior to first vote. Each stockholder may obtain a copy of the list at his/her own expense.

**Necessary Quorum for Decision-Making of the Assembly**  
**Article 364**

(1) The Assembly may make decisions during meetings which are attended by stockholders who hold at least half of the voting shares. The Charter may require a greater represented share of the basic capital.

(2) If a quorum pursuant to paragraph 1 of this Article is not realized, another meeting shall be convened within 15 days, to decide on matters included in the agenda for the first meeting regardless of the number of stockholders attending and the number of stocks that they hold, except as to matters that according to this Law require decisions to be made by a majority vote.

**Deciding Majority of the Assembly**  
**Article 365**

The Assembly shall make decisions by a majority of votes of all present and represented stockholders, unless the Law or Charter requires a greater or other majority or unless other requirements are prescribed pertaining to the deciding majority of the Assembly or the decision-making for appointing members to the bodies of the Company, appointing auditors for the annual balance sheets, and appointing supervisors of the governance of the Company.

**Method of Exercising the Right to Vote**  
**Article 366**

(1) Stockholders shall exercise their right to vote at the meeting of the Assembly based on the nominal amount of the stock, in proportion to the part of the subscribed capital that the stock represents.

(2) The Company Charter may limit certain stockholders to a particular number of votes or a particular percentage of all votes.

(3) The Charter may provide that stock held by somebody else on behalf of a stockholder may be considered to be stock owned by that stockholder.

(4) Where a company owns stock in another company, the Company Charter may determine that the stock owned by the other company or kept on behalf of that company by a third party, in a company in which the second company has a significant share, majority share or majority right to bring decisions and joint share, in a subsidiary or a holding company be also considered as stocks belonging to the company-stockholder.

(5) Limitations on the rights of certain stockholders to exercise rights pertaining to this Article may not be prescribed.

## **Conditions and Manner of Exercising the Right to Vote**

### **Article 367**

- (1) The right to vote shall be acquired by full payment of the contribution. The Charter may provide that the right to vote be acquired upon payment of the predetermined minimum contribution, as determined by this Law and the Company Charter. One vote shall be acquired for each stock for which the minimum contribution has been paid. The extent of the acquired rights acquired for the highest contribution shall be determined according to the amount of the paid contribution.
- (2) If the Charter permits the right to vote to be acquired before full payment of the contribution and no stock has been paid for in full, the right to vote shall be determined in proportion to the amount of the paid contribution and the payment of the minimum contribution shall entitle the stockholder to one vote. In such cases, fractions of the votes shall be counted only if they entitle the stockholder with a right to vote to full votes.
- (3) The Company Charter may not contain provisions pertaining to paragraphs 1 and 2 of this Article that will apply to certain stockholders and to certain kinds of stocks.
- (4) Stockholders who pledge their stocks shall retain the right to vote.

## **Stockholder Interests that are Contrary to the Interests of a Company**

### **Article 368**

- (1) A stockholder, for his/her own benefit or for that of a third party, who has and is aware of business interest contrary to the interest of the joint-stock company may not either personally or through a representative vote on matters related to this interest, whether on his/her own or on somebody else's behalf.
- (2) Stockholders who violate paragraph 1 of this Article shall be liable for damages suffered by the company, unless the stockholder proves that a majority vote would have been reached even without his/her vote.
- (3) A contract which provides that a stockholder exercise the right to vote according to the guidelines of the company, the Board of Directors, the Managing Board or the Supervisory Board shall be void. A contract which provides that a single stockholder vote for the proposals of the Board of Directors, the Managing Board or the Supervisory Board shall be void.

## **Voting in the Company Assembly**

### **Article 369**

- (1) The President of the Assembly shall determine the manner of voting, unless the Assembly as a whole determines to use a special manner of voting or the Law or Charter provides otherwise.
- (2) Voting shall be by secret ballot for: (i) all appointments, (ii) proposals to release a member of the company's bodies and (iii) decisions regarding the liability of a member of the company's bodies. A vote shall also be by secret ballot if so requested by one or more stockholders who own stock that contribute at least one-fifth of the basic capital.

## **Effective Date of the Assembly's Decisions**

### **Article 370**

- (1) Decisions of the Assembly shall be effective once the decisions are made, unless the effective date is postponed for a limited period of time.
- (2) Decisions regarding changes in the Charter, an increase or decrease in the basic capital, transformation or termination of the company, and appointments and releases of the company's bodies shall be recorded in the Trade Registry and shall be effective once the entry of such decisions in the Trade Registry is announced.

### **Validity of the Assembly's Decisions Regarding Certain Kinds of Stock**

#### **Article 371**

- (1) Decisions of the Assembly that unfavorably affect the rights arising from a kind of stock, shall be valid only if the holders of such stock consent in advance by a two-thirds majority votes.
- (2) Certain decisions of stockholders who hold a certain kind of stock shall be brought at a separate meeting of such stockholders or by a separate vote, unless otherwise provided by Law. Provisions of this Law governing decisions of the Company Assembly shall also apply to: (i) convening and participating in a separate meeting, (ii) the right to be notified, and (iii) making special decisions. If stockholders who may vote on a certain decision request the convening of a separate meeting or if they vote separately, their joint share should be at least one-tenth of the share based on which the vote for the certain decision may be performed.

### **Right to Be Informed of the Company's Situation and Its Relations with Other Companies**

#### **Article 372**

- (1) Each stockholder may request at the meeting of the Company Assembly to be informed of joint-stock company's situation and of its relations with other companies to the extent that such information is necessary to objectively assess issues included in the agenda for the meeting of the Company Assembly.
- (2) The information must be provided in compliance with the principles of equitable reporting. Requests for information pertaining to paragraph 1 of this Article may be denied only if the interests of the company or the public outweigh the interests of the stockholder in getting the requested information.
- (3) A stockholder who is denied the information may ask that his/her question, request and the reasons for the denial be entered into the discussion minutes.
- (4) A stockholder who has been denied information may request in a non-contentious procedure that a Registration Court of competent jurisdiction protect his/her right. Such requests shall be filed within 14 days of the date of the meeting of the Company Assembly.

## **Minutes of the Meetings of the Company Assembly**

### **Article 373**

(1) Minutes shall be taken on each meeting of the Company Assembly and such minutes shall contain the following information:

- 1) trade name and head office of the company;
- 2) time and place of the meeting;
- 3) name of the President of the Company Assembly, name of the minutes-taker and the names of persons who tallied the votes if such persons were appointed;
- 4) the most important discussions and proposals;
- 5) the decisions and the number of votes Afor@ and Aagainst@ and the number of abstentions; and
- 6) the opt outs of a stockholder, a member of the Board of Directors, the Managing or the Supervisory Board against a decision, if requested by the party that submitted the complaint or protest.

(2) The minutes shall be signed by the minutes-taker and the President of the Assembly and shall be certified by the stockholders elected by the present stockholders.

(3) Each stockholder may request a copy of the minutes of a meeting of the Assembly from the executive members of the Board of Directors or the Managing Board.

(4) The minutes and appendixes shall be maintained for at least ten (10) years.

## **Limitation on Contribution of Preferred Non-Voting Stocks**

### **into the Basic Capital**

#### **Article 374**

Preferred non-voting stocks may be issued for an amount lower than one-half of the total nominal amount of the basic capital.

## **Rights Arising from Preferred Non-Voting Stocks**

### **Article 375**

(1) A holder of preferred non-voting stocks shall acquire all rights conferred to stockholders by this Law.

(2) If dividends have not been paid to the owners of preferred stocks, or if dividends have not been paid in full for one (1) year and the balances have not been paid in the following year in addition to the full amount of the dividend for that year, the preferred stocks shall be deemed voting stocks until such amounts are paid. Preferred stocks shall participate in the capital majority, required by the law or the Company Charter.

## **Conditions Under Which a Decision That Repeals the Priority Right May Be Repealed**

### **Article 376**

(1) Owners of preferred stock must consent to decisions that repeal the priority right.

(2) Owners of preferred stock must consent to issuances of preferred stock which have equal or greater priority in the allotment of the company's profit or property.

- (3) The consent of owners of preferred stock shall be in the form of a decision made at a separate meeting. Such decision shall be made by a three fourths majority vote. The Charter may not alter this majority nor impose other conditions.
- (4) Purchased stock shall be voting stocks if the special benefits be repealed.

**Complaint for the Annulment of a Decision of the Assembly**  
**Article 377**

- (1) A party may file a complaint requesting that the decision of the Assembly of the joint-stock company be annulled if it is contrary to the Law, the Charter or to good business customs and it will harm a stockholder or the interests of the company.
- (2) A complaint pertaining to paragraph 1 of this Article may be filed within three months. This time-limit shall commence on the day in which the minutes of the Assembly's meeting became available to the interested parties, or if the plaintiff attended the meeting of the Assembly, the time-limit shall commence on the day in which the meeting was concluded. If the decision is alleged to be contrary to good business customs, the complaint for annulment shall be filed within one year of the date in which the relevant decision was made.

**Parties and Entities That May File a Complaint**  
**for the Annulment of a Decision of the Assembly**  
**Article 378**

- (1) In accordance with Article 377 of this Law, the following parties and entities may file a complaint:
- 1) member(s) of the Board of Directors or the Managing and Supervisory Boards, in the manner provided for by the Company Charter, if they would be liable for damages or would commit a criminal act or a misdemeanor by enforcing the decision;
  - 2) a stockholder who attended the meeting, unless the company proves that the stockholder was aware or should have been aware of the content of the disputable decision and the stockholder did not vote against the decision and his/her explanation for opposing the decision was not recorded in the minutes;
  - 3) a stockholder who was not present at the meeting because it was convened improperly or a stockholder who was denied admission to or expelled from the meeting for no reason or a stockholder who proves that s/he was unable to attend the meeting with a public or a certified document;
  - 4) a stockholder who was absent from the meeting and the Assembly decided on issues that were not in accord with the agenda; and
  - 5) any stockholder if the provisions of this Law regarding participation in the operation of the Assembly or the right to vote in the Assembly are violated.
- (2) A complaint for the annulment of a decision which is alleged to be contrary to good business customs may also be filed by any stockholder who could be harmed as well as every stockholder and those that may file complaints pursuant to paragraph 1 of this Article, if the decision might harm the interests of the company.

### **Entities against Whom a Complaint Is Filed**

#### **Article 379**

- (1) The complaint shall be filed against the joint-stock company. Such complaint shall be filed in the competent court in which the joint-stock company was registered.
- (2) The company shall be represented by members of its Board of Directors or its Managing or Supervisory Boards pursuant to the Charter of the Company.
- (3) The Board of Directors or the Managing Board shall immediately announce in the company's newsletter(s) that a complaint was filed and the date of the hearing.
- (4) The Court shall order ex-officio [in the line of duty] that the complaint be entered into the Registry if the decision was entered in the Trade Registry.

### **Superseding a Void Decision**

#### **Article 380**

A decision of the Assembly shall not be void if it is superseded by another decision that complies with the Law or the Charter. The Court may impose a time-limit within which the company must bring a decision that will supersede the decision against which the complaint was filed.

### **Right of a Stockholder to Get Involved in a Dispute**

#### **Article 381**

- (1) Any stockholder may get involved in a dispute on his/her own account. A judgment that annuls a decision shall apply to all stockholders as it regards their relation to the joint-stock company. Annulment of decision of a Company Assembly shall not affect rights acquired by third parties in good faith.
- (2) The Court shall ex officio [in the line of duty] enter the conclusion of the procedure and the outcome of the dispute in the Trade Registry. The entry of an annulled decision of the Assembly shall be stricken from the Registry if the court decision that annuls that decision becomes valid.
- (3) Plaintiffs whose complaints or requests for stopping enforcement cause damages to the company shall be jointly liable for such damages if their opposition is unjustified and undertaken deliberately or with total negligence.

## Section Five

### JOINT-STOCK COMPANY INCORPORATED BY ONE ENTITY

#### **Joint-Stock Company with One Stockholder**

##### **Article 382**

- (1) A joint-stock company or other trade company, the Republic of Macedonia, a municipality or the city of Skopje may incorporate a joint-stock company as a sole stockholder.
- (2) A joint-stock company incorporated by one entity shall also be constituted when the right to ownership of all stock is obtained by one stockholder. Any of the legal entities enumerated in paragraph 1 of this Article may be such a stockholder.

## **Registration Court Entry Form**

### **Article 383**

(1) A filing form for the entry of a joint-stock company founded by one person into the Registry shall be filed with the registration court within thirty (30) days of such incorporation.

(2) If the filing form for the entry of a joint-stock company founded by one person into the Registry is not filed, the stockholder shall have unlimited liability for the obligations of the joint-stock company from the moment it obtained the stock.

## **Liability of the Founder**

### **Article 384**

Where a liquidation procedure is initiated due to permanent insolvency, the stockholder of a joint-stock company incorporated by one person shall have unlimited liability for each obligation of the joint-stock company incurred after the entry of the company in the Trade Registry.

## **Applicability of Provisions of this Law Pertaining to a Joint-Stock Company to a Company Incorporated by One Entity**

### **Article 385**

The provisions of this Law pertaining to a joint-stock company shall apply to a joint-stock company incorporated by one person such that the rights and obligations of the Assembly of the joint-stock company shall be delegated to the founder or sole stockholder.

## Section Six

### CHANGES TO THE CHARTER AND INCREASES OR DECREASES IN THE BASIC CAPITAL

## **Subsection One Changes to the Charter**

### **Making Changes to the Charter**

#### **Article 386**

(1) Changes to the Charter of a joint-stock company shall be made pursuant to a decision of the Assembly. When changes pertain to reconciliation of the content of the Charter, the Assembly may by a valid decision assign the authority for making changes to the Charter to the Board of Directors or the Managing Board.

(2) Changes to the Charter shall be made by a majority vote constituted of at least three-fourths of the votes that represent the basic capital. The Charter, however may provide for other capital majority that is not lower than the majority representing the basic capital. The Charter may also specify other requirements.

(3) A decision of the Assembly pertaining to paragraph 1 of this Article that alters the existing relation between several kinds of stock to the detriment of one kind of stock shall be valid if the owners of the affected kind of stock consent. Stockholders shall consent in the form of a separate decision made pursuant to paragraph 2 of this Article.

### **Requirements for the Validity of a Decision to Delegate**

#### **Secondary Obligations to Stockholders**

##### **Article 387**

- (1) A decision delegating secondary obligations to stockholders shall be valid if the stockholders to whom secondary obligations are delegated consent.
- (2) Paragraph 1 of this Article shall also apply to decisions providing for the transfer of stock that is subject to consent from the company.

### **Entry of Changes to the Charter in the Trade Registry**

##### **Article 388**

- (1) The managing body shall file all changes to the Charter for recording in the Trade Registry. Where changes to the Charter, or certain provisions in the Charter, require the consent of an authority prescribed by law, such consent shall be enclosed to the filing form.
- (2) If changes to the Charter do not pertain to Article 270 of this Law, it is sufficient to refer to the documents previously filed with the Registration Court when recording changes to the Chapter in the Trade Registry.
- (3) Changes to the Charter shall be valid upon entry in the Trade Registry.

## **Subsection Two**

### **Increase in the Basic Capital**

#### **Increasing Basic Capital by Contributions**

##### **Article 389**

- (1) Basic capital shall be increased by issuing new stock.
- (2) If several kinds of stock exist, a decision to increase the basic capital by contributions shall be valid if the stockholders of each kind of stock consent. A separate decision to give consent shall be made by the stockholders of each kind of stock.
- (3) Should new stock be issued at an amount greater than the nominal amount, the minimum amount for which such stocks may be issued shall be determined with the decision to increase the basic capital.
- (4) The basic capital may be increased by contributions, but only if the nominal amount of all previously issued stocks has been paid in to a considerable degree.

## **Decision to Increase the Basic Capital**

### **Article 390**

- (1) The decision to increase the basic capital by contributions shall be made by a majority vote constituted of at least three-fourths of the votes that represent the basic capital of the company, unless otherwise provided by the Charter.
- (2) A decision to issue preferred stock without voting rights may not be made under less restrictive conditions than those provided for in paragraph 1 of this Article.

## **Entry of the Decision to Increase the Basic Capital**

### **in the Trade Registry**

#### **Article 391**

- (1) The Board of Directors or the Managing Board shall file a form requesting that the court enter the decision to increase the basic capital into the Trade Registry.
- (2) If the court suspects that the value of a non-monetary contribution is less than the nominal value of the stocks being issued, it may request that one or more appraisers inspect the case in the manner provided for in this Law. The court shall not enter the decision into the Registry if the value of the non-monetary contribution is more than ten percent 10% lower than the nominal value of the stock being issued.

## **Requirement for Obtaining New Stock**

### **Article 392**

- (1) Each stockholder shall be entitled upon request to subscribe the number of new stock which corresponds to the share that his/her stock have in the basic capital within a time period not shorter than fifteen (15) days.
- (2) The Board of Directors or the Managing Board shall invite stockholders to subscribe the stock. The call for subscription shall include the value of the issued stock and the time limit for subscribing the stock.
- (3) The right to priority in the purchase of stock may be infringed partially or fully, but only by a decision to increase the basic capital in accordance with the Company Charter. Such decision shall be announced in the same manner as the convening of a meeting of the Company Assembly.
- (4) The decision pertaining to paragraph 3 of this Article shall be made by a majority vote constituted of at least three-fourths of the votes that represent the basic capital of the company at the time such decision is made. The Charter may provide for other capital majority and other requirements.

## **Recording the Increase in the Basic Capital in the Trade Registry**

### **Article 393**

- (1) The Board of Directors or the Managing Board shall file a form requesting that the court enter the increase in the basic capital into the Trade Registry.
- (2) The increase in the basic capital shall be official once such increase is entered in the Registry.

- (3) The announcement of the entry shall include information on the amount of stock issued and the determined value of non-monetary contributions in addition to the data prescribed by law.
- (4) Stock may be issued only after the entry [of the increase the basic capital] in the Registry has been made. Issuances of stock prior to the entry shall be void.
- (5) Issuers shall be jointly liable to owners for damages caused by the stock issuance.

### **Increase of the Basic Capital through Non-Monetary Contributions** **Article 394**

- (1) If the basic capital is increased through non-monetary contributions, the decision to increase the basic capital must contain: a description of the property that the company acquires with the contribution, the identity of the party contributing such property, and the nominal value of the stock being acquired through the non-monetary contribution as valued by a certified appraiser. The exchange of bonds for stock shall not constitute a non-monetary contribution.
- (2) If the information pertaining to paragraph 1 of this Article is not provided the contribution of property and the legal acts done to effect the contribution shall be void.
- (3) Paragraph 1 of this Article shall not apply to contribution of monetary claims to which employees of the company are entitled from the company's profit.

### **Conditional Increase in the Basic Capital** **Article 395**

- (1) The Company Assembly may make a decision to increase the basic capital for the purpose of exchanging bonds for stock or to acquire a priority right to purchase new stock approved by the company (conditional increase in the basic capital).
- (2) The basic capital may be increased conditionally only for the purpose of:
  - 1) conferring the right of exchange or priority purchases of new stocks to owners of redeemable bonds;
  - 2) preparing for a merger; and
  - 3) giving the employees of the company the right to purchase new stocks on a priority basis for the purpose of acquiring stock by contributing their claims to the company's profit.
- (3) The nominal amount of the conditional increase in the basic capital may not exceed one-half of the amount of the basic capital at the time the decision to increase the basic capital was made.
- (4) The provisions of this Law pertaining to the priority purchase of new stocks shall apply to effecting the right to exchange bonds for stock.

### **Decision for Conditional Increase in the Basic Capital** **Article 396**

- (1) The decision for a conditional increase shall be made by at least three-fourths of the votes that represent the basic capital of the company on the day such decision was made. The Charter may provide for a different capital majority and other requirements.

- (2) The decision shall specify:
- 1) the purpose of the conditional increase in the basic capital;
  - 2) the parties entitled to priority purchases; and
  - 3) the amount of the issued stocks or the basis for calculation of such amount.

**Recording the Conditional Increase in the Basic Capital in the Trade Registry**  
**Article 397**

(1) The Board of Directors or the Managing Board shall file a form requesting that the court enter in the Trade Registry the decision for the conditional increase in the basic capital.

(2) If the court suspects that the value of a non-monetary contribution is less than the nominal value of the stock being issued, it may request that one or more appraisers inspect the case in the manner provided for in this Law. The court shall not enter the decision into the Registry if the value of the non-monetary contribution is more than ten percent (10%) lower than the nominal value of the stocks to be issued.

**Annulment of Stock Issued Prior to the Entry of the Decision for the Conditional Increase in the Basic Capital**  
**Article 398**

Stock may not be issued prior to the entry of the decision to increase the basic capital in the Trade Registry. Stock issued prior to the entry shall be void. Issuers shall be jointly liable to owners for damages caused by the stock issuance.

**Effectuating the Right to Priority Purchases with a Statement**  
**Article 399**

(1) The right to priority purchases of stock shall be effectuated with a written statement made in two (2) copies. The statement shall contain: (i) the contributions by number, nominal value and the kind of stock, (ii) the information required by Article 397 paragraph 2 for non-monetary contributions; and (iii) the date in which the decision for the conditional increase in the basic capital was made; and (iv) other data provided for in the decision for the conditional increase in the basic capital.

(2) The statement for priority purchases shall have the same legal effect as the subscription form. The statement not containing the data pertaining to paragraph 1 of this Article or purporting to limit the liability of the party making the statement shall be void.

**Requirements for Issuing Stocks**  
**Article 400**

(1) The Board of Directors or the Managing Board shall be authorized to issue stock only if the purpose as stated in the decision for the conditional increase in the basic capital was fulfilled and if the amount determined in the decision has been paid in full.

(2) The Board of Directors or the Managing Board may issue stock to be exchanged for redeemable bonds provided that the statutory reserves cover the difference between the

amount of the issued bonds offered for exchange and the higher nominal value of the stock, provided such reserves may be used for this purpose or additional payment is made by the exchanging party to cover the difference.

**Recording in the Trade Registry the Conditional Increase in the  
Basic Capital of the Stock Issued in the Previous Business Year**

**Article 401**

(1) Members of the Board of Directors or the Managing Board may, pursuant to the Charter, file within a month upon expiration of the business year, a form to record in the Trade Registry the increase in the basic capital up to the value of the stock issued in the previous year.

(2) The Board of Directors or the Managing Board shall file with the court a form and statement declaring that stock was issued only for the purpose stated in the decision for the conditional increase in the basic capital and that the stock was not issued prior to payment in full of the amount stated in the decision.

**Approved Capital**

**Article 402**

(1) The Board of Directors or the Managing Board may be authorized by the Company Charter to increase the basic capital up to a certain nominal amount (approved capital). Such increases shall be achieved by issuing new stock based on contributions into the company within five (5) years of the entry of the company's incorporation into the Trade Registry or the change in the Charter.

(2) The nominal amount of the approved capital may not exceed one-half of the basic capital existing at the moment the issuance is authorized.

(3) The Charter may require that new stock be issued to the company's employees.

**Issuance of New Stock**

**Article 403**

(1) New stock shall be issued in accordance with the provisions of this Law pertaining to increases in the basic capital through contributions, unless otherwise provided by another law.

(2) The provision of the Charter pertaining to increases in the basic capital shall be deemed the decision increasing the company's basic capital.

(3) The authorization pertaining to paragraph 2 of this Article may exclude the Board of Directors or the Managing Board from deciding on the right to priority purchases.

(4) New stock may be issued provided that the nominal value of all previously issued stock has been fully paid, unless otherwise provided in the Charters of the financial and insurance institutions.

(5) Overdue payments shall not be an obstacle to the issuance of new stock if their amount is insignificant.

(6) The first filing form to increase the basic capital shall contain information on contributions to the existing basic capital which are unpaid and the reasons therefore.

(7) If the stocks are issued to the company's employees, the provision pertaining to paragraph 3 of this Article shall not apply.

**Bodies Responsible for Decisions Regarding the Rights Arising from Stock and the Conditions Under Which Stock is Issued**

**Article 404**

(1) The Board of Directors or the Managing Board shall be responsible for decisions regarding the rights arising from stock and the conditions under which stock is issued, unless otherwise provided by the Charter.

(2) The Board of Directors or the Managing Board may issue preferred stock that provide their holders with priority or equal rights to a share of the company's profit or property when it is distributed but only if authorized by provisions of the Charter pertaining to issuance of new stock.

(3) If the company makes a profit, stock may be issued to the company's employees by covering the contribution that must be paid with that part of the profit which may be included into the statutory reserves according to the law.

**Stock Based on Non-Monetary Contributions**

**Article 405**

(1) Stock based on non-monetary contributions may be issued only if authorized by provisions of the Charter governing the issuance of new stock.

(2) The Board of Directors or the Managing Board shall determine the non-monetary contribution, the contributor, and the nominal value of stock that will be issued for the contribution, unless determined by the Charter and they shall be entered into the document for subscription of stocks.

**Conversion of Reserves to Increase the Basic Capital**

**Article 406**

The Company Assembly may increase the basic capital by converting reserves into basic capital once the annual balance sheets for the previous business year that ended prior to the decision to increase the basic capital are determined.

**Manner of Entering Reserves**

**Article 407**

(1) Reserves that are converted into basic capital shall be entered into the last annual balance sheet, and if another balance sheet is used as a base, then the reserves shall be entered into the balance under Aopen reserves@. The charter reserves may be fully converted into basic capital. The reserve provided for by Law may be converted into basic capital only if it exceeds one-tenth or, with the Charter provided higher part of the existing basic capital.

(2) Statutory reserves established for a particular purpose may be converted into basic capital only if the particular purpose is served.

(3) Reserves may not be converted into basic capital if the balance sheet upon which the decision to increase the basic capital reflects losses, including losses carried over from previous years.

### **Balance Sheet as a Base for Increasing the Basic Capital**

#### **Article 408**

(1) The balance sheet that is used as a base to increase the basic capital shall be attached to the filing form for entering the decision into the Trade Registry, together with the documents for its determination.

(2) Parties filing the forms shall state before the court that, to the best of their knowledge, from the end of the period covered by the balance sheet through the date of filing, any decreases in the property either will not be an obstacle to the increase in the basic capital or such decrease was resolved prior to the filing date.

(3) The court shall enter the decision into the Registry only if the balance sheet that serves as the base for the increase of basic capital was prepared at least one month prior to the filing and the statement is made in compliance with paragraph 2 of this Article.

(4) The court does not verify whether the data entered in the balance sheet complies with the statutory provisions.

(5) The filing form for entering the decision into the Registry shall contain a statement that the increase in the basic capital is being made from the company's assets.

### **Recording the Decision to Increase the Basic Capital**

#### **Article 409**

The basic capital shall officially be increased upon the recording of the decision to increase the basic capital.

### **Stockholder's Right to Newly Issued Stock**

#### **Article 410**

(1) Stockholders shall be entitled to acquire newly issued stock in proportion to their share of the existing basic capital.

(2) Decisions of the Assembly that are contrary to paragraph 1 of this Article shall be void.

### **A Part of a New Stock**

#### **Article 411**

(1) If due to an increase in the basic capital, [the owner of] the share in the existing basic capital is entitled to only a partial new stock (less than whole), such right shall be independent, transferable and inheritable.

(2) Rights arising from the partial new stock, including the right to the issuance of a document for such stock, may be exercised only if the partial rights (that compose a whole stock) are transferred to one person or if several persons, whose partial rights compose a whole stock, join together in order to exercise the rights arising from the stock.

## **Call for a Take Over of Stocks**

### **Article 412**

- (1) The call inviting the stockholders to take over the stocks shall be announced as prescribed in the Charter. Owners of stock shall be notified individually of the date, time and place for the take over of stocks.
- (2) If a stockholder fails to take over the stock within one year after the call was announced or the date in which individual notice was given the company is authorized to sell the stock on behalf of the party authorized to take them over. The company is obliged to announce a call for the sale of stock that have not been taken over within one year of the announcement of the call or receipt of individual notice. The call shall be announced three times on the company's billboard, with at least one month between each announcement. The last call on the company's billboard must be announced within 18 months of the initial announcement of the call or receipt of individual notice.

## **Participation of New Stock in the Profit**

### **Article 413**

- (1) New stock, issued in accordance with the Charter or the decision of the Company Assembly to increase the basic capital, shall participate in the profit or distributed the year in which the basic capital was increased.
- (2) Stock owned by the company shall participate in the increase in the basic capital in accordance with the rules that apply to other stocks.

## **Subsection Two**

## **Decrease of the Basic Capital**

## **Decision to Decrease the Basic Capital**

### **Article 414**

- (1) A decision to decrease the basic capital may be made by majority constituted of at least three fourths of the votes representing the basic capital of the company at the moment the decision was made.
- (2) The Charter may prescribe requirements and a greater majority than that provided for in paragraph 1 of this Article.
- (3) A decision to decrease the basic capital shall be valid if consented to by the stockholders of each kind of stock. Stockholders of each kind of stock shall consent in a separate decision.
- (4) The decision for decrease of the basic capital shall cover for the amount and the purpose of the decrease, as well as for the manners in which such decrease will be made. If the decrease is made for the purpose of partial payment of the basic capital to the stockholders, such purpose shall separately be stated into the decision.
- (5) The basic capital may be decreased by:
  - 1) lowering the nominal value of stock; and
  - 2) withdrawing stock.

(6) Withdrawal of stock shall be allowed only if the nominal value of stock, provided by the Law, may not be maintained.

(7) The basic capital may be decreased below the minimum level provided by Law, only if the company makes a decision to increase the basic capital, up to at least, that amount.

If the company does not request that the registration court record the increase in the basic capital in the Registry within two years of its decision to increase and decrease the basic capital the court shall, *ex-officio* [in the line of duty] or upon the request of any stockholder or creditor, in a non-contentious procedure, render an order for termination of the company.

### **Securing the Creditors**

#### **Article 415**

(1) Creditors with claims pre-dating the recording of the decision to decrease the company's basic capital in the Trade Registry and who can not require to be settled, must be secured within (6) six months of the announcement of the decision to decrease (the basic capital). A creditor must file a form stating its claim in order to effectuate its secured right. Creditors shall be warned of the decrease in basic capital in the announcement of the record into the Trade Registry. Creditors having priority right to collect from the debtor's bankruptcy estate shall not be entitled to be secured.

(2) Stockholders may be paid based on the decreased basic capital of the company, six (6) months after the recording of the decrease of the basic capital into the Trade Registry is announced and after the creditors have collected their claims or after the creditors were given their security from which they can collect their claims if they file a form stating their claims.

(3) The right of creditors to request security is not dependent on whether the stockholders were paid because of the decrease in the company's basic capital.

### **Recording the Decrease in the Basic Capital**

#### **Article 416**

(1) The members of the Board of Directors or the Managing Board shall, in the manner prescribed in the Charter, file a form requesting that the decision for decrease of the basic capital, and in the case pertaining to Article 414, paragraph 7, the increase of the basic capital be recorded into the Trade Registry.

(2) The basic capital shall be decreased upon the record of the decision for decrease of the basic capital.

(3) The Board of Directors or the Managing Board shall, immediately after the notification that the decision for the decrease of the basic capital has been recorded in the Trade Registry, three times in one-week intervals, announce the decrease of the basic capital and inform the creditors that the company will, upon request of such creditors, settle or secure those claims that existed on the date of announcement of the decision for decrease of the basic capital, provided that the creditors file, within three months following the date of the last announcement, forms stating such claims. The creditors identified by the company shall be separately informed.

**Merging Stocks**  
**Article 417**

- (1) If the decrease of the basic capital results in a decrease of the nominal amount of some stocks under the minimum amount provided in this Law, such stocks must be merged so that they will achieve the lowest prescribed amount.
- (2) In the case pertaining to paragraph 1 of this Article, as well as when, as a result of a decrease of the basic capital the existing stocks have to be substituted or a lower value have to be written on them [devaluated] the Board of Directors or the Managing Board shall, three times in intervals not shorter than eight and not longer than fifteen (15) days, separately invite the stockholders to deposit their stocks, at the specified places, with a certificate that they are doing so, within a predetermined time period that may not be shorter than two months following the date of the last call. The stockholders shall be warned with the invitations that the stocks which will not be deposited within the predetermined time period will be annulled. The time period for depositing stocks may not be shorter than two months following the date when the letter was delivered to the post office.
- (3) Deposited stocks that will not achieve the number needed for substitution shall also be annulled.
- (4) The Board of Directors or the Managing Board shall, without any delay, sell the new stocks that have been issued as substitute for the annulled stocks on behalf of the owners of the annulled stocks. The new stocks shall be sold at a stock exchange market price, and where there is no such price, the stocks shall be sold at a public auction, at the place where it is expected that such stocks will be sold at a price most favorable for the stockholders. The time and the place of the auction shall be announced in the daily newspapers, at least one month prior to the date of the auction. The amount received with the sale shall be given to the owners of the annulled stocks proportionally to the number of stocks, and where the requirements for a court deposit are met, the amount shall be deposited with the competent court in accordance with its head office. The stockholders shall be informed of this action with the invitation or the letter.
- (5) The serial numbers of all annulled stocks shall be announced in the same manner as the invitation.
- (6) New stocks may not be issued until the merging of stocks has been completed.

**Filing and Registration of the Decrease in the Basic Capital**  
**Article 418**

- (1) The Board of Directors or the Managing Board shall be obliged to file a form in order to record the decrease in the basic capital in the Trade Registry.
- (2) The recording of the decrease in the basic capital and the filing of the form requesting the recordation of the decision to decrease the basic capital may be performed simultaneously.

## **Payments to Stockholders Because of a Decrease in the Basic Capital**

### **Article 419**

- (1) Payments to stockholders because of a decrease in the basic capital may be made only after the validity of the registration of the decision in the Trade Registry is announced.
- (2) Payments pursuant to Article 414 paragraph 7 may only be made upon a valid decision to register an increase in the basic capital, provided that such decision has been recorded and its entry in the Trade Registry has been announced. In such a case stockholders shall not be liable for further payments on the stock.
- (3) If a complaint requesting annulment of the decision to decrease the basic capital is filed, stockholders shall remain liable for payments until the valid conclusion of the case.

## **Decrease in the Basic Capital Through Withdrawing Stock**

### **Article 420**

- (1) The company may decrease the basic capital through withdrawing stock only if explicitly provided in the Charter. The withdrawal of stock may be mandatory or the stocks may be acquired by the joint-stock company. Mandatory withdrawal is permitted only if provided for in the Charter before the assumption or the subscription of the stock.
- (2) The Company Charter determines the requirements and the manner of mandatory withdrawal of stock.
- (3) The basic capital is deemed to have been decreased by the total nominal value of the withdrawn stock upon the registration of the decision or the act of withdrawal. To withdraw stock, the company shall undertake all activities necessary to terminate the rights arising from the withdrawn stocks.

## Section Seven

### CONVERSION OF A JOINT-STOCK COMPANY INTO ANOTHER FORM OF COMPANY AND CONVERSION OF A LIMITED LIABILITY COMPANY INTO A JOINT-STOCK COMPANY

## **Requirements to Convert a Joint-Stock Company into**

### **Another Form of Company**

#### **Article 421**

- (1) A joint-stock company that has existed a minimum of one year may be converted into another form of company provided that the Company Assembly has prepared an income statement for the company's operations during the previous business year and a report on the company's operations up to the time the decision to convert has been made.
- (2) A conversion of one form of company into another shall not involve liquidation.

**Decision to Convert a Joint-Stock Company into Another Form of Company**  
**Article 422**

- (1) The decision to convert a joint-stock company into another form of company shall be made by the Assembly based on the report of the appointed auditors of the annual balance sheets. This report shall determine if the value of the company's property is equivalent to at least the value of the basic capital.
- (2) The decision to convert a joint-stock company into another form of company shall be announced in same manner as decisions of the Assembly to amend the Company Charter.

**Conversion of a Joint-Stock Company into a General Partnership,  
Limited Partnership or Limited Partnership with Stocks**  
**Article 423**

- (1) A joint-stock company may be converted into a general partnership with the consent of all the stockholders. Articles 421 paragraph 1 and 422 paragraph 1 of this Law shall not apply to the process of conversion.
- (2) A joint-stock company may be converted into a limited partnership or limited partnership with stocks based on a decision made in the manner and procedures pertaining to making changes in the Company Agreement and with the consent of all stockholders who accept positions as general partners.

**Decision to Convert a Limited Liability Company into a Joint-Stock Company**  
**Article 424**

- (1) A decision of the Assembly made in accordance with provisions of this Law pertaining to changes in the Company Agreement shall be required for the conversion of a limited liability company into a joint-stock company.
- (2) The provisions of this Law pertaining to the conversion of a joint-stock company into a limited liability company shall also apply to the conversion of a limited liability company into a joint-stock company, except as follows:
  - 1) the provisions of this Law pertaining to a subscription form shall apply for assumption of shares;
  - 2) the basic contribution, i.e. that part of the estate to which the founder would be entitled and for which the founder did not subscribe or assume stock, is implied in Article 219, paragraph 1 of this Law; and
  - 3) the basic contribution, i. e. that part of the estate to which the company is entitled, and the full amount which is not divisible by the nominal amount of stock is implied in Article 219, paragraph 2 of this Law.
- (3) The provisions of Article 224 of this Law shall apply to the basic capital and the nominal value of the stock. The provisions of this Law pertaining to subscription forms shall apply to participation in the joint-stock company.
- (4) If the transfer of shares is conditioned upon the consent of some of the founding partners of the limited liability company, the decision to convert shall not be valid without the consent of these founding partners. If these founders, have liabilities to the

company other than the payment of contributions, the decision to convert shall not be valid without the consent of such founding partners.

(5) In addition to the change in the part related to the company's form, other changes necessary for the conversion of the limited liability company shall also be made to the Charter. A list of the names of the founding partners that voted in favor of converting the company shall be incorporated in the decision.

### **Application of the Provisions Pertaining to Auditing and Incorporation Report to the Conversion**

#### **Article 425**

(1) The provisions of this Law pertaining to auditing and the incorporation report shall apply to the conversion of a limited liability company into a joint-stock company. Those founding partners of the limited liability company who voted in favor of the conversion shall be the founders of the joint-stock company.

(2) The procedures followed in the conversion and the condition of the limited liability company shall be presented in the report.

### **Record and Appointment of the Bodies**

#### **Article 426**

(1) Forms requesting that the appointment of the bodies of the joint-stock company and that the decision to convert be entered into the Trade Registry shall be filed with the court simultaneously.

(2) An original and a certified copy of the documents for the appointment of the joint-stock company's bodies shall be filed with the court. The filing form shall contain information regarding the personal names, profession and domicile of the members of the company bodies as well as the auditing report.

### **Conversion of Shares into Stock**

#### **Article 427**

Once the conversion of the limited liability company is entered into the Registry, the company shall continue to operate as a joint-stock company. Shares shall become stock. The rights of third parties arising from shares shall be governed as rights arising from stocks.

### **Rights of a Founding Partner Who Did not Consent to the Conversion of the Limited Liability Company**

#### **Article 428**

(1) Founding partners who, according to the minutes, did not consent to the conversion of the limited liability company into a joint-stock company, may offer for sale their shares to the other founding partners or to the company.

(2) Once the conversion of the has been recorded in the Trade Registry, the managing body may specify a time within which the share must be placed at company's disposal. Such time period may not be less than three (3) months.

(3) All identified stockholders shall be notified individually of the determined time period pertaining to paragraph 2 of this Article and such time period shall be publically announced three times consecutively.

(4) A joint-stock company must sell offered stock on behalf of the stockholders at the official stock-exchange market price through a broker or by public auction, if there is no stock-exchange market price.

## Section Eight TERMINATION OF A JOINT-STOCK COMPANY

### **Conditions for Termination of a Joint-Stock Company Article 429**

(1) A joint-stock company shall terminate with:

1) expiration of the time provided for in the Charter, where the company was incorporated for a predetermined period of time;

2) a decision by the Company Assembly brought by votes which represent at least three- fourths of the company's basic capital represented at the Company Assembly at the moment of bringing such decision, unless the Company Charter provides for a higher majority or for fulfilment of other requirements;

3) an enforceable decision of a court stating that the entry of the company into the Trade Registry was illegal;

4) merger of a company into another company or integration of two companies into one;

5) an enforceable decision of a court that rejects initiation of a bankruptcy procedure because of lack of funds that will cover the costs of such procedure; or

6) completion of a bankruptcy procedure.

(2) A company that does not have any assets may be terminated by erasing the record of such company from the Trade Registry, upon proposal of the body in charge of the public revenue affairs or ex officio [in the line of duty]. A registration court shall, ex officio [in the line of duty] erase a company from the Trade Registry if the company, three years in a row, does not abide by its statutory obligation to announce its annual financial reports and the prescribed records, or if the company does not submit to the court such reports and records within six months following the date of the court's announcement, and the company does not make plausible the existence of assets. A company shall terminate upon erasure from the Trade Registry without a winding up procedure. If it is proven that a company has assets that must be divided, after such company has been erased from the Trade Registry, a liquidation procedure shall be initiated. The liquidator shall be determined by the court, upon proposal of the interested parties.

(3) A Registration Court shall publish its intention to erase the company from the Trade Registry in the Official Gazette of the Republic of Macedonia and shall determine a time period for objections. An objection may be filed by the legal representative or any party that has a justified interest in that company.

(4) The Company Charter may provide for other cases and requirements for termination of the company.

### **A Record of the Decision for Termination**

#### **Article 430**

(1) If the decision for termination of a joint-stock company is made by the Company Assembly, the Board of Directors, the Managing Board or another party authorized by the Assembly, shall file a form requesting that the decision be recorded into the Trade Registry. If such decision for termination of the company is made by the court, the court shall, ex officio [in the line of duty] record such decision into the Trade Registry.

(2) If the decision pertaining to paragraph 1 of this Article is not filed for a record into the Registry in the manner prescribed in paragraph 1 of this Article, the court shall notify the company that it must file such form. If the company does not file the form within the prescribed time period, the court shall repeat the notification and warn the company that, after expiration of the additional time period, it shall, ex officio [in the line of duty] record the decision for termination of the company into the Trade Registry and it shall appoint liquidators, in accordance with Article 424 paragraph 1, item 1 of this Law.

(3) The decision for termination of the company shall be published in the Official Gazette of the Republic of Macedonia.

### **Winding Up of a Company**

#### **Article 431**

If a bankruptcy procedure is not initiated against the joint-stock company, such company shall be wound up. The procedure for winding up shall not be initiated in the case of termination of a company pursuant to Article 429, paragraph 1 of this Law.

## **Chapter Five**

### **LIMITED PARTNERSHIP BY STOCKS**

#### **Definition**

##### **Article 432**

(1) A limited partnership by stocks is a company in which the basic capital is divided into stocks and which is incorporated by one or more general partners that are liable jointly and unlimitedly for the company's obligations, with all their property, and by limited partners that have the status of stockholders and who are not liable for the obligations of the company.

(2) The number of the limited partners-stockholders may not be lower than three.

(3) The legal relations between the general partners among themselves and with the limited partners-stockholders, as well as with third parties, and the right of the general partners to manage and represent the limited partnership by stocks, shall be governed by the provisions of this Law pertaining to a limited partnership.

(4) Unless otherwise provided by this Law, the provisions of this Law pertaining to a joint-stock company, with exception of the provisions pertaining to the managing of a joint-stock company, shall apply to limited partnerships by stocks.

(5) The trade name of a limited partnership by stocks shall contain the words: *AKomanditno drustvo so akcii@* [Limited Partnership by Stocks] or the abbreviation *AKDA@*.

### **Agreement for a Limited Partnership by Stocks**

#### **Article 433**

(1) The Agreement for a limited partnership by stocks shall be executed by at least five parties, and the signature of the parties shall be certified by a notary.

(2) The Agreement for a limited partnership by stocks shall include: the nominal amount of the basic capital, the amount in which the stocks are issued, and the type and the kind of the stocks, if there are different types and kinds of stocks, including information stating which kind or type of stocks were assumed by each party.

(3) General partners must participate in the execution of the Agreement. Parties that take over stocks for the contributions that were made and act as limited partners-stockholders shall also participate in the execution of the Agreement.

### **Data Provided in the Agreement**

#### **Article 434**

(1) In addition to the data pertaining to Article 88 of this Law, the Agreement for a limited partnership by stocks must include the full name, citizenship, profession and domicile, or the trade name and the head office of each general partner.

(2) The general partners' property contributions shall be identified in the Agreement according to the amount and the type.

(3) The contribution of each general partner may not be lower than one-tenth of the basic capital.

### **Entry of a Limited Partnership by Stocks**

#### **Article 435**

When a limited partnership by stocks is being entered into the Trade Registry, the general partner shall be registered instead of the members of the Managing Board or the Board of Directors. If the Agreement provides for special provisions for authorization of the general partners to represent the limited partnership by stocks, such provisions shall be recorded into the Trade Registry.

### **Restrictions for General Partners in the Decision-Making Process**

#### **Article 436**

(1) General partners shall have a right to vote in the Assembly of the Limited Partnership by Stocks, proportionally to their participation in the basic capital.

(2) As an exception to paragraph 1 of this Article, general partners may not exercise their right to vote either on behalf of themselves or on behalf of another party, in regard to:

- 1) appointing and releasing the members of the Supervisory Board;
- 2) approving the work of the general partners and the Supervisory Board;
- 3) appointing controllers;
- 4) requesting remuneration or waiving the right to remuneration; and
- 5) appointing auditors for the annual balance sheets.

(3) General partners' consent shall be necessary for the decision of the Partnership's Assembly if such decisions cover matters for which, in the limited partnership by stocks, consent of both the general and the limited partners is required. Decisions of the Assembly of the Limited Partnership by Stocks which require consent of the general partners shall be submitted to be recorded into the Trade Registry only after the consent was given.

### **Managing a Limited Partnership by Stocks**

#### **Article 437**

- (1) General partners shall manage the limited partnership by stocks.
- (2) General partners may entrust the management of the limited partnership by stocks to one or more managers.

### **Supervisory Board**

#### **Article 438**

- (1) The Assembly of the Limited Partnership by Stocks shall appoint, under the conditions and in the manner provided for in the Agreement for a limited partnership by stocks, a Supervisory Board that shall have at least three stockholders. A general partner may not be appointed a member of the Supervisory Board. In addition, general partners may not appoint the members of the Supervisory Board.
- (2) The Supervisory Board shall control the management of the limited partnership by stocks. The Supervisory Board shall submit to the Assembly of the Limited Partnership by Stocks a regular annual report that indicates any irregularities or incorrectness, especially in the annual balance sheets. The Supervisory Board may convene the Assembly of the Limited Partnership by Stocks.
- (3) In all legal disputes filed by all limited partners-stockholders against the general partners, or filed by the general partners against all limited partners-stockholders, limited partners-stockholders shall be represented by the members of the Supervisory Board, in the manner provided for in the Company Agreement, unless the Assembly has already elected other representatives. The limited partnership by stocks shall bare the costs of the dispute which have to be paid by the limited partners-stockholders, regardless of the limited partnership's right to reimbursement against the limited partners-stockholders.

### **Liability of the Members of the Supervisory Board**

#### **Article 439**

(1) Members of the Supervisory Board shall not be liable for the activities undertaken in the process of managing of the limited partnership by stocks and for the results achieved with such managing.

(2) Members of the Supervisory Board may not be declared liable for the actions undertaken by the general partners or the managers, unless they were aware of such actions, but did not inform the Assembly of the Limited Partnership by Stocks. The members of the Supervisory Board shall be liable for their personal mistakes during their mandate.

## **Chapter Six** **RULES ON DIFFERENT TYPES OF TRADE COMPANIES**

### Section One CHARACTERISTICS OF A COMPANY

#### **Subsection One** **Business Operations**

##### **Commercial Activities as Business Operations** **Article 440**

- (1) Companies may carry out any activity that is not prohibited by law.
- (2) The law may restrict activities of public interest related to the defence and security of the country, and other activities of public interest to certain types of companies determined by law.
- (3) The business operations of a company shall be recorded in the Trade Registry. The company may commence its activities upon recordation of such activities in the Trade Registry.
- 4) A company may, without a record in the Trade Registry, carry out other activities necessary for its existence and activities covered by its business operations, although such activities are not directly covered by the business operations.

##### **Business Operations through Branch Offices** **Article 441**

A company may carry out certain activities covered by its business operations through its branch offices. The branch offices are not legal entities and may undertake any activities related to the company's business operations.

## **Determining Company's Business Operations**

### **Article 442**

The activities of branch offices within the business operations of the company shall be recorded in the Trade Registry and shall be determined by the Form for Incorporation, or by the Company Agreement or Charter, or by a decision based on such documents.

## **Special Conditions**

### **Article 443**

- 1) A company may commence business operations or certain activities covered by its business operations if it attaches to the form for entry in the Trade Registry an approval or other document issued by a state body that confirms that the technical, sanitary, environmental and other requirements related to carrying out certain activities covered by the company's business operations have been met.
- 2) The Law may prescribe that certain activities covered by the company's business operations may be carried out only by certain types of trading companies, or that they be carried out only with the consent, approval or other document issued by a state body or other institution.

## **Limitations**

### **Article 444**

- 1) A company may execute contracts and carry out other activities related to the trading of goods and services provided that such activities are within the scope of business operations recorded in the Trade Registry.
- 2) Legal affairs concluded between the company and third parties that exceed the business operations recorded in the Trade Registry shall be valid to the extent that the third party knew, or should have known under the circumstances that the legal affairs were outside the scope of the company's business operations. The announcement of the entry of the company in the Trade Registry is not conclusive as to whether the third party knew or should have known under the circumstances that the legal affairs were outside the scope of the company's business operations.

## **Application of the Provisions Pertaining to the Activity of a Trade Company to the Activity of a Sole Proprietor**

### **Article 445**

The provisions of this Law pertaining to the activities of a trade company shall also apply to a sole proprietor, unless otherwise provided by this Law.

## **Subsection Two Head Office**

## **Head Office**

### **Article 446**

(1) The head office of a company shall be deemed to be the location determined by the Company Agreement or Charter and recorded in the Trade Registry.

(2) The head office of a company may be the place in which the company will carry out its activities, or the place from which the company will be managed or the place wherein the managing body is located.

## **Actual Head Office**

### **Article 447**

1) The place where from the company's activities are generally carried out shall be considered the actual head office of the company. The place where from the Board of Directors or the Managing Board manage the company, shall be considered the company's head office if the activities are carried out from several places.

2) If the actual head office is different from the head office recorded in the Trade Registry, third parties may refer to the actual head office in regard to legal consequences resulting from the company's head office.

## **External Branch Offices**

### **Article 448**

1) A company may establish branch offices at locations away from the head office.

2) The location of a branch office shall govern which court has jurisdiction to determine the rights and obligations resulting from branch office operations.

## **Subsection Three**

### **Trade Name**

#### **Trade Name of a Trade Company**

##### **Article 449**

The trade name of a company shall be deemed to be the name used by the company in its operations and legal affairs.

#### **Content of the Company's Trade Name**

##### **Article 450**

1) The trade name shall include a mark indicating the type and activities of the company.

2) The trade name shall include the address company's head office.

3) The trade name may include additional data (drawings, pictures, etc.) to designate the company, except data that misleads or might mislead people regarding company's type or its business operations, or data that may cause confusion with the trade name or the mark of another company, or person, or if such data violates the rights of the other company or person.

- 4) The trade name may be used as a trade seal, unless otherwise provided by Law.

### **Limitations Related to Expressions [Words] Used in a Trade Name**

#### **Article 451**

- 1) Expressions [words] designating the trade names of historical persons and places, nationality, the state [Republic of Macedonia] and its abbreviations, a district [municipality] in the Republic of Macedonia, or the City of Skopje, may be included in the trade name of a company only with the approval of the Ministry of Justice.
- 2) Foreign citizens shall not include the designation Macedonia or words derived therefrom in the trade name of a company.

### **Use of the Macedonian and Other Languages**

#### **Article 452**

- 1) The trade name shall be expressed in the Macedonian language and the Cyrillic alphabet, but may include translations in foreign languages and alphabets where preserving the content.
- 2) Trade names of companies which are in a foreign language or alphabet shall be recorded in the Trade Registry in the Macedonian language and in any other languages used in the trade name.

### **Mark of a Company's Business Operations**

#### **Article 453**

A trade name must contain a mark that will designate the company's business operations in addition to marks that closely define the name and type of the company.

### **Use of a Company's Trade Name**

#### **Article 454**

- 1) A company must use the trade name recorded in the Trade Registry in the course of conducting its operations.
- 2) A company may also use its abbreviated trade name that must include a mark to distinguish the company from other companies, in addition to the abbreviated mark indicating the type of company as prescribed by this Law.
- 3) The abbreviated mark of the company shall be recorded in the Trade Registry.
- 4) The trade name or the abbreviated trade name must be displayed on the company's business premises.

### **Requirement that Trade Names Be Unique**

#### **Article 455**

- (1) New trade names must be different from the trade names of companies already entered in the Trade Registry on the territory of the Republic of Macedonia.

- (2) Partner(s) of a general partnership or a general partner of a limited partnership who share their name and surname with another person already recorded in the Trade Registry shall be obliged to add word(s) to their name to clearly distinguish their trade name from the trade names of the companies already entered in the Trade Registry. The required distinction shall be the one that can be noticed with the care customary for business affairs.
- (3) Connected companies or companies having business operations connected to those of a local or foreign natural person or legal entity may, upon consent, use mutual components in the company's trade name or mark the joint operation in the customary manner.

### **Transfer of a Trade Name**

#### **Article 456**

A trade name may be transferred to another entity only in conjunction with the company that is registered under that trade name.

### **Use of an Old Trade Name**

#### **Article 457**

- 1) The old trade name may continue to be used even if a new interest holder joins the company or some of the existing interest holders withdraw. The old trade name may be used only with consent of withdrawn interest holders or their successors if their name is included in such trade name.
- 2) If the trade name is changed by the addition or withdrawal of an interest holder, the interest holder's name shall be added or removed from the trade name, respectively.

### **Entry of the Same or Similar Trade Name In the Trade Registry**

#### **Article 458**

- 1) Several companies carrying out identical or similar activities may not be entered in the same Trade Registry under the same or a similar trade name.
- 2) If several companies with identical or similar business operations file with the court under identical trade names the company which filed first shall be entitled to be entered in the Trade Registry under such trade name.
- 3) The right to file a complaint requesting protection for a trade name shall terminate three (3) years after the company against which the complaint is filed has been entered in the Trade Registry.

### **Prohibition on the Use of a Trade Name**

#### **Article 459**

- 1) Upon the complaint of a party with legal interest, a court shall prohibit the use of a trade name in the following situations: if a party that is not entitled to use a trade name under this Law uses it; if a trade name is used contrary to the manner in which it was entered in the Trade Registry or contrary to this Law; or, if the honour and

reputation of a person whose name is included in the trade name is affected by the company's operations, or if such person is dead, the honour of his/her successors.

- 2) A company or person whose rights have been violated by the illegal use of their trade name or personal name may file a complaint requesting prohibition of further use of the trade name and compensation for damages.
- 3) One who is entitled to the use of a trade name of a company that is used by another and causes confusion in their business affairs shall have the right to file a complaint in accordance with paragraph 2 of this Article.
- 4) Decisions made in accordance with paragraphs 2 and 3 of this Article shall be announced by the court in a newspaper selected by the complainant at the expense of the party that lost the dispute.
- 5) This Article shall not affect the regulations on protection of a trade name against illegal use which derive from other laws.

### **Principle of Uniform Trade Names**

#### **Article 460**

- 1) Every part of the company must use the same trade name in their legal affairs with the option of adding word(s) to the trade name to indicate that the party entering into the legal affair is a part of that company.
- 2) As a part of a company, branch offices shall use the trade name of the company in its legal affairs.

### **Use of a Previous Owner's Trade Name**

#### **Article 461**

- 1) A entity who acquires the trade name of a sole proprietor may use the trade name of the company with or without additional word(s) to indicate the change of owners, provided that the previous owner or his/her legal successors consent to such use.
- 2) Paragraph 1 of this Article shall also apply to legal affairs related only to the transfer of the right to use or to usus fructus to the sole-proprietor.

### **Trade Name of a Sole Proprietor**

#### **Article 462**

A trade name is the name under which sole proprietors sign and run their business operations.

### **Application of the Provisions Pertaining to a Company's Trade Name**

#### **to a Sole Proprietor's Trade Name**

#### **Article 463**

The provisions of this Law pertaining to a company's trade name shall also apply to a sole proprietor's trade name.

Section Two  
PROCURATION

**Definition of Procuration**

**Article 464**

- 1) Procuration refers to the act of designating a commercial power of attorney with the content and extent of that power determined by this Law.
- 2) Procuration may be issued only by legal entities or natural persons that are deemed commercial entities in accordance with this Law.
- 3) Procuration shall be issued in compliance with the Company Agreement or Charter.
- 4) Procuration shall be issued in writing.

**Procurator**

**Article 465**

- 1) Persons who are of age and are capable of doing business, regardless of their duties and tasks, may be issued procuration, unless otherwise provided by the Company Agreement or Charter.
- 2) Procuration may not be issued to a legal entity.
- 3) The relations between a company and a procurator, particularly remunerations, shall be regulated by an agreement.

**Individual and Joint Procuration**

**Article 466**

- 1) Procuration may be issued to one person (Individual Procuration) or to several persons together (Joint Procuration).
- 2) If the procuration is issued to several persons, each person shall be considered a procurator and shall be entitled to represent the company independently within the scope of this Law.
- 3) Procuration issued to several persons shall be considered joint procuration only if explicitly stated in the procuration.
- 4) In joint procurations, the legal affairs and effects shall be considered valid only if jointly conducted by all procurators or if all of the procurators consent. The legal affairs and activities carried out by one of the procurators shall be valid if explicit consent of all other procurators was provided or if subsequent consent of other procurators is provided.
- 5) Statements of intent or legal affairs and action made towards one of the procurators shall be deemed to have been made towards all procurators.
- 6) Knowledge of important facts or the fault of one of the procurators shall have legal ramifications for the legal entity that issued the procuration regardless of whether other procurators were aware of or responsible for that.

## **Authority Arising from Procuration**

### **Article 467**

- 1) A procurator may execute contracts and carry out other legal affairs and activities on behalf of the company within the scope of its business activities and operations and represent the company in procedures before administrative and other state bodies, public institutions and courts.
- 2) A procurator may not alienate and encumber real estate, nor make statements or undertake legal affairs that will lead to initiation of a bankruptcy or other procedure that may result in the termination of the company. A procurator may not authorise another party to execute contracts [on behalf of the company].

## **Limitations on Procuration**

### **Article 468**

- 1) Limitations on procuration that are not prescribed by this Law shall not legally bind third parties, regardless of whether the third party was aware or should have been aware of such limitations.
- 2) Limitations on the procuration related to the operation of branch offices shall have legal effect only if recorded in the Trade Registry.

## **Execution of a Contract by the Procurator and With Him/Herself**

### **Article 469**

Contracts executed by a procurator without explicit authority on behalf of the company with the procurator as a contracting party, on his/her behalf and/or on own account, or on behalf and/or on the account of another party, shall be void.

## **Procurator's Signature**

### **Article 470**

- 1) Procurators shall sign on behalf of the company by affixing their name and surname, including word(s) that indicate their position as a procurator or by adding *Ap.p @-Potpis na Prokuristot* (Procurator's Signature) under the trade name.
- 2) Each procurator of a join procuration shall sign in the manner determined in paragraph 1 of this Article.

## **Transfer of Procuration**

### **Article 471**

- 1) Procuration may not be transferred to another party.
- 2) Provisions on procuration or statements of the company, which authorize a procurator to transfer the procuration and statements by the company which refer to previous or additional approvals for transferring the procuration shall not have legal effect.

### **Revokation of Procuration**

#### **Article 472**

- 1) A procuration may be revoked at any time regardless of any legal relations it may be based on.
- 2) Provisions of the contract upon which the company waives the right to revoke the procuration, as well as the provisions by which the right to revoke the procuration, is conditioned by a time period or by another condition, shall be void.
- 3) Paragraphs 1 and 2 of this Article shall not exclude or reduce the rights of the procurator arising from the procuration contract.

### **Sole Proprietor's Procuration**

#### **Article 473**

- 1) Sole proprietors may issue a procuration personally. The authority conferred by such procuration is not transferrable to another party.
- 2) The validity of the procuration issued by a sole proprietor shall not terminate upon the issuer's death or denial or limitation of his/her business capability.
- 3) Provisions of this Law pertaining to procuration issued by companies shall also apply to sole proprietors.

### **Record of Procuration**

#### **Article 474**

- 1) The sole proprietor shall file a form requesting that issuance, revokation and limitation on individual or joint procurations be entered in the Trade Registry. The decision to issue or revoke or limit a procuration shall be attached to the form.
- 2) The procurator's full name, and personal identity number shall be recorded in the Trade Registry.
- 3) Procurators shall deposit their signature with the court.
- 4) The issuance, revokation or limitation of the procuration as to third parties shall have legal effect upon their recordation in the Trade Registry.

## Section Three

### AUTHORISED COMMERCIAL AGENTS AND SALESMEN

#### **Definition of Authorised Commercial Agent**

##### **Article 475**

- 1) An authorised commercial agent is a person employed by the company or other person that is compensated and authorised by the company's representatives to manage the company or a part of it within prescribed limits of authority.
- 2) The authority shall encompass all activities and legal effects related to and usual for the company's business operations. The authorisation shall be in a signed writing certified by the Court.
- 3) Unless specifically authorized, the commercial agent shall not encumber or alienate the real estate of the company nor obligate it by bill of exchange or check, obtain loans or represent the company in disputes.

- 4) Articles 465, paragraph 3, Article 470 and Article 472 of this Law shall also apply to authorised commercial agents.

### **Authority of a Commercial Agent**

#### **Article 476**

- 1) Commercial agents shall be authorised within specified limitations to execute any contract and to undertake all legal affairs related to the regular operations or part thereof of the company.
- 2) Commercial agents may not alienate or encumber the company's real estate, obligate it by bill of exchange or check, obtain loans, agree on arbitration, enter into settlements or litigate.
- 3) Limitations on authority, excluding those pertaining to paragraph 2 of this Article, shall not have legal effect as to third parties who neither were nor should have been aware of such limitations.
- 4) Commercial agents may not act as a contracting party and execute contracts with the company on their own behalf and on their own account, on their behalf but on the account of a third party, or on behalf and on the account of third parties, without special authorisation from the company. Contracts executed by commercial agents in violation of this provision shall be void.
- 5) The signature of commercial agents shall include an indication that they are commercial agents but any word(s) indicating they are procurators must not be included in the signature.

### **Exceeding Authority or Operating Without Procuration**

#### **Article 477**

- 1) Parties who conclude legal affairs as procurators or commercial agents without procuration or authority, and the authorised parties who exceed their authority in the conduct of business affairs shall be personally liable to injured third parties. Third parties may request specific performance or compensation for damages.
- 2) The obligation pertaining to paragraph 1 of this Article shall not apply to third parties who were aware of the lack of authority or the exceeding of the procuration or authorisation.

### **Salesperson**

#### **Article 478**

- 1) Companies and sole proprietors may confer the authority of a salesperson on its employee or other persons.
- 2) The authority of salesperson shall be given in writing.
- 3) Salesperson shall have the authority to do the following on behalf of and on the account of the provider of the authority: (i) execute contracts for sale of goods; (ii) deliver goods and collect payment; (iii) accept statements of the purchasers related to the contracted goods; (iv) make statements; and (v) undertake other activities to protect the provider's rights arising from the contract concluded on his/her behalf and account.

- 4) Limitations on the authority of the salesperson shall not have legal effect as to third parties who were not aware or had no duty to be aware of such limitations.
- 5) A salesperson may not sell goods that must be paid in installments or by postponed payment without a special authority.
- 6) The limitations set forth in Article 464 of this Law shall also apply to the salesperson.

## Section Four TRADE REGISTRY AND REGISTRATION PROCEDURE

### **Subsection One Trade Registry**

#### **Content of Entries**

##### **Article 479**

- 1) Companies and legal entities shall be entered in the Trade Registry if determined by Law.
- 2) As parts of a company, branch offices shall be entered in the Trade Registry in cases and in the manner as prescribed by this Law.
- 3) Sole proprietors shall also be entered in the Trade Registry.

#### **Characteristics of the Trade Registry**

##### **Article 480**

- 1) The Trade Registry is a public book.
- 2) The Trade Registry shall be maintained in a uniform manner throughout the territory of the Republic of Macedonia, as provided by this Law and the regulations of the Ministry of Justice.
- 3) The regulations promulgated pursuant to paragraph 2 of this Article shall closely define the Trade Registry, the registration procedure, the accompanying books, the content of the filing forms, the cover sheet of the registry file and file control book, the announcement of entries, documents and evidence attached to the form for an entry, Trade Registry data processing, and relevant issues.

#### **Significance and Type of Entry**

##### **Article 481**

- 1) Any entity exercising due diligence in the course of its legal affairs and with confidence in the data entered in the Trade Registry shall not suffer any harmful legal consequences resulting therefrom.
- 2) The Trade Registry shall include those records provided or permitted by this Law.

## **Entry Based on an Entry Form and Ex-Officio**

### **Article 482**

Entry shall occur based on a form for entry filed by the commercial entity or ex-officio [in the line of duty] in cases defined by this Law.

## **Trade Registry Kept by the Court**

### **Article 483**

- 1) The Trade Registry shall be maintained by the court prescribed by Law.
- 2) Entries in the Trade Registry shall be based on a decision of the Registration Court.
- 3) A single judge shall decide upon the form for entry in the Trade Registry, while a Council of three judges shall decide in cases of second instance.
- 4) Entries in the Trade Registry shall be made pursuant to provisions of the non-contentious procedure, unless otherwise provided by this Law.

## **Subsection Two**

### **Entry of Companies**

#### **Persons Entitled to Submit Records for Entry**

##### **Article 484**

- 1) The Company Agreement or Charter shall determine who will be obliged to submit records for entry in the Trade Registry unless otherwise provided by this Law. If the Company Agreement or Charter do not designate such a person and such person is not determined by this Law, the form for entry shall be filed by the person authorised to represent the company.
- 2) Any person obliged to file data for entry in the Trade Registry and to submit documents and signatures required by this Law shall submit such information for entry in the Trade Registry within fifteen (15) days of the fact occurred, unless a different time period is provided by this Law.
- 3) A person having certified power of attorney may submit the form for entry, unless otherwise provided by this Law.

#### **Public Nature of the Trade Registry, Copy of Entries and Files**

##### **Article 485**

- 1) Any person shall have the right to review, copy and request a certified copy of any records entered in the Trade Registry.
- 2) Any person shall have the right to request a copy of all or certain entries, and of documents pertaining to paragraph 1 of this Article. The copy shall be certified and issued by the person responsible for maintaining the Trade Registry. This person shall be liable for such action.
- 3) Upon request of a party, the court shall issue a document certifying that an entry exists, was erased or that there is no entry.

## **Announcement of Entries**

### **Article 486**

- 1) Data that refers to entered entities and that is recorded in the Trade Registry shall be published in the Official Gazette of the Republic of Macedonia.
- 2) The court shall immediately announce the entry in the Trade Registry in the Official Gazette of the Republic of Macedonia, unless otherwise provided by Law. The entity that was entered in the Trade Registry may also announce its entry in other newspapers.
- 3) The entity shall announce the entry at its own expense.
- 4) The entire content of the entry shall be announced, unless partial announcement is prescribed by Law.

## **Legal Effects of Entries**

### **Article 487**

- 1) The entry in the Trade Registry shall be duly completed once it is published in the Official Gazette of the Republic of Macedonia, unless otherwise provided by this Law.
- 2) The entry in the Trade Registry may have legal effect, or may be claimed against third entities, as of the first business day following the announcement in the Official Gazette of the Republic of Macedonia.
- 3) The Law may prescribe special conditions as to the time-period in which the entry will have legal effect against third parties. The Law may determine another date in which the time period for the announcement of the entry in the Trade Registry will begin to run.

## **Prohibition to Claim Against Third Parties Recorded or Not Recorded Facts That Have Not Been Announced**

### **Article 488**

- 1) The person obliged to file a form for entry in the Trade Registry may make claim against third parties that have not been recorded in the Trade Registry.
- 2) One can not declare his/her ignorance of facts once they are entered in the Trade Registry and announced.

## **Depositing of Signatures with the Court**

### **Article 489**

- 1) The signature of a sole proprietor shall be recorded in the Trade Registry.
- 2) Signatures that must be maintained by the Court shall be personally deposited or submitted as certified.
- 3) Parties who request a record in the Trade Registry on the basis of a document shall submit an original and a certified copy of such document to the court.

**Liability of Parties Who do Not File the Form for Entry**  
**Article 490**

Persons who are obliged to file a form for entry in the Trade Registry on behalf of an entity and who fail to do so deliberately or through severe negligence shall be liable for resulting damages.

**Obligation of the Court to Enter**  
**Article 491**

The court shall make a record in the Trade Registry if the properly completed form and all documents supporting the facts to be recorded in the Trade Registry as provided by Law were submitted by the authorised person.

**Participation in Entry Procedure and**  
**Entry Filed by Other Participants**  
**Article 492**

If with a final decision of the court a duty to participate in the procedure for entry in the Trade Registry is determined pertaining to one of the participants obliged to make the entry or if it is determined that one of the participants has entered into legally binding relations which ought to be entered in the Trade Registry, it will suffice if the entry form is filed by the other participants.

**Change of Entry**  
**Article 493**

- (1) A person who declares that s/he has been affected by the entry or denial of entry shall have the right to request change of the entry in the Trade Registry. Upon request of the proposer any changes that are required shall be entered in the Trade Registry.
- (2) The Registration Court may postpone the entry which depends upon a judicial resolution of a dispute until the dispute has been resolved. If some of the existing entries ought to be changed as a result of a new entry, then the dispute shall be recorded in the Trade Registry upon request of one of the parties.
- (3) The records referred to in paragraphs 1 and 2 shall not be announced.

**Entry of Trade Companies That Changed Their Head Offices**  
**Article 494**

- (1) Changes in a company's head office shall be reported to the court that maintains the Trade Registry in which the company is currently entered.
- (2) The court referred to in paragraph 1 of this Article shall deliver the filing form and the officially certified excerpts of all the company's entries in the Trade Registry to the Registration Court having jurisdiction over the territory in which the new head office of the company is located.
- (3) The court having jurisdiction over the territory in which the new head office of the company is located shall make a decision to enter the company in the Trade Registry, by which it shall enter all existing entries in the Registry that it maintains. The court shall inform the Registration Court in which the company had been registered of any entries made and the announcement which shall serve as the basis

upon which such court shall delete the entry of the company from its Registry. Deletion from the Trade Registry shall be announced in AThe Official Gazette of the Republic of Macedonia@.

- 4) If the court refuses to enter the company in its Registry it shall inform the court in which the company has previously been registered.

## **Subsection Three**

### **Entry of Sole Proprietors**

#### **Content of a Natural Person's Filing Form**

##### **Article 495**

- 1) A natural person who is obliged by this Law to request entry into the Court Registry shall file a form for entry in the Trade Registry within sixty (60) days of the submission of proof issued by a competent government body or fund that s/he has fulfilled the obligations imposed by Law.
- 2) The entry form shall be filed by the natural persons pertaining to paragraph 1 of this Article in person or through their procurator, or through some other authorised person with an attested power of attorney.
- 3) The entry form must include the trade name, business address, description of operations, proof of annual income pertaining to paragraph 1 of this Article, name of the Registry and the number under which the natural person has been entered as a sole proprietor.
- 4) The entry form pertaining to paragraph 1 of this Article shall have the following attachments:
  - 1) Excerpt from the Registry pertaining to paragraph 3 of this Article; and
  - 2) Annual financial report that was submitted to the competent government body and that proves that annual income was earned.
- (5) The name, business address and operations of the sole proprietor shall be entered in the Trade Registry.
- (6) The provision pertaining to paragraph 4, item 2, of this Article shall not apply to natural persons who register as sole proprietors for the first time.

#### **Deletion of Sole Proprietor's Entry**

##### **Article 496**

- (1) Sole proprietor whose obligation to be entered in the Trade Registry ceases to exist according to this Law may file a form to the Registration Court requesting deletion from the Registry.
- (2) Sole proprietors shall attach the last annual financial report that they filed in accordance with this Law.
- (3) The Registration Court shall delete, ex officio [in line of duty], from the Trade Registry the entries of the sole proprietor whose annual financial report received by

the court indicates that he/she no longer satisfies the conditions prescribed by this Law for entry in the Trade Registry.

- (4) The status of the sole proprietor shall terminate upon deletion from the Court Registry.
- 5) Other provisions of this Law shall also apply to sole proprietors.

## Section Four Entry Procedure

### **Initiation of an Entry Procedure**

#### **Article 497**

- 1) Authorized persons shall initiate the procedure for entry in the Trade Registry by filing a form in the manner prescribed by this Law.
- 2) The procedure for entry in the Trade Registry shall be initiated ex-officio [in the line of duty] or upon the request of other government bodies pursuant to this or other law.
- 3) The procedure for entry in the Trade Registry shall be considered urgent.
- 4) The court shall process the entry forms in the order in which they have been received unless individual circumstances require a different approach.
- 5) If the court decision on entry is contingent upon certain facts which another body or organisation is authorised by law to decide, the court shall determine the period within which the decision of this body or organisation has to be provided.

### **Types of Decisions on Entry**

#### **Article 498**

The court's decision on entry in the Trade Registry shall be in the form of a court order.

### **Appeal Against Completed Entry**

#### **Article 499**

- 1) The court order on entry in the Trade Registry may be appealed.
- 2) The procedure on entry in the Trade Registry shall not allow for restoration of prior state [restitutio in integrum].

### **Participant in Procedure -Subject of Entry**

#### **Article 500**

- 1) Under this Law, a participant in the procedure shall be the subject of entry and the body authorised by Law to initiate the procedure or to be included in it at a later stage. The person who initiated the procedure or the person whose rights or legal interests are being decided upon in the procedure shall also be the subject of entry.
- 2) Under this Law, a proposer or the person upon whose proposal the procedure is initiated shall be the subject of entry and the company to which the proposal refers shall be the opposing party.

- 3) Each participant shall cover their own expenses incurred in the procedure on entry in the Trade Registry.

### **Location of Entry**

#### **Article 501**

- 1) All entries in the Trade Registry shall be made at the Registration Court having jurisdiction over the territory in which the head office of the company is located.
- 2) As an exception to paragraph 1 of this Article, the Registration Court in which the subject of entry that is changing status has been entered shall have the jurisdiction to enter the incorporation of the new legal entities born out of the change in status (integration or division and merger or demerger) of the existing entry [legal entity]. The procedure for other cases of incorporation shall be under the jurisdiction of the court having jurisdiction over the territory in which the main office of the legal entity is based.

### **Court of Entry**

#### **Article 502**

- (1) If the company includes legal entities with head offices on the territory of another court, entries shall also be made in the Trade Registry of that court (hereinafter: Court of Entry), based on a decision made by the Registration Court.
- (2) If a change in the location of the company's head office results in another Registration Court having jurisdiction, the Registration Court having jurisdiction over the territory in which the new head office of the company is located shall decide on entry of the change.

### **Entry of New Entities on the Territory of Another Court**

#### **Article 503**

- 1) If the head office of the new subject of entry that is incorporated from an existing subject of entry that has already been entered in the Trade Registry is located on the territory of another court, the Registration Court shall submit the decision for entry of changes related to such incorporation to the court having jurisdiction over the territory in which the head office of the new subject of entry is located.
- 2) The new Registration Court shall enter the new subject of entry in its Trade Registry based on the previous Registration Court's decision and immediately inform the previous Registration Court of the entry made.
- 3) Based on the entry made in accordance with the provision in paragraph 2 of this Article, the court having jurisdiction over the territory in which the head office of the subject is located shall be deemed the competent Registration Court for that subject. The previous Registration Court shall delete ex-officio [in the line of duty] the subject from its Trade Registry upon receiving the notice submitted by the new Registration Court.

## **Entry of the Establishment of a Branch Office**

### **Article 504**

- 1) The establishment of a branch office shall be registered in the Registration Court for the territory in which the head office of the company which established the branch office is located.
- 2) The Registration Court pertaining to paragraph 1 of this Article shall enter the establishment of the branch office in its Registry and send the filing form with the required attachments, signatures and the officially certified excerpt from its Registry to the Court for the territory in which the branch office is located.
- 3) If the Court Registry deems entry to be proper, the Court of Entry shall enter the branch office and enter in its Registry the certified excerpt of the Registration Court in which the company that established the branch office has been registered without any alterations. The former shall inform the court having jurisdiction over the territory in which the head office of the company subject of entry that established the branch office is located of any obstacles to entry.

## **Entry of Other Filing Forms of the Branch Office**

### **Article 505**

- 1) Other filing forms of the branch office shall be filed and entered in the Registration Court for the territory in which the head office of the company subject of entry that established the branch office was established. The officially certified excerpt of the entries, including one copy of the filing form, attachments, signatures and the reference number of the Official Gazette of the Republic of Macedonia in which the excerpt was published, shall be delivered to the Court of Entry for the territory in which the branch office is located for entry on that basis.
- 2) Entry of branch office's establishment and other entries in the Trade Registry that refer to the branch office shall be announced by the court having jurisdiction over the subject of entry that established the branch office. Other entries that refer to the branch office shall be announced by the Court of Entry, unless previously announced by the Court having jurisdiction over the company which has established the branch office.

## **Entry Procedure**

### **Article 506**

- 1) The procedure for entry in the Trade Registry shall be initiated by filing the requisite filing form.
- 2) The filing form shall include a request for entry of all records or their changes which have to be recorded in the Trade Registry and other obligatory relevant data.
- 3) The form for entry in the Trade Registry and required documents shall be filed with the Registration Court in sufficient number of copies for the court and for each subject of entry.
- 4) The filing form shall be filed in two copies, including certified copies of all documents, if the entry will also be made in the Registry maintained by the Court of Entry.

- 5) The filing form for entry in the Trade Registry shall be filed within fifteen (15) days of the time the conditions for entry are satisfied, unless otherwise provided by this Law.

### **Documents Attached to the Filing Form**

#### **Article 507**

- 1) The proposer shall attach to the filing form supporting documents that contain the data to be entered in the Trade Registry and other requisite documents as required by the type of entry.
- 2) The original or a copy of the documents pertaining to paragraph 1 of this Article that are certified by a competent court or other authorized government body shall be filed, unless otherwise provided by Law.
- 3) Proposers may authenticate a copy of the document they originally issued.
- 4) Proposers shall file a form for entry of the establishment of a new form of a company when a company converts from one form into another.

### **Examination of Formal and Material Conditions for Entry**

#### **Article 508**

- 1) The Registration Court shall examine whether formal and material prerequisites for entry have been satisfied prior to passing an order pertaining to the application for entry in the Trade Registry,
- 2) The Registration Court shall examine in particular whether documents required by this Law, which are to be entered or attached to the filing form, are contrary to the Law and whether they contain the provisions or data required by Law.
- 3) A court that determines that it lacks subject matter or local jurisdiction to pass on the entry form shall declare that it lacks jurisdiction by entry of a final court order, and transfer the filing form to the competent Registration Court.

### **Formal Conditions for Entry**

#### **Article 509**

The formal conditions pertaining to Article 508 of this Law shall include:

- 1) An authorised person shall file the filing form;
- 2) The filing form to be filed in the prescribed form and content and in the required number of copies;
- 3) The original or certified copies of all necessary documents to be attached to the filing form;
- 4) The documents to be filed in accordance with a prescribed procedure;
- 5) The documents to have the prescribed content; and
- 6) All other formal conditions imposed by this Law.

### **Material Conditions for Entry**

#### **Article 510**

Material conditions pertaining to Article 508 of this Law include:

- 1) Request for entry to be in accordance with the Law;

- 2) Request for entry to be in accordance with the provisions of the regulations on data or changes entered in the Trade Registry;
- 3) All other material conditions imposed by this Law.

### **Court Sitting on a Filed Entry Form**

#### **Article 511**

- 1) The court shall return ambiguous or incomplete form for entry in the Trade Registry to the applicant for corrections and amendments.
- 2) The Registration Court that returns the entry form to the proposer or the participant for corrections or amendments shall by court order determine the period within which the entry form may be refiled. This period shall not exceed thirty (30) days.
- 3) The entry form shall be deemed withdrawn if not refiled within the required period. The court shall reject the entry form if it is returned without corrections or amendments.
- 4) The entry form shall be deemed to have been filed on the day in which it was initially filed if it is corrected or amended and filed within the prescribed period.
- 5) If the filing form and attachments are filed in insufficient number of copies, the court shall order the proposer or the participant to file them within a prescribed period of time. The Court shall reject the filing form if the proposer or participant fails to comply with the court order.

### **Addendum to the Filing Form or Documents**

#### **Article 512**

- 1) The Registration Court shall order the proposer to amend the filing form or the documents to conform with the Law within a period of not more than sixty (60) days if: (i) the filing form includes a request that does not correspond to the prescribed terms; (ii) the documents attached to the filing form do not contain all data which must be entered in the Trade Registry; (iii) the content of the filing form does not comply with the Law; (iv) the filing form is filed in a procedure contrary to this Law.
- 2) As an exception to paragraph 1 of this Article, the Registration Court may prescribe a period for amending the filing form that does not exceed six (6) months if the subject of the entry is obliged to attach to the filing form a document of approval or consent issued by a competent body which is a prerequisite for entry or for conducting an activity, or for other justified reasons.
- 3) The Registration Court shall reject the form for entry in the Trade Registry if the proposer fails to act within the period pertaining to paragraphs 1 and 2 of this Article.

### **Refusal of Entry**

#### **Article 513**

- 1) If the court doubts the authenticity of a document that supports the facts to be entered, or that documents were filed according to the Law, or that the legal action that is the subject of entry is in compliance with the law (execution of a contract,

election or appointment of a body, organisation, etc.), it shall, ex officio [in the line of duty], examine the circumstances relevant to the entry and refuse the request for entry if the conditions for entry were not satisfied.

- 2) The Registration Court shall set a date for a hearing to examine the circumstances pertaining to paragraph 1 of this Article. The proposer and other relevant parties familiar with the circumstances shall be summoned to present evidence at the hearing.
- 3) The court may summon the proposer or the participants in the procedure, as well as other relevant parties for questioning if necessary to define and clarify the deciding facts.

### **Obligation for a Provision of Document**

#### **Article 514**

- 1) If the Registration Court suspects the existence of certain facts on the basis of which it can be determined whether the request for entry in the Trade Registry is in accordance with the law, and this Registration Court is not authorized to determine the existence of such facts, it shall order the proposer to provide relevant documentation from the administrative body authorized by law within a specified period of time.
- 2) If the Registration Court is competent to determine whether the facts pertaining to paragraph 1 of this Article exist, it shall instruct the administrative body or organisation to initiate a procedure for determining whether the facts exist.
- 3) Once the Registration Court is informed that the procedure pertaining to paragraph 2 of this Article has been initiated, it shall stay the procedure for entry in the Trade Registry until the procedure is completed and a final decision is issued.

### **Resumption of Procedure for Entry**

#### **Article 515**

- 1) The proposer shall file the decision with the Registration Court within eight (8) days of receipt of the court's final decision and propose resumption of the procedure for entry in the Trade Registry.
- 2) Procedures that have been stayed in accordance with Article 514, paragraph 3 of this Law shall be resumed upon the proposer's proposal.
- 3) The Registration Court shall refuse to accept the application or reject the filing form by an order if the proposer fails to file the document in accordance with Article 514, paragraph 1 of this Law.

### **Examination upon Entry of a Trade Name**

#### **Article 516**

- 1) The Registration Court shall ascertain whether another company has already been entered or duly filed for entry in the Trade Registry under the same or similar name prior to passing the decision on entry whereof it shall issue an official statement.
- 2) If the court determines that the trade name of a company requesting entry cannot clearly be differentiated from the trade name of another subject of entry that has already been entered in the Trade Registry or that has duly filed an entry form, and

the entry refers to a trade name of a company with the same or similar principal activity, the court shall order the proposer to change the trade name and file the amended entry form and other relevant documents within a set period. The court shall deny the entry in the Trade Registry if the proposer fails to abide by the court decision.

### **Withdrawal of Filing Form** **Article 517**

- 1) The proposer may withdraw the form for entry in the Trade Registry prior to the entry of the order.
- 2) The Registration Court shall expel the procedure with an order if the proposer or participant withdraws the form for entry in the Trade Registry.

### **Order for Entry** **Article 518**

- 1) The Registration Court shall pass a decision for each filing for entry in the Trade Registry after determining the deciding facts.
- 2) The Registration Court shall simultaneously decide on the entry of all data subject to entry in the Trade Registry.
- 3) As an exception to paragraph 2 of this Article, the Registration Court shall decide separately on the request for entry of amendments of the entered data.

### **Content of the Court Order for Entry** **Article 519**

- 1) The court order for entry shall contain the name and the head office of the court, the name of the judge, the trade name of the proposer, the name of the authorised person, the subject of entry and the date of the court order on the subject of entry, and other data relevant to legal transactions.
- 2) The court order shall also contain an explanation if the request or the entry form filed by the proposer is rejected or the court decides upon opposing proposals of the participants or in other cases when required.

### **Discrepancy Between the Data Entered and the Copy** **Article 520**

- 1) If there is discrepancy between the data entered in the registration forms and the copy of the court order, the Registration Court shall deliver an accurate copy of the court order to the proposer and other participants stating that it shall supercede the previous copy of the court order.
- 2) Paragraph 1 of this Article shall also apply when there are discrepancies in the entry of data contained in the court order, in the registration forms and entry of registration forms in the Court of Entry.

### **Delivery of the Court Order on Entry**

#### **Article 521**

- 1) A copy of the court order on entry with instructions on the right to appeal shall be delivered to the proposer and participants to whom the court order refers.
- 2) A certified copy of the decision may also be delivered upon the request and at the expense of other parties with a legal interest.

### **Obligations of the Court of Entry**

#### **Article 522**

- 1) The Court of Entry shall make the entry based on the court order entered by the Registration Court provided that it has received the requisite documents.
- 2) The Court of Entry shall inform the Registration Court and interrupt the entry procedure if it finds that there are obstacles to entry or that the court order for entry is not in compliance with the Law, until further information is provided by the Registration Court.

### **Obligation to Eliminate Faults**

#### **Article 523**

- 1) The Registration Court shall order ex-officio [in the line of duty] a company to cure faults, if the faults pertaining to Article 522, paragraph 2 of this Law refer to a violation of substantive law or the document filing procedure, within specified period of time.
- 2) The Registration Court shall act pursuant to Article 522, paragraph 1 of this Law if the company fails to act in accordance with the court order of the Registration Court pertaining to paragraph 1 of this Article.
- 3) The Registration Court shall deliver the decision pertaining to paragraph 2 of this Article to the company, the participants in the procedure and to the Court of Entry [Registration Court].

### **Appeal by Public Attorney**

#### **Article 524**

- 1) The Registration Court shall inform the Court of Entry if it refuses to acknowledge the comments of the Court of Entry and the Court of Entry shall make the entry without delay.
- 2) The Court of Entry identified in paragraph 1 of this Article shall deliver to the Public Attorney a copy of the court order for entry made by the Registration Court. The Public Attorney shall have the right to appeal within eight (8) days of the delivery of the court order.

### **Right of the Party Opposing the Proposer to Require Changes or Deletion of Data**

#### **Article 525**

- 1) The participant or other competent body shall have the right to require entry of changes or erasure of entry of certain data pertinent to the legal transactions, and in particular: ban on conducting a certain activity, erasure of foreign trade activities,

erasure of certain parts of the trade name, replacement of the person authorised for representation, limitation of the authorisations for involvement in legal transactions, or erasure of the name of the person authorised for representation.

- 2) The participant or the body identified in paragraph 1 of this Article, when filing the proposal, shall designate the name and head office of the party opposing the proposer and attach the documents which provide the grounds for the request for entry of the changes.
- 3) When the registration court receives the request by the participant or the body pertaining to paragraph 1 of this Article, it shall invite the party opposing the proposer to make a statement on the filed request within a set period, and, when necessary, make amendments and addenda to the Company Agreement or Charter in reference to the data of which the request for entry/erasure has been filed.

### **Party Opposing the Proposer** **Article 526**

- (1) If the party opposing the proposer fails to act within the period determined by the court, a corresponding order shall be made by the Registration Court.
- (2) If the Registration Court accepts a request pertaining to Article 525 of this Law, it shall, at the same time, give the party opposing the proposer time to amend the Company Agreement or Charter and to file, when necessary, a Form for entry of the amendments to the order.

### **Right to Appeal Against the Court Order for Entry** **Article 527**

- 1) Any party who believes that his or her rights under this Law have been violated by a court order for entry of a company in the Trade Registry may appeal the order. This right of appeal also applies to the party seeking entry of the company in the Trade Registry if his/her request for entry is denied or the Entry form rejected.
- (2) An appeal may be filed within eight (8) days after the day the certified copy of the Court Order was delivered.
- (3) In the absence of the delivery of a court order for entry in the Trade Registry, a party who believes that his/her right or interest under the law have been violated by the order may file an appeal within 30 days of the day the entry is announced in the the AOfficial Gazette of the Republic of Macedonia.@

### **New Court Order Issued on a Successful Appeal** **Article 528**

- 1) If the Registration Court finds that there are grounds for an appeal and additional procedures are not required, the court may decide otherwise in regard to the request for entry and issue a new court order which abrogates the effectiveness of the original court order against which the appeal was filed.
- 2) Should the appeal bring forward new facts or documents, it shall be considered as a proposal for issuing a new court order.

- 3) The Registration Court shall review the proposal identified in paragraph 2 of this Article, and, if it rules in favour of the proposal, the court may issue a new court order.
- 4) Should the Registration Court find that there are no grounds for issuing a new court order, it shall transfer the appeal to an Appellate Court for further proceedings.

**Untimely Filed Appeal**  
**Article 529**

- 1) Should the proposer fail to appeal a court order within the time limit, the appeal shall be considered as a new proposal for entry in the Trade Registry, provided that new facts are brought forward in the proposal and new documents filed.
- 2) In an instance pursuant to paragraph 1 of this Article, the Registration Court shall proceed in accordance with Article 518, paragraph 3 of this Law.

**Erasure of Entry Based on Altered Court Order**  
**Article 530**

- 1) Should an Appellate Court alter the court order for entry made by the Registration Court and reject the request for entry in the Trade Registry, the Registration Court, shall ex-officio [in line of duty] or upon the request of a person with a legal interest, erase the entry made on the grounds of the altered court order.
- 2) A request for erasure of the entry pursuant to paragraph 1 of this Article shall be filed within 15 days of the day the altered court order of the Appellate Court has been delivered.

**Rights of Parties with a Legal Interest**  
**Article 531**

- 1) A party with a legal interest may request that the Registration Court delete an unjustified final entry, within 30 days of the day s/he becomes aware of the entry, but not later than 60 days of the day the entry was made.
- 2) Upon request of a party with a legal interest or ex-officio [in the line of duty] the Registration Court shall erase the unjustified entry if:
  - 1) The entry was made without filing of the requisite documents;
  - 2) Following entry in the Trade Registry the company's business operations have significantly changed; or
  - 3) In other instances in which entry was unlawful or thereafter became unjustified.
- (3) The procedure for erasure of an unjustified entry may be initiated not later than two (2) years after the date of the entry.

**Hearing for Determining the Deciding Facts**  
**Article 532**

- 1) The Registration Court shall, ex-officio [in the line of duty] or following the receipt of a request, notify the subject of entry of its intention to erase the unjustified entry in the Trade Registry, accompanying its notification with a written invitation to make a statement within a set term and, if necessary to file the requisite documents.

- 2) In an instance arising pursuant to paragraph 1 of this Article, the Court shall set a date for a fact-finding hearing to which the proposer, if the procedure was initiated by him/her, the company and, if necessary, other parties will be summoned.
- 3) After it has determined the facts, the court shall issue a court order which either directs the erasure of the company's entry from the Trade Registry or terminates the procedure for erasure.
- 4) An unjustified entry shall be erased upon a final court order.

**Void Entry  
Article 533**

- 1) If an entry is made on the basis of a false document, or if a document on which an entry is based contains inaccurate data, or if a document is issued through a procedure that does not comply with the law, or if the action on which the accuracy of the data entered into the Trade Registry depends has been undertaken illegally, or if there are other reasons provided by law, a complaint may be filed requesting that such entry of a company in the Trade Registry be rendered void.
- 2) A complaint requesting that the entry be void may be filed by any party with a legal interest.
- 3) A complaint shall be filed within (30) days of the day the complainant became aware of the reasons rendering the entry void, but in any case a complaint may not be filed after a period of three (3) years of the day the entry was made.

**Rendering the Final Entry in the Trade Registry Void  
Article 534**

- 1) When a final judgment renders a final entry void, the Court shall, within fifteen (15) days, deliver the final judgment to the Registration Court.
- 2) The Registration Court shall, based on the final judgement, ex-officio [in the line of duty], issue a court order for entering the annotation on the void entry, if the company ceases to exist in compliance with the Law. Such court order shall include the court and its address, as well as the number and date of the decision on the void entry.
- 3) The court order issued pursuant to paragraph 2 of this Article shall be delivered to the company and the competent administrative body for the purpose of initiating a winding up procedure or proposal for initiation of a bankruptcy procedure.
- 4) In other cases, the Registration Court, shall issue a court order on the erasure of voidness of the final entry based on a final judgement, ex-officio [in the line of duty].
- 5) The Registration Court shall also deliver the court order pursuant to paragraph 4 of this Article to the competent administrative body.

**Ex-officio [In the Line of Duty] Action of the Registration Court  
Article 535**

The Registration Court shall ex-officio [in the line of duty] erase the following entries in the Trade Registry:

- 1) Re-notation which has not been justified within the predetermined time period, not later than six (6) months after the day of entry of the re-notation.
- 2) Annotation, once the period of ban for conducting a certain activity or activities, or limitation of authorisation in the legal transactions and the mandate of the acting body has expired; and
- 3) Designation of activity or activities, following the expiry of the time limit for which approval for conducting such activity or activities has been given in accordance with law.

### **Extension of Term for New Filings**

#### **Article 536**

- 1) If the company, following its entry in the Trade Registry, fails to file records, documents and other proofs to the Registration Court, as set forth by this Law, the court shall give the company an extension of the term for filing these materials.
- 2) If the company fails to proceed in the manner and within the time limit proscribed pursuant to paragraph 1 of this Article, the Registration Court shall be authorised to issue an order banning the principal activity of the company. Once the company files the requisite materials, the ban on conducting the principal activity of the company shall no longer be valid.

## Section Five

### TRADE BOOKS AND ANNUAL ACCOUNTS

#### **Subsection One**

#### **Trade Books**

#### **Obligation to Maintain Trade Books**

##### **Article 537**

- 1) Each commercial entity shall, in accordance with duly implemented accounting principles, maintain trade books in the manner rendering transparent all commercial and legal activities, capital, assets, liabilities, revenues and expenditures.  
The trade books shall be maintained in a manner which will enable any third party expert, when reviewing the books, to gain an insight and general understanding of the activity of the commercial entity, its assets and its financial standing. The trade books shall clearly and unambiguously demonstrate the manner in which all commercial activities of the commercial entity have been initiated, carried out and completed.
- 2) A commercial entity shall keep a copy of each issued and delivered business letter. The copy shall be identical to the original.
- 3) Trade books shall be maintained in accordance with the Double Entry Accounting System.

## **Maintenance of Trade Books**

### **Article 538**

- 1) A commercial entity shall maintain its trade books in the Macedonian language, applying Arabic numbers and amounts expressed in Macedonian denars. Should abbreviations, codes, signs or symbols be used, their meaning should be clearly explained.
- 2) All data entered into a commercial entity's trade books and other financial reports must be full and complete, timely updated, presented in a manner which precisely reflects the time order of their appearance. Trade books shall be maintained according to data provided by authentic accounting documents.
- 3) Any record entered into a trade book shall not be altered in a manner which thenceforth renders impossible the discernment or determination of previously entered content. Making alterations and addenda to records in a manner which, by their nature, makes it difficult to ascertain what is the original or initially entered content and what is an alteration or addenda is contrary to this Law.
- 4) Trade books and other reports may be maintained and stored in the classic manner (cards) or in electronic format, adhering to due implementation of accounting principles. The commercial entity shall, regardless of its manner of maintaining and storing of books, provide, at any time and on reasonable notice, access to the trade books and reports, keep and guard them for the duration of the period prescribed by law and guarantee that they may be viewed at any time.
- 5) The Minister of Finance shall prescribe the form and content of trade books and other reports.

### **Inventory**

#### **Article 539**

- 1) Each commercial entity shall prepare a detailed inventory of all of its property immediately prior to commencement of its operations. Property including real estate, claims and liabilities, cash, securities and movables, including their respective values, shall be itemised in the inventory.
- 2) Balance sheet of assets and liabilities shall be adjusted at least once a year, with the factual status determined by an Inventory conducted on December 31.
- 3) Inventory shall be conducted by the commercial entity for each business year, which is equivalent to a calendar year.
- 4) All parties which have a status of commercial entity by their form, including sole proprietors, shall conduct out the Inventory.
- 5) Parts of the commercial entity's property which are of the same or similar kind may be presented in the inventory as a whole and estimated at an average value.
- 6) A commercial entity shall also conduct an inventory and adjustment of the factual status in the following cases: change in the price of a product/service, change in legal status, initiation of a winding up procedure or bankruptcy, and other cases determined by the law.
- 7) The Minister of Finance shall prescribe the manner and the deadline for conducting the inventory and adjustment of balance sheet with the factual status.

## **Maintenance of Balance Sheet**

### **Article 540**

- 1) Each commercial entity shall keep in a corresponding and correct manner:
  - 1) Trade books, inventory lists, documents on which the accounting records are based, balance sheets and operating reports;
  - 2) Business letters (delivered and received); and
  - 3) Documents pertaining to items 1 and 2 may be maintained on any type of electronic format that allows visual presentation and access during the entire period prescribed for their keeping. The Minister of Finance shall, by a separate regulation, prescribe such period.

## **Presentation in the Course of a Court Procedure**

### **Article 541**

- 1) In the course of a court procedure the court may, upon a proposal or ex-officio [in the line of duty], order that any or both parties submit its trade books for inspection.
- 2) Paragraph 1 of this Article shall not affect the regulations of trial procedure pursuant to which an opposing party may file documents and proof.

## **Use of Excerpts from Trade Books in a Court Dispute**

### **Article 542**

If trade books are submitted for inspection in the course of a court dispute, their content shall be inspected in the presence of both parties, to the extent to which the content refers to the dispute and when necessary excerpts shall be made. The remainder of trade books shall be presented to the court to the extent to which it is necessary to establish whether they have been kept duly, accurately and in compliance with the law.

## **Presentation of Trade Books for Inspection in Special Cases**

### **Article 543**

In the event of winding up, bankruptcy, settlement or division of joint property, the persons responsible for keeping trade books shall, upon the request of the court, present the trade books to the court for inspection.

## **Trade Books of Branch Offices**

### **Article 544**

- 1) A branch office of a commercial entity shall maintain trade books, but shall not prepare an annual balance sheet.
- 2) A branch office of a foreign company shall prepare an annual balance sheet.

## **Chartered Accountant**

### **Article 545**

- 1) A commercial entity shall entrust its accounting to an expert-chartered accountant.

- 2) The chartered accountant shall be directly liable to the managing body and to the commercial entity or to the sole proprietor.
- 3) The chartered accountant shall sign the payment documents and accounting reports.
- 4) If the chartered accountant is expelled, a decision on hand-over of duty shall be made.
- 5) The commercial entity shall register its chartered accountant with the Ministry of Finance.
- (6) The Ministry of Finance shall keep a Registry on chartered accountants pertaining to paragraph 5 of this Article.

### **Performance of Duties of the Chartered Accountant**

#### **Article 546**

- 1) If a commercial entity fails to designate a chartered accountant, all rights and liabilities of a chartered accountant shall be assumed by the person actually performing the accounting duties.
- 2) A commercial entity may, on a contractual basis, entrust its accounting functions to an external authorised legal entity or natural person.

### **Annual Balance Sheet**

#### **Article 547**

- 3) All commercial entities shall prepare an initial balance sheet when starting operations prior to a division, upon merger or integration, or when initiating a bankruptcy or winding up procedure.
- 4) At the end of each business year, all commercial entities shall prepare a balance sheet and an income statement (annual balance sheet).
- 5) The annual balance sheet shall consist of a balance sheet, an income statement and a report.

### **Principles for Preparing an Annual Balance Sheet**

#### **Article 548**

- 1) An annual balance sheet shall be prepared in accordance with the principles of due and compliant accounting.
- 2) A commercial entity's annual balance sheet and annual report shall truly and accurately reflect the state of its assets, capital, liabilities, revenues, expenditures and financial results.
- 3) If the reports identified in paragraph 2 of this Article fail to provide a true and accurate picture, the commercial entity shall provide additional information.

### **Signatures**

#### **Article 549**

A commercial entity's annual balance sheet shall be signed by the designated accountant in charge and by [the appropriate representative of] the commercial entity, specifying the date of the annual balance sheet's preparation.

## **Order of Items in the Balance Sheet and Income Statement**

### **Article 550**

- 1) The order of items on a commercial entity's annual balance sheet and income statement, particularly the form of their presentation, may not be changed from year to year.
- 2) The Minister of Finance shall prescribe the required form and content of the balance sheet and income statement.

## **Content of Annual Report**

### **Article 551**

- 1) The annual report shall truly and accurately reflect the conduct of business operations and financial status of a commercial entity.
- 2) The report shall also include the following information:
  - 1) Information reflecting state of the company during the previous business year and all important events expected following the expiry of the business year to which the annual balance sheet refers;
  - 2) Probable future developments of the business activity;
  - 3) Activities related to research and development; and
  - 4) Information on the company's purchase of its own stocks or shares.

## **Subsection Two**

## **Annual Balance Sheet**

### **Annual Balance Sheet of Trade Companies**

#### **Article 552**

- 1) The Board of Directors or Managing Board or manager(s) of a company shall prepare at the end of each business year an annual balance sheet and report on the operations of the company for the previous business year.
- 2) Completion of the annual balance sheet identified in paragraph 1 of this Article shall take place within two (2) months, after the business year has expired, unless an extension of up to three (3) months is awarded by a competent administrative body.
- 3) The Company Agreement or Charter may, in addition to the annual balance sheet identified in paragraph 1 of this Article, provide for preparation of periodical balance sheets over the course of the business year. Dividends and bonuses may not be paid on the basis of the periodical balance sheets.
- 4) All annual balance sheets shall be filed with the Public Revenue Office and the barer of the payment transactions with which the company has an account not later than the last day of February the following year.

### **Balance Sheet Prior to a Division, Merger or Integration**

#### **Article 553**

- 1) Prior to a division, merger or integration, the company shall prepare a balance sheet closing the last day of the month.

- 2) The company shall prepare a balance sheet as of the day the winding up, or bankruptcy procedure has been initiated.

### **Content of Annual Balance Sheet**

#### **Article 554**

An annual balance sheet shall include accounting statements along with explanations. Explanation of the accounting statements shall include:

- 1) Information on the accounting statement about the evaluation methodology;
- 2) A break-down of the aggregate data within the accounting statements in order to facilitate better understanding and analysis; and
- 3) Data on the operations of the company's branch offices, particularly branch offices in foreign countries.

### **Content of the Report on Operations**

#### **Article 555**

A report on operations shall present information reflecting the state of the company during the previous business year, important events expected to occur between the last day of the end of the business year and the day the report is filed, activities related to research and development, and projections concerning the future development of the company. The report must comply with conscientious accounting principles, and the submission of the report may be omitted only if it is in the interest of the Republic of Macedonia. The report on operations of the company shall be signed by all members of the managing body or all managers. Managers who do not concur with the report shall present their opinion separately and state the reasons therefore.

### **Auditing of Annual Balance Sheet**

#### **Article 556**

- 1) The annual balance sheet and the report on operations shall be audited not later than one (1) month prior to the meeting of the interest holders or other body authorised by the interest holders to approve them.
- 2) Annual balance sheets of all joint-stock companies, companies which are obliged under this Law to prepare consolidated reports, and companies whose securities are listed on the Macedonian Stock Exchange shall be audited.
- 3) Annual balance sheets of limited liability companies which meet two (2) of the following criteria shall also be audited:
  - 1) The average number of employees exceeds 150;
  - 2) The annual revenues exceeds DEM 6,000,000 in Denar counter-value; or
  - 3) The average value of the assets at the beginning and at the end of the business year to exceed DEM 1,500,000, in Denar counter-value.

## **Manner of Auditing the Annual Balance Sheet**

### **Article 557**

- 1) Audit of the annual balance sheets shall be conducted by one or more auditors. If the audit is not conducted pursuant to this Law, the annual balance sheets may not be approved.
- 2) Auditors shall be appointed by the Interest Holders Assembly. If there is no Assembly, the appointment shall be made by a unanimous decision of all interest holders.
- 3) Auditors shall be appointed before the expiry of the business year for which the audit is carried out.
- 4) The Board of Directors or the Managing Board or the manager(s) of the company shall provide the auditors with access to all company books and documents and to its property, treasury and securities.
- 5) In the course of an audit the auditors may require explanation and further proof from the Managing Board or the manager(s).

## **Auditor's Written Report on Annual Balance Sheet**

### **Article 558**

- 1) The auditors of annual balance sheet shall submit a written report. This report shall state whether the company's accounting, annual balance sheets and the annual report comply with the law, and whether the Managing Board or the manager(s) have provided sufficient explanation and proof. All items on the annual balance sheet shall be analysed and explained in the report to the extent deemed necessary.
- 2) Auditors shall report any evidence they find which indicates that a company is jeopardised or its development is being harmed or any evidence which indicates that the Managing Board or the manager(s) caused severe violations to the law or to the Company Agreement or Charter.
- 3) Auditors shall sign the reports and submit them to the Managing Board or the company manager(s).

## **Obligation to Submit the Audit Report to the Supervisory Board**

### **Article 559**

- 1) An annual balance sheet and audit report in companies which have a Supervisory Board shall be submitted to the Supervisory Board by the Managing Board or the manager(s) immediately after receipt of the audit report. In addition, a draft of the decision for distribution of profit based on the annual balance sheet shall be submitted to the Supervisory Board and then to the Interest Holders Assembly or the interest holders in order for them to make a decision.
- 2) The Supervisory Board shall review the annual balance sheet and the draft decision for distribution of profits. Upon request of the Supervisory Board the auditors shall attend and participate in the sessions of the Supervisory Board.
- 3) The Supervisory Board shall submit a written report on the results of the supervision to the Interest Holders Assembly or to the interest holders. The

Supervisory Board's report shall explain the methods and scope of supervision of the company's management and operation during the previous business year. The Supervisory Board's report shall also provide the results of the audit conducted by the auditors and any objections to the annual balance sheet or the annual report, recommending approval or disapproval.

### **Subsection Three**

## **Evaluation of Items in Accounting Statements and Release of Annual Balance Sheet and Annual Report**

#### **Distribution of Profit**

##### **Article 560**

- 1) The Stockholders Assembly or the Shareholders Assembly or the interest holders shall decide upon the use of the company's profit based on the annual balance sheet.
- 2) The decision pertaining to the use of profit shall indicate each separate purpose of its use and shall take into consideration the following factors:
  - 1) the profit according to the income statement;
  - 2) the amount to be paid to the interest holders;
  - 3) the amount to be allocated to the company's statutory reserves;
  - 4) possible transfer the profit to the following year; and
  - 5) additional expenditures based on the decision.
- (3) Changes of the annual balance sheet may not be made with the decision under paragraph 1 of this Article.

#### **Compulsory General Reserve**

##### **(General Reserve Fund)**

##### **Article 561**

- 1) Companies are required to have compulsory general reserve, in a form of a general reserve fund established through apportionment of a portion of their net profits. The annual contribution to the general reserve shall be a percentage of profit defined by the Company Agreement or Charter which may not be less than fifteen percent (15%) of the profit, unless or until the company's reserves reach an amount equal to one-fifth of its basic capital. If a general reserve is diminished to less than one-fifth, it must be supplemented through contribution of a percentage of the profit.
- 2) The general reserve may be used for covering losses as long as it does not exceed the minimum amount prescribed by law or the Charter.
- 3) When the general reserve exceeds the minimum required, and after covering all losses based on the annual balance sheet or the decision of the Interest Holders Assembly or the interest holders, the surplus may be used for supplementing the dividend, based on a decision made by the Assembly or the interest holders, unless the dividend for that business year has reached the minimum amount prescribed by

this Law or by the Company Agreement or the lower portion of the paid basic capital determined by the Company Charter.

- 4) The amounts paid in the general reserve as additional payments by the interest holders or in case of increase in the basic capital for a particular benefit or right to purchase existing stock or shares cannot be used for supplementing the dividend.

### **Special Reserves for Covering Losses or Other Expenditures**

#### **Article 562**

- 1) The Company Agreement or Charter may provide for special reserves intended to cover certain losses or other expenditures. The purpose, allocation and manner of utilisation of these reserves shall be precisely defined by the Company Agreement or Charter and may only be altered if the Company Agreement or Charter is amended.
- 2) If the Company Agreement or Charter provides for reserves for pension insurance, insurance or funds for charitable activities of the employees their purpose and method of generation and allocation, organization and manner of use shall be clearly defined.
- 3) The reserves pertaining to paragraph 2 of this Article shall be managed separately from the company's property and their accounting shall also be maintained separately from the company's accounting. Representatives of the entities for whom the reserves have been set aside shall participate in their management. These reserves may not be used for payment of debts or other purposes, except those specified in the Company Agreement or Charter for as long as the company exists.

### **Dividend**

#### **Article 563**

- 1) The Stockholders Assembly or the Shareholders Assembly or the interest holders shall designate the portion of the profit to be distributed as a dividend, after they approve the annual balance sheet and determine that there is profit for distribution. The method of payment of the dividend shall be determined by the Stockholders Assembly or Shareholders Assembly, and if there is no such body, the method of payment shall be determined by the Managing Board or the manager(s).
- 2) The dividend shall be paid not later than nine (9) months after the end of the business year. As an exception, this time-limit may be extended by the court.
- 3) If the managing body, the Supervisory Board or the manager(s), following the end of the business year, and before the approval of the annual balance sheet, realize that the company's asset base has been seriously depleted as a consequence of the company's losses, it shall inform the Assembly or the interest holders. In such a case, the profit identified on the income statement shall not be distributed as a dividend, but rather shall be carried forward to the account of the current business year.
- 4) For safety reasons or for the purpose of a more equitable dividend, prior to determining the amount of the dividend, the Interest Holdres Assembly or the

interest holders may decide to set up a special reserve fund in accordance with the Company Agreement or Charter.

### **Dividend in Cash, Stock or Shares**

#### **Article 564**

- 1) In joint-stock companies and in limited liability companies, the Company Agreement or Charter may provide that for the part of the dividend intended for distribution or for the advance payment of the dividend, each stockholder or owner of a share receive their dividend or advance payment of dividend in: (i) cash, (ii) stocks or (iii) shares.
- 2) An offer for payment of the dividend or the advance payment of the dividend in stocks or shares shall be made to all stockholders or owners of a share at the same time.

### **Release and Disclosure of Approved Reports**

#### **Article 565**

- 1) The approved annual balance sheet, along with the report on operations, as well as the audit report shall be filed by the Managing Board or the manager(s) in the Public Revenue Office and the Registration Court within thirty (30) days from the date of approval, so that they will be available on the court premises for a review. Each interest holder shall have the right to review these materials in the company premises or at the court.
- 2) Should a legal interest of third parties be ascertained, the Registration Court may allow them to inspect the documents identified in paragraph 1 of this Article.
- 3) A company carrying out banking or other activities related to crediting and insurance shall publish its income statement in the manner prescribed by law and in the Official Gazette of the Republic of Macedonia, within fifteen (15) days of the meeting of the Assembly, as set forth by Law.
- 4) The obligation to issue an announcement pursuant to paragraph 3 of this Article shall also apply to other large-scale companies.
- 5) If a company chooses to announce its annual balance sheet in a newspaper the announcement must be complete and without any amendments and addenda, as approved by the Assembly or the interest holders.

## Section Six

### PARTICIPATION [EQUITY HOLDING] IN OTHER TRADING COMPANIES (CONNECTED COMPANIES)

## **Subsection One Companies With Significant Participation [Equity Holding], Majority Participation or Mutual Participation**

### **Types of Integration and Establishment of Relations Between Companies Article 566**

Independent companies may be integrated and may establish mutual relations as:

- 1) Companies with significant participation, majority participation or majority right to make decisions, or mutual participation in another company; and
- 2) Controlled companies, controlling companies and companies acting jointly.

### **Company With Significant Participation Article 567**

Participation shall be considered significant when a company acquires stocks or shares in another company, representing more than one-fourth but not more than one-half of the latter's basic capital, or when it holds more than one-fourth but not more than one-half of all votes of the Interest Holders Assembly in the latter.

### **A Company with Majority Participation or Majority Right to Make Decisions in Another Company Article 568**

- 1) Participation shall be considered majority when a company acquires stock or shares in another company, representing more than one-half of the latter's basic capital or when it holds more than one-half of all votes of the Interest Holders Assembly in the latter.
- 2) A company holding the majority of shares or stock or the majority of votes in another company under this Law shall be considered as a company with majority of shares or stock, while the other company as company under majority ownership.
- 3) The shares or stock owned by limited liability companies, joint-stock companies and limited partnership by shares shall be determined on the basis of the ratio between the total nominal value of the shares or stock and the nominal value of its basic capital. Corporation's own shares or stock shall be excluded from the nominal value of its basic capital. The shares or stock owned by another entity on behalf of the company, shall be made equal with the own shares or common stock of the company.
- 4) The number of votes in the Interest Holders Assembly in another company held by the company with majority shares shall be determined according to the number of votes which may be acquired from the shares or stock belonging to it according to the total number of votes. The votes of their own shares or stocks, as well as those of the shares or stocks owned by another entity on behalf of the company, shall be excluded from the total number of votes.

- 5) Shares or stock owned by a company shall also include shares and stock owned by its controlled company or shares and stocks which, on its behalf or on behalf of its controlled company, are held by another company, and if the company is owned by a sole proprietor, shares and stocks which constitute part of his/her assets.

### **Obligation of a Company Which Has Acquired a Majority Stake**

#### **Article 569**

- 1) Within three months of the announcement in the Official Gazette of the Republic of Macedonia that a majority stake has been acquired, the company with the majority of shares shall, upon the request and choice of any owner of shares or stockholder in the controlled company:
  - 1) Purchase the shares or stocks at a price not lower than that offered by the owner of share or stockholder; or
  - 2) Provide to the owner of shares or stockholder with payment of a dividend in a previously determined amount.
- (2) Failure to act within the term designated by paragraph 1 of this Article shall result in loss of this right.

### **Companies With Mutual Participation**

#### **Article 570**

- 1) Participation shall be considered mutual when two companies acquire stock or shares of each other, so that the shares or the stocks of each of the companies shall participate with more than one-fourth of the basic capital of the other company respectively, or when one of the companies holds more than one-fourth of the votes in the Interest Holders Assembly of the other company. Provisions pertaining to Article 568 paragraphs 3 and 5 shall be applied in determining whether one company holds shares or stock which constitute more than one-fourth of the basic capital of another company.
- (2) If one of the companies with mutual shares or stock participates with a majority of shares or participates with more than one-half of the total number of shares in another company, or should one company have direct or indirect control over another company, the first company shall be the controlling company and the other shall be the controlled company.
- (3) If either of the companies with mutual participation holds a majority of shares or stock in the other company, or each of those companies exercises direct or indirect control over the other company, both companies shall be considered controlling and mutually controlled.

## **Subsection Two**

### **Controlled and Controlling Companies**

### **Definition of Controlled Company**

#### **Article 571**

A legally independent company over which another company (controlling company) exercises direct or indirect control shall be considered a controlled company.

### **Definition of Controlling Company**

#### **Article 572**

A company that holds majority of shares or stock in another company shall be considered a controlling company.

### **Trading Company Owned By a Foreign Entity**

#### **Article 573**

A trading company that is partially or fully owned by a foreign entity may not acquire majority participation in another company. If this provision is violated, the company with partial or full foreign ownership shall not be allowed to exercise the rights in the controlled company, arising from the acquired ownership of shares or stocks.

### **Holding Company**

#### **Article 574**

- 1) A trading company that holds a majority of shares in another legal, independent company, and intends to participate by any means in the other companies or in their management, with or without its own production or commercial activity, shall be considered a company with a majority of shares (holding company).
- 2) The provisions pertaining to Article 571 of this Law shall apply to holding companies.

### **Business Activities of a Holding Company**

#### **Article 575**

- 1) The business activities of a holding company may include:
  - 1) Incorporation, management and sale of participation in domestic and foreign companies;
  - 2) Procurement, management and sale of bonds;
  - 3) Procurement, assessment and sale of patents, assignment of licenses for use of patents of the companies in which the holding company participates; and
  - 4) Financing of the companies in which the holding company participates.
- (2) The holding company shall not be entitled to:
  - 1) Participate in a company which is not a legal entity;
  - 2) Acquire (procure) licenses which have not been acquired for use by its controlled companies; and
  - 3) Acquire real estate not indispensable for its operations. Acquisition of stocks or shares from companies owning real estate shall be allowed.
- (3) The holding company shall be entitled to grant loans only to companies over which it exercises control.

**Companies Acting Jointly**  
**Article 576**

- 1) Under this Law, companies that have concluded an Agreement on acquisition or assignment of voting rights, or on exercise of voting rights with the purpose of having a joint policy towards the company, shall be considered companies acting jointly.
- 2) Companies acting jointly shall be jointly and severally liable for the obligations determined by the Law.

**Subsection Three**  
**Information on Participation in Other Companies**

**Compulsory Information**  
**Article 577**

- 1) If a company acquires stock or shares constituting more than one-fourth of the basic capital of another company with its head office in the Republic of Macedonia, or acquires at least one-fourth of all votes in its Assembly, the acquisition shall be announced in the report on operations for the corresponding business year submitted to the shareholders or to the stockholders.
- 2) The Managing Board or the manager(s) shall, in its report, inform the company about the operations and operating results of the entire company, as well as of the companies in which it has significant majority or mutually participates. When this company prepares and announces its consolidated annual account, such information shall be included in the report on managing the group of companies subject to consolidation.

**Report to a Company in Which Another**  
**Company Has Acquired Shares or Stock**  
**Article 578**

- 1) If a company acquires stock or shares constituting more than one-fourth of the basic capital of another company with its head office in the Republic of Macedonia, or acquires at least one-fourth of all votes in its Assembly, it shall, without delay, inform the other company in writing.
- 2) The first company referred to in paragraph 1 of this Article shall inform the company in which it has acquired shares or stocks about the acquisition:
  - 1) When a company or a company controlled by it or some other entity holds the stock or shares on its behalf or on behalf of the company controlled by it and may request transfer of shares or stocks; and
  - 2) When the obligation for transfer of shares or stocks has been assumed by the company or some other company controlled by it or some other entity acting on behalf of the company or a company controlled by it.

- (3) If the amount of participation, for which there are compulsory obligations pursuant to paragraphs 1 and 2 of this Article, is decreased, the company shall, without delay, inform the other company in writing.
- (4) The information shall include the number and the kind of stocks or the number of shares acquired as well as the voting rights related to them.

**Companies With Equal Stocks, Shares and Voting Rights**  
**Article 579**

- (1) Stock, shares and voting rights in a Company Assembly shall be equal to the stock, shares and voting rights, held by:
  - 1) Other companies on behalf of the company;
  - 2) The companies controlled by the company; or
  - 3) Third parties with which the company acts jointly.
- (2) The stocks, shares and voting rights held by one or more companies pertaining to paragraph 1 of this Article shall be acquired upon request and on the basis of an Agreement.

**Obligation of a Controlling Company to Inform the Companies Controlled by It**  
**Article 580**

- 1) A company with controlling influence in another company shall inform all companies controlled by it about the amount of its direct or indirect participation in the basic capital of each of the companies, as well as about any changes in the amount of basic capital.
- 2) The information required pursuant to paragraph 1 of this Article shall be delivered within one month of the day the controlling company learned of its assumption of control arising from previously acquired stock and shares or after the day of acquisition or alienation.

**Obligation to Announce Participation**  
**Article 581**

- 1) Participation shall be announced, without delay, in the company's bulletin, stating the name of the company holder of the participation.
- 2) If the company is informed about a decrease in participation below the limit prescribed for a significant or a majority participation, this information shall be announced, without delay, in the company's bulletin.
- 3) The company which has acquired majority participation shall announce this information in the Official Gazette of the Republic of Macedonia@.

**Exercise of Rights Arising from Stock or Shares Held in Another Company**  
**Article 582**

Rights arising from stock or shares held by a company which, pursuant to the provisions of this Law, is required to inform the company in which these stocks or shares have been acquired, cannot be exercised by the controlled company, by some other entity acting on behalf of the company, or some other entity acting on behalf of

the controlled company, within any time period during which the company is required to deliver the information and has failed to do so.

**Obligation to Prove Existing Participation**  
**Article 583**

The company which has been provided information pursuant to Article 580 of this Law may request evidence of the participation at any time.

**Subsection Four**  
**Management and Liabilities of a Company with Majority Participation**

**Relations Between a Company with Majority Participation**  
**and the Controlled Company**  
**Article 584**

A company with majority participation shall not be allowed to exert its influence in order to have the controlled company undertake legal affairs harmful to the controlled company, or undertake or fail to undertake actions, unless the company with majority participation assumes the obligation to compensate for any resulting damages.

**Report of the Managing Board on the Relations Between the Associated Companies**  
**Article 585**

- 1) The Managing Board or the manager(s) of a controlled company shall, within the first three months of the business year, prepare a report on its relations with the company with majority participation. All legal transactions undertaken in the previous business year by the controlled company integrated with the company with majority participation on the basis of a request or in the interest of these companies, as well as all other measures which it has, on the basis of a request or in the interest of these companies, undertaken or failed to undertake, shall be included in the report. The information on legal transactions shall also include the payments and counter-payments, while that on the other actions shall include the reasons for their undertaking, as well as the income or the damage resulting therefrom. When compensation for damage has been made, the actual manner in which each individual case of compensation for damage was made in the course of the business year shall be stated, including all instruments provided for submission of legal claim by the company.
- 2) The report shall be prepared in accordance with the principles of full accountability.
- 3) The managing body shall also make a statement in the report as to whether damage has occurred, explain the circumstances and the reasons for the damage and

whether compensation has been made. The statement shall also be entered in its report on company's operations.

**Auditing**  
**Article 586**

- 1) A managers' report on the relations between a company with majority participation and the company controlled by it shall be submitted to the auditors, along with the annual balance sheet and the report on operations. The duty of the auditors shall be to inspect:
  - 1) the accuracy of the reported data;
  - 2) whether the value of the payments related to the legal transactions cited in the report was inappropriately high, considering the circumstances and the time of their undertaking, and, if so, whether the difference in value was compensated for;
  - 3) whether there are circumstances related to the measures cited in the report which could lead to a significantly different estimate than that given by the managing body.
- (2) The auditor shall submit a written report on the result of his/her inspection. If he/she finds that the managers' report on the relations between the company with majority participation and the company controlled by it is incomplete, s/he shall state it in his/her report. The auditor shall sign the report and submit it to the managing body of the company.
- (3) If the auditor has no objections to the manager's report, his/her report shall include a statement confirming that the data in the managers' report are accurate, the value of the payments related to the legal transactions cited in the report is not inappropriately high, considering the circumstances and the time, or the difference in value was compensated and there are no circumstances leading to an estimate significantly different from that provided by the managing body of the company.
- (4) If the auditor has objections, or finds that the managers' report on the relations between the company with majority participation and the controlled company is uncomplete, s/he shall limit his/her statement to this finding, or refuse to issue a statement on the managers' report. If the company's managing body declares that damage has been done to the company, resulting from certain legal transactions or other measures for which it has not been compensated, this conclusion shall be mentioned in the statement and the statement shall be limited to other legal actions or measures.
- (5) The auditor shall sign his/her statement, identifying the place and the date on which it is issued. The statement shall also be included in the auditor's report.

**Control by the Supervisory Board**  
**Article 587**

- 1) If a Supervisory Board is established by a company, the Managing Board shall submit to the Supervisory Board its report on the relations between the company with majority participation and the controlled company, as well as the auditor's

report. Each member of the Supervisory Board shall have the right to be informed of these reports. The reports shall be submitted to each member of the Supervisory Board, unless otherwise decided by the Supervisory Board.

- 2) The Supervisory Board shall review the report on the relations between the company with majority participation and the controlled company and inform the Assembly about the report. In the report the Managing Board shall state its opinion of the report on the relations between the integrated companies submitted by the auditor.
- 3) At the end of the report, the Supervisory Board shall state whether there are any objections to the statement issued by the Managing Board at the end of its report regarding the relations between the integrated companies.
- 4) Upon request of the Supervisory Board, the auditor shall participate in the discussion on the report of the relations between the company with majority participation and the controlled.

### **Liabilities of the Bodies of a Company With Majority Participation**

#### **Article 588**

- 1) The members of a managing body and the manager(s) of a controlled company shall, in addition to the persons liable for compensation as provided by this Law, be jointly and severally liable for damages from their failure to fulfil their obligations and omitted to mention the harmful legal action or harmful effect in the report on the relations between the company with majority participation and the controlled company, or if they have omitted to point out that the company has suffered damage caused by a legal action or measure for which it has not been compensated. In case of dispute members of the managing body or manager(s) shall be obliged to prove that they have acted with due care and consideration.
- 2) The members of a Supervisory Board shall, in addition to the persons liable for compensation as provided by this Law, and in reference to a harmful legal transaction or a harmful legal effect, be jointly and severally liable for damages arising from their failure to perform their duty to review the report on the relations between the company with majority participation and the controlled company or to submit the report on the results of the supervision to the Assembly.
- 3) If the undertaken activity that caused the damage is based on a decision made by the Assembly in compliance with this Law, liability for compensating the damage shall not be considered.

### **Liabilities of a Company with Majority Participation and Its Legal Representatives**

#### **Article 589**

- 1) If a company with majority participation misleads a controlled company into undertaking certain legal affairs or action, or if it fails to undertake such action at its own peril, and if it fails to compensate for the damages by the end of the business year, or fails to give priority to the controlled company in regard to the right to compensation for damages, the company with majority participation shall

compensate the controlled company for the entire damages caused. A claim for compensation may be submitted by the shareholders on behalf and benefit of the controlled company or on their own behalf and benefit as individuals, regardless of the damage caused to them personally resulting from the damages caused to the company.

- 2) In addition to the company with majority participation, the legal representatives of the controlled company shall also be jointly and severally liable for the damages caused by the legal affairs or actions that they should have undertaken or have failed to undertake.
- 3) If a conscientious trader from the controlled company would have undertaken a legal action or would refrain from undertaking a legal action or measure, the obligation for compensation shall not apply.
- 4) If the damages are not compensated for within the business year, the manner and the term of compensation must be specified by the end of the business year, at the latest. The priority for settlement of the claim shall be given to the controlled company.
- 5) Provisions of this Law pertaining to liabilities of the representatives of a company shall apply to the liabilities of the legal representatives of the company.

## **Subsection Five Consolidated Annual Accounts**

### **Consolidated Annual Accounts, Report on Managing and Operating a Group of Companies Article 590**

- 1) Each year, a company shall prepare and announce consolidated annual accounts and issue a report on managing and operating a group of companies, if it has majority participation in one or more companies.
- 2) Consolidated annual accounts shall incorporate all companies with a head office on the territory of the Republic of Macedonia or abroad, more than one-half of the shares of which belong to another company or companies.

### **Terms and Conditions for Exclusion from Consolidated Annual Accounts Article 591**

- 1) If, due to the insignificant influence of a controlled company, the balance of property and profit of a company with majority participation is not affected, the controlled company may be excluded from the consolidated annual accounts. Also, inclusion in the consolidated annual accounts may be omitted when the inclusion of the company with majority ownership in the consolidated annual accounts would present a distorted picture of the balance of property and profit of the company with majority participation.

- 2) Companies without majority ownership may also be included in the consolidated annual accounts, if their inclusion contributes to a full and accurate report on the balance of property and profit of the company with majority participation.

### **Composition of the Consolidated Annual Accounts**

#### **Article 592**

- 1) Consolidated annual accounts shall include the consolidated balance sheet, consolidated income statement and notes pertaining to the accounts. These consolidated materials shall be presented as one whole.
- 2) Consolidated annual accounts should be transparent, succinct and prepared in accordance with this Law and the accounting standards.
- 3) Consolidated annual accounts shall provide an accurate and full overview of the claims and liabilities, current financial status, profit and income statement of the company with majority ownership.

### **Full Integration of the Annual Account**

#### **Article 593**

The annual financial statements of companies with majority ownership shall be fully integrated into their consolidated annual accounts.

### **Consolidation of Profit or Loss**

#### **Article 594**

Profit or loss arising from stock or shares of companies with majority ownership, if included in the consolidation and owned by an entity which is not a company included in the consolidation, shall be presented in the consolidated balance sheet, as a separate item.

### **Content of Consolidated Annual Accounts**

#### **Article 595**

- (1) Consolidated annual accounts shall present the claims and liabilities, current financial state, profit and loss of the companies under majority ownership included in the consolidation as being those of a single company, particularly if:
  - 1) Claims and liabilities between the companies included in the consolidation are excluded from the consolidated accounts;
  - 2) Revenues and expenditures related to transactions between the companies included in the consolidation are excluded from the consolidated accounts; or
  - 3) Profit and loss resulting from the transactions between the companies included in the consolidation have been included in the book value of the property and excluded from the consolidated accounts.
- (2) If the transactions have been made within the framework of regular operations and under ordinary market conditions and if exclusion of profit and loss requires significant expenditures, the provisions pertaining to paragraph 1 of this Article shall not apply. Failure to apply provisions pertaining to paragraph 1 of this Article and the important consequences that failure to apply these provisions may have on

the overview of the property, liabilities, financial status, profit and loss of the companies included in the consolidation and considered as a whole must be reported in the notes attached to the consolidated accounts.

### **Date of Preparation of the Consolidated Accounts**

#### **Article 596**

- 1) Consolidated annual accounts shall be prepared on the same date on which the annual financial statements of the company with majority participation are prepared.
- 2) If the balance sheet of the larger or most significant company included in a consolidation has to be taken into account, consolidated annual accounts may be prepared on a different date. The fact of preparation on a different date must be stated in the notes attached to the consolidated annual accounts, including the reasons therefore.

### **Content of the Report on Managing and Operating a Group of Companies**

#### **Article 597**

A report on managing and operating a group of companies included in the consolidation shall present the state of affairs of the entirety of the group of companies included in the consolidation, their projected development, significant events that have taken place between the date of the consolidation and the date of the preparation of the consolidated accounts, as well as activities related to research and development.

### **Audit of the Consolidated Annual Accounts**

#### **Article 598**

- 1) A company shall submit its consolidated annual accounts for audit by one or more persons authorised to do so.
- 2) The person or the persons authorised to audit consolidated annual accounts shall determine whether the annual report on managing and operating is in compliance with the consolidated annual accounts for the same business year.
- 3) A company shall submit its consolidated accounts to the competent authority as defined by Law, along with the report on managing and operating in the current year, by not later than March 31 following the year for which the accounts and report was prepared.

### **Announcement of Consolidated Accounts**

#### **Article 599**

Approved consolidated accounts, together with the report on managing and operating, including the opinion of the auditor or the auditors, shall be announced in the same manner and under the same conditions as the announcement of a company's annual financial statements.

Section Seven  
Commercial Interest Community

**Definition**  
**Article 600**

- (1) Two or more natural persons or legal entities shall be entitled, for a limited period, to establish a commercial interest community for the purpose of facilitating and improving the commercial activities which constitute their principal business activities, as well as to increase and improve the results thereof.
- (2) One commercial interest community cannot become a member of another commercial interest community.

**Activities**  
**Article 601**

The activities of a commercial interest community may only be related to the commercial activities carried out by the members and may provide support to those activities only.

**Establishing Conditions**  
**Article 602**

- 1) A commercial interest community may not acquire and distribute profit.
- 2) The rights of the members of a commercial interest community may not be expressed in securities.
- 3) A provision in the incorporation agreement or a decision contrary to the provisions pertaining to paragraphs 1 and 2 of this Article shall be considered void.

**Status of a Legal Entity**  
**Article 603**

A commercial interest community shall become a legal entity as of the day of its entry into the Trade Registry.

**Liabilities of the Members**  
**Article 604**

- 1) The members of a commercial interest community shall be jointly liable with their personal property for the obligations, unless otherwise agreed with a third party (contractor).
- 2) A creditor may collect a claim against a member of a commercial interest community, if that member defaults on payment after written demand for payment.

## **Content of the Incorporation Agreement**

### **Article 605**

- 1) A commercial interest community shall be established based on an agreement on incorporation of a commercial interest community (hereinafter: AAgreement for Community@).
- 2) The Agreement for Community shall define the organisational structure of a commercial interest community. The Agreement shall be executed in writing and announced in the manner prescribed for announcement of any company agreement.
- 3) The Agreement for Community shall set forth:
  - 1) the name of the commercial interest community including, at the beginning or at the end, the words *AStopanska interesna zaednica@* (commercial interest community), unless those words are otherwise included in the name of the community;
  - 2) the name, trade name or title, legal status, head offices, and the registration number of entry in the Trade Registry for each member of the commercial interest community, if available;
  - 3) the life of the commercial interest community;
  - 4) the business operations of the commercial interest community;
  - 5) the address of the head office of the commercial interest community;
  - 6) the manner of management and decision-making;
  - 7) the commercial interest community's policy on membership, resignation and expulsion;
  - 8) the method for control over the operations of the commercial interest community;and
  - 9) other issues of interest to the commercial interest community.
- (4) All amendments of the Agreement for Community shall be made and announced under the same conditions as required for the initial Agreement.

## **Members and Their Acceptance**

### **Article 606**

- 1) Natural persons and legal entities carrying out an activity pursuant to Article 1 of this Law may become members of a commercial interest community. Persons engaged in freelance activities without the status of a commercial entity may also become members of the commercial interest community.
- 2) A commercial interest community may accept new members during the period of its existence. A decision for acceptance of a new member shall be made unanimously by the Commercial Interest Community Assembly.
- 3) A new member shall be liable for all obligations of the commercial interest community, including those resulting from operations conducted before his/her becoming a member. New member(s) may be discharged from the liabilities of the commercial interest community which arose before their membership only if the decision on their becoming a member of the commercial interest community provides so.

## **Withdrawal and Expulsion of a Member**

### **Article 607**

- 1) A member of a commercial interest community may withdraw his/her membership in accordance with the conditions determined in the Agreement for Community, provided that s/he has fulfilled the obligations provided for in the Agreement or the Assembly's documents and regulations. If the Agreement does not provide conditions for withdrawal from the commercial interest community, the withdrawal shall be made with a separate contract.
- 2) A member of a commercial interest community may be expelled due to reasons determined by the Agreement for Community or if s/he seriously fails to fulfil its obligations or if s/he causes or is a reason for a serious discontinuation of the operations of the commercial interest community or if there is a serious threat of discontinuation of operations. Upon request of the other members of the commercial interest community the court shall make a decision on expulsion in a non-contentious procedure.

## **Assembly of the Members of Commercial Interest Community**

### **Article 608**

- 1) Members of a commercial interest community shall decide upon common issues at the Assembly of the members.
- 2) The composition of the Assembly shall be defined by the Agreement for Community.
- 3) The Assembly shall be entitled to make all decisions, including decisions concerning its premature expulsion or continuance, under the conditions set forth in the Agreement for Community.
- 4) The Agreement for Community may determine that all decisions, or some of them, be adopted by a quorum and majority of votes. If the Agreement does not determine the quorum and voting majority, the decisions shall be adopted unanimously.
- 5) Agreement for Community may provide for each member or certain members to hold more votes, provided that one member cannot hold the majority of votes. Each member shall be represented by one vote, unless otherwise provided by the Agreement for Community.
- 6) The meeting of the Assembly shall be convened upon the request of at least one-quarter of the members of the commercial interest community.

## **Management of the Commercial Interest Community**

### **Article 609**

- 1) A commercial interest community shall be managed by one or more managers, appointed under the conditions set forth in the Agreement for Community.
- 2) The Assembly shall organise the management of the commercial interest community and shall appoint a manager, defining his/her authority and conditions for his/her expulsion, unless otherwise determined by the Agreement for Community.

## **Representation of the Commercial Interest Community**

### **Article 610**

- 1) A commercial interest community shall be represented in its relations with third parties by its manager, set forth in the Agreement for Community.
- 2) The manager designated pursuant to paragraph 1 of this Article may assume rights and obligations in legal transactions within the scope of the business activities of the commercial interest community.
- 3) A commercial interest community shall be liable, without limitations, for the obligations assumed on its behalf by its manager in relations with third parties.

## **Supervision of Operations**

### **Article 611**

Members of a commercial interest community shall carry out the supervision over its operations pursuant to the manner and conditions set forth in the Agreement for Community.

## **Transformation of a Company or a Commercial Interest Community**

### **Article 612**

A company whose business operations meet the definition of commercial interest community may be transformed into a commercial interest community, without being dissolved or without incorporating a new legal entity.

## **Dissolution**

### **Article 613**

A commercial interest community shall be terminated:

- 1) when the time period for which it has been founded expires;
- 2) when its business goals have been accomplished or extinguished;
- 3) based on a decision made by its members, under the conditions set forth in the Agreement for Community; or
- 4) based on a court order.

## **Special Conditions for Termination of a Commercial Interest Community**

### **Related to the Status of Its Member**

#### **Article 614**

If a member of a commercial interest community loses his/her business capacity, becomes bankrupt, or is forbidden to manage the operations of a trade company, the commercial interest community shall be terminated, unless its continuation has been provided for in the Agreement for Community or unless unanimously determined by the other members.

**Winding Up**  
**Article 615**

Termination of a commercial interest community shall result in its winding up. The legal status of the commercial interest community shall be maintained for the purposes of the winding up procedure.

**Manner of Winding Up**  
**Article 616**

- 1) Winding up of a commercial interest community shall be carried out in the manner and under the conditions set forth in the Agreement for Community.
- 2) If the Agreement for Community does not contain provisions for winding up, the Commercial Interest Community Assembly shall appoint a person responsible for the winding up. If such person is not appointed by the Assembly, s/he shall be appointed by the court.
- 3) Following the payment of debts, the remaining assets of the commercial interest community shall be divided among the members under the conditions set forth in the Agreement for Community.
- 4) If the Agreement for Community does not contain provisions for the manner of distribution of the remaining assets, the division shall be made in equal parts.

Section Eight  
MERGER AND DIVISION

**Subsection One**  
**General Provisions for Merger and Division of Companies**

**Integration and Division of a Company**  
**Article 617**

- 1) One or more companies may, by integration, transfer their assets to another company, or to a third company that they incorporate together.
- 2) A company may, by division, transfer its assets to several existing or new companies.
- 3) Paragraph 1 of this Article applies to any company winding up, if the interest holders have not yet begun the division of the company's assets.
- 4) Interest holders of companies transferring their assets pursuant to paragraphs 1 and 2 of this Article shall receive shares or stocks from the company or companies-users, and if required, the difference in cash, with the amount [cash] not exceeding 10% of the nominal amount of the shares or stocks received.

**Integration or Division of Different Forms of Companies**  
**Article 618**

- 1) Article 617 applies to companies with different forms.

- 2) Any interested company shall decide on integration or division in the manner and under the conditions set forth in this Law pertaining to amending Company Agreements or Charters.
- 3) If a new company is incorporated by an integration or division, the incorporation shall be carried out in accordance with the provisions of this Law pertaining to incorporation of that type of company.

**Dissolution of a Company Without Winding Up  
and General Transfer of Its Assets**

**Article 619**

- 1) By integration or division, a company terminates without winding up and general transfer of its assets shall be made to the companies-users, with the balance of accounts as on the day of the completion of the integration or division procedure, while the interest holders of the terminated company shall acquire the status of interest holders of the companies-users, under the conditions determined by the Agreement for Merging or Division.
- 2) Exchange of shares or stocks of a company-user for stocks or shares of a company that terminates cannot be made, when these shares and stocks are owned by:
  - 1) a company-user or a person acting on their own behalf but in the interest of that company; and
  - 2) a company that terminates or a person acting on their own behalf but in the interest of that company.

**Date of Effectiveness**

**Article 620**

- 1) If integration or division results in incorporation of one or more new companies, the legal consequences resulting from such incorporation or division shall come into effect from the day of entry of the new company (companies) in the Trade Registry.
- 2) As an exception to paragraph 1 of this Article, the Company Agreement or Charter may provide for an alternative date of effectiveness of the integration or merger, which may not be after the last day of the current business year.

**Decision on Increase in Stockholders' Liabilities**

**Article 621**

If the liabilities of the shareholders or stockholders of one or more companies are increased as result of integration or division, the decision for integration or division shall be adopted with the consent of all shareholders and stockholders.

**Plan for Integration or Division**

**Article 622**

- 1) Companies participating in an integration or division pursuant to Article 618 shall prepare a plan for integration or division.

- 2) The plan required pursuant to paragraph 1 of this Article shall be prepared by the managing body or the manager(s) of the company in writing. The plan shall include the following data:
  - 1) The form, trade name and address of the head offices of all companies participating in the integration or division;
  - 2) The purpose, goals and conditions for integration or division;
  - 3) The value of assets and liabilities intended for transfer from one company to another;
  - 4) The procedure for assumption of shares and stock, the date from which these shares or stock shall confer the right to a share of profits, and the date from which the accounting operations of the integrated or divided company shall be considered completed by the company or the companies-users of the part of it.
  - 5) The closing date for submitting the balance of accounts of the interested companies which are used to determine the conditions for integration or division;
  - 6) The ratio of exchange of rights between the companies and, if required, the amount of the difference in value of shares and stocks; and
  - 7) The rights belonging to interest holders with special rights and to the owners of securities not considered as stock, as well as special benefits, if any.
- (3) The plan for integration or division shall be submitted with the Registration Court that has jurisdiction over the territory in which the head offices of the companies undergoing merging or division are located, and shall be announced not later than one month before the meeting of the Assembly at which the decision on integration or division is made.
- (4) Companies participating in an integration or division shall submit to the Registration Court a statement that identifies all actions undertaken in order for the integration or division to be carried out and confirms that the actions have been undertaken in compliance with the Law and the Company Agreement or Charter of the respective companies involved. The Registration Court shall examine whether the actions comply with the provisions of this Article.

## **Subsection Two**

### **Integration or Division of Joint-Stock Companies**

#### **Decision on Integration**

##### **Article 623**

- 1) Integration of two or more joint-stock companies shall be carried out in the manner and under the conditions set forth in this Subsection.
- 2) A decision for integration of a joint-stock company shall be made by the Assembly of the joint-stock company which is part of the integration process in the manner and under the conditions set forth in this Subsection.
- 3) If a company has issued different kinds of stocks, the decision for integration shall be approved or disapproved by separate votes of the Assembly.

- 4) The Managing Board of each company which is part of the integration shall formulate a plan in which the integration terms and the legal and economic grounds for integration, particularly the stock exchange index and the difficulties related to the assessment of value, shall be stated and explained. The plan shall be submitted to all stockholders for a review.

#### **Written Report on Integration Terms**

##### **Article 624**

- 1) One or more experts appointed by the Registration Court in a non-contentious procedure shall review the integration terms and prepare a written report.
- 2) In the report issued pursuant to paragraph 1 of this Article the experts shall: (i) evaluate whether the stock exchange index is equitable and whether the integration procedure has been carried out in compliance with the Law; (ii) present the method or the methods applied for estimation of the proposed stocks exchange index and evaluate their appropriateness for the case in question; (iii) quote the values obtained by the methods applied and express their views on the pertinence of each method; and (iv) point out the particular difficulties, if any. The report or the reports made by the experts shall be submitted to all stockholders for a review.

#### **When the Written Report Shall Not Be Prepared**

##### **Article 625**

If during the period after the submission of the plan for integration until the completion of the integration the accepting company permanently and entirely holds the stock representing the entire basic capital of the integrated company, the Assembly shall neither adopt a decision for integration nor prepare the report required by Article 624 of this Law.

#### **Incorporation of a Company with Contribution by**

##### **Companies Being Integrated**

##### **Article 626**

- 1) When integration is carried out through incorporation of a new company, the incorporation may include only the contributions of the companies being integrated.
- 2) The Charter of the new company shall be approved by the Assemblies of the companies which terminate with the integration.
- 3) Any approval of the integration by the Assembly of the new company shall be void.

#### **Accepting Company (A Debtor) of the Creditors of the Accepted Company**

##### **Article 627**

- 1) An accepting company shall be debtor of the creditors of the accepted company.
- 2) Creditors of the companies participating in the integration procedure, whose claims arose prior to the announcement of the plan for integration but which were not filed

by the time of the announcement, may object to the integration within thirty (30) days from the day of the announcement of the record of the plan for integration in the Trade Registry.

- 3) A court may, by an order, reject the creditor's objections or order payment of claims or depositing of a guarantee, if such guarantee is offered by the accepting company and is considered satisfactory.
- 4) Objection of one of the creditors shall result in staying the integration procedure.
- 5) This Article does not exclude execution of contracts in accordance to which the creditor may request immediate payment of their claim in the event of integration of the company-debtor with another company.

**Application of Provisions to Integration and  
Division of a Joint-Stock Company  
Article 628**

- 1) The division of a joint-stock company shall be carried out in the manner and under the conditions set forth in this Subsection.
- 2) Articles 623, 624 and 625 of this Law shall also apply to a division of a joint-stock company.

**Division by Investing In New Joint-Stock Companies  
Article 629**

- 1) If division of a company takes place through investment in new joint stock-companies, each of the new companies may be incorporated with the contribution of the divided company.
- 2) When the stocks of each of newly incorporated company are divided among the stockholders of the divided company in proportion to their rights and the company's basic capital, the report required pursuant to Article 624 of this Law shall not be prepared.
- 3) The Charters of these new joint-stock companies shall be approved by the Assembly of the divided company. Approval of division by Assemblies of the new companies shall not be required.

**Joint Liability of the Companies Arising from the Division  
Article 630**

The Companies-users arising from the division shall be jointly liable to the creditors of the divided company.

**Limited Liability of Companies Arising from the Division  
Article 631**

- 1) As an exception to Article 630 of this Law, it may be agreed that the Companies-users arising from the division shall be liable, though not jointly, only for the portion of the liabilities of the divided company with which they have been encumbered.
- 2) Creditors of a company seeking division may object to the division carried out in the manner and under the conditions set forth in this Law.

**Investing a Portion of Assets from One Company to Another**  
**Article 632**

A company investing a portion of its assets into another company and the company-user of contribution may agree to carry out the procedure in accordance with Articles 628 and 629 of this Law.

**Subsection Three**  
**Integration or Division of Limited Liability Companies**

**Application of Provisions Related to Integration and Division**  
**Article 633**

- 1) The Articles regulating integration or division of joint-stock companies shall apply to integration and division of limited liability companies. If the integration or division is carried out through investment in a limited liability company, the provisions of Article 626 of this Law shall also apply.
- 2) If integration is carried out through investment in a new limited liability company, incorporation shall be carried out only through the contributions of the companies being integrated.
- 3) If division is carried out through investment in a new limited liability company, incorporation shall be carried out only through the contributions of the divided company. If shares of each new company are distributed to the interest holders in proportion to their rights in the basic capital of the divided company, a report required pursuant to Article 624 of this Law shall not be prepared.
- 4) Pursuant to paragraphs 1 and 2 of this Article, shareholders of companies which are terminated, may become legal founders of new companies, in the manner and through a procedure applicable to all limited liability companies under this Law.

**Procedure for Investing a Portion of Assets from One Company into Another**  
**Article 634**

A company investing a portion of its assets in another company may agree with the company receiving the investment to carry out the procedure in accordance with Article 633 of this Law, which regulates division by investment in existing limited liability companies.

Section Nine  
ANNULMENT OF A COMPANY AND ITS DOCUMENTS

## **Annulment of a Company and Its Documents**

### **Article 635**

- 1) An annulment of a company, a Company Agreement or of a document amending the Company Agreement or Charter may take place only as explicitly provided by this Law.
- 2) Annulment of a limited liability company or of a joint-stock company cannot take place due to paucity of will or business capacity, when the interests of all interest holders are not affected therewith.
- 3) Annulment of a company cannot take place either by annulment of a clause, awarding the entire profit to only one interest holder or by annulment of a clause, releasing one or more interest holders from sharing the loss.
- 4) If the provisions of this Law or the laws regulating contracts are violated all other acts and decisions shall be void.

### **Disappearance of Legal Grounds for Complaint Arising from Annulment**

#### **Article 636**

Legal grounds for a complaint arising from annulment of a company shall cease to exist from the day on which the court issues a final order by which the reasons for annulment cease to exist, unless the annulment is based on illicit business operations of the company.

### **Time Period for Cancellation of Annulment Ex-Officio [in the Line of Duty]**

#### **Article 637**

A court, in which a procedure for annulment has been initiated may set, ex officio [in the line of duty], a time period for cancellation of the annulment. The court cannot rule on a proposed annulment until sixty (60) days from the day of the delivery of summon for the dispute.

### **Time Period for Cancellation of the Annulment by the Assembly**

#### **or the Interest Holders Through Consultations**

#### **Article 638**

If an Assembly must be convened or a consultation between the interest holders conducted for the purpose of cancelling the annulment, or if the Assembly has been duly convened and the interest holders have been sent a proposal for decision with all the requisite documents attached to it, the court may set a time period within which the interest holders shall make the decision.

### **Court Decision on Cancellation of Annulment**

#### **Article 639**

If, after to the expiration of the time period set forth in Article 637 of this Law, a decision has not been made, the court shall, upon the request of a concerned interest holder, make a decision.

**Request for Bringing Documents and Decisions in Compliance with the Law**  
**Article 640**

If the annulment of documents or decisions adopted following the incorporation of a company is based on violation of provisions pertaining to the public nature and the disclosure, any party with a legal interest may request that the documents and decisions be brought in to compliance with the law within thirty (30) days of the day the request has been filed. If they are not brought into compliance with the law within this time period, any party with a legal interest may request the court to appoint, in a non-contentious procedure, a representative to take care of the formalities.

**Effectiveness of Annulment Based on Assembly's Decision**  
**Article 641**

- 1) Annulment of documents and actions related to integration or division may take place only on the basis of the annulment of the decision made by one of the Assemblies of the companies participating in the procedure for integration or division, or by an error made in reference to the statement of consent made in accordance with Article 635 of this Law.
- 2) If it is possible to redress the failure to comply with the law, which is the reason for the annulment, the court considering the complaint arising from annulment of integration or division shall, upon the request of the concerned interest holders, set a time period within which the failure to comply with the law may be redressed.

**Time-Barred Complaint Arising from Annulment**  
**Article 642**

- 1) A complaint arising from annulment of entry of a company in the Trade Registry or documents and decisions adopted following its incorporation shall become time-barred three (3) years after the day on which the reasons for annulment appeared.
- 2) A complaint arising from annulment of integration or division shall become time-barred within six (6) months of the day of the last entry in the Trade Registry.

**Winding up of a Company Based on Confirmed Annulment of the Company**  
**Article 643**

Should annulment of a company be confirmed, winding up shall be initiated in accordance with the Company Agreement or Charter and the provisions set forth in Section Eight of this Chapter.

**Announcement of Final Decision on Annulment**  
**Article 644**

- 1) The decision with which the annulment of integration or division of a company is confirmed shall be announced when it becomes final.
- 2) Paragraph 1 of this Article shall not have legal effect on the rights and obligations of the companies to which property or properties have been transferred, from the day of the integration or division until the day of announcement of the decision on annulment.

- 3) In the event of integration, the companies participating in the integration shall be jointly liable for the obligations arising from paragraph 1 of this Article on account of the accepting company.
- 4) In the event of division, each of the companies to which property has been transferred shall be liable for the obligations arising from the day of the division until the day of the announcement of the decision on annulment.

**Declaration of Annulment Toward Third *Bona Fide* Parties Shall Not be Allowed**  
**Article 645**

A company or the interest holders shall not be entitled to declare annulment in the company's relations with third parties. Annulment resulting from business incapability or paucity of will may only be declared in relations with respect to third parties by an interest holder who is incapable of doing business or by their legal representatives, or by interest holders who have been deluded, deceived or forced into expressing their will.

**Complaint for Compensation of Damages Arising from Annulment**  
**Article 646**

- 1) A complaint seeking compensation for damages arising from annulment of a company or the documents and decisions adopted following the company's incorporation, shall become time-barred three (3) years after the day on which the decision declaring annulment has become final.
- 2) Elimination of the reasons for an annulment shall not prevent the effect of the complaint filed for the purpose of compensation of the damages caused as a result of a failure that caused the annulment of a company, documents or decisions. The complaint shall become time-barred three years after the day on which the reasons for annulment have been eliminated.

Section Ten  
WINDING UP OF A COMPANY

**Winding Up of a Company**  
**Article 647**

- 1) Following the termination of a company if a bankruptcy procedure is not initiated, a winding up procedure shall be carried out.
- 2) Unless otherwise provided by this Law or established by the objectives of the winding up procedure, provisions of this Law applicable to companies which have not been terminated shall be applied all the way through to the completion of the winding up procedure.

## **Winding Up of Different Types of Companies**

### **Article 648**

- 1) Winding up of a general partnership shall be carried out by all partners as persons responsible for winding up, while of a limited partnership shall be carried out by all general partners, unless partners have agreed to entrust the process to certain other partners or other parties. Two or more successors of a partner shall appoint one joint representative.
- 2) Winding up of a limited liability company or a joint-stock company shall be carried out by the members of the Managing Board or the manager(s) of the company acting as persons responsible for the winding up. Other natural persons and legal entities may also be appointed persons responsible for winding up, in accordance with the Agreement or Charter or based on a decision made by the Assembly.

### **Persons Responsible for Winding Up**

#### **Article 649**

- 1) The Registration Court shall appoint the persons responsible for winding up upon a request made by the shareholders or the stockholders whose joint share represents one-twentieth of the basic capital of the commercial entity.
- 2) The shareholders or the stockholders referred to in paragraph 1 of this Article shall prove their ownership of the shares or stocks within a minimum period of three months. To prove this, a statement to a court or public notary shall be required. An immediate appeal may be filed against the decision.
- 3) The persons responsible for winding up appointed by the court shall be entitled to compensation of expenses and remuneration for their engagement. If agreed between the persons responsible for winding up appointed by the court and the company, the court shall determine the amount of compensation and remuneration. An appeal may be filed against the court's decision.
- 4) Annulment of other documents or decisions of the company shall take place when the provisions of this Law or the laws regulating the contracts have been violated.

### **Entry In the Trade Registry**

#### **Article 650**

- (1) Initial persons responsible for winding up, interest holders, and the Managing Board or manager(s) of the company shall apply for entry in the Trade Registry. Each change required for entry in the Trade Registry shall be reported by the persons responsible for winding up. Should authority for the representation of the persons responsible for winding up be defined, this authority shall be entered in the Trade Registry.
- (2) Appointment and expulsion of persons responsible for winding up made by the court, shall be entered in the Trade Registry ex-officio [in the line of duty].
- (3) The persons responsible for winding up shall file their signatures with the court, unless they have already done so as members of the Managing Board or as managers.

## **Announcement of Winding Up**

### **Article 651**

Initial persons responsible for winding up, after their entry in the Trade Registry, shall immediately announce that the company is undergoing winding up in three intervals neither shorter than 15 days nor exceeding 30 days, calling the company's creditors to file their claims, within a period not exceeding three (3) months from the day of the final announcement. Each creditor known to the company shall be informed individually about the winding up.

## **Rights and Obligations of the Persons Responsible for Winding Up**

### **Article 652**

- 1) Persons responsible for winding up shall complete the company's outstanding business transactions, collect the claims of the company, capitalize the remainder of the assets, and settle the company's liabilities. They shall be entitled to enter into new businesses ventures, should such ventures be necessary for the purposes of winding up.
- 2) Persons responsible for winding up, with the consent of the company's shareholders or stockholders and its creditors, may transfer certain facilities of the winding up estate to certain stockholders and shareholders, unless the rights of the other interest holders or creditors would be violated by this action.
- 3) Persons responsible for winding up hold the rights and obligations of a Managing Board or managers of the company. If a company has a Supervisory Board, the persons responsible for winding up shall be accountable to this body.

## **Representation of a Company Undergoing Winding Up**

### **Article 653**

- 1) The people responsible for winding up shall represent a company undergoing a winding up process.
- 2) If more people responsible for winding up are assigned, they shall jointly represent the company, unless otherwise provided by the Company Agreement or Charter. Should there be an obligation to make statement to the company, it will suffice if the statement is made in the presence of one of the persons responsible for winding up.
- 3) The persons responsible for winding up authorised to represent the company jointly, may authorise one or more of their group to undertake certain activities or actions.
- 4) An individual person responsible for winding up may authorise certain persons to undertake certain activities or actions.
- 5) Authorisation for representation arising from paragraphs 3 and 4 of this Article cannot be limited.
- 6) Persons responsible for winding up shall put their signatures by adding the words Aundergoing winding up@ to the trade name of the company.

## **Balance for Initiating a Winding Up Procedure**

### **Article 654**

- 1) Persons responsible for winding up shall prepare the opening balance for initiation of the winding up (balance for initiation of a winding up procedure), a report explaining the balance for initiation of the winding up procedure, as well as the annual accounts for each year and a report on operations of the company for each year for which the annual accounts have been prepared.
- 2) The interest holders and the Company Assembly shall decide on the balance for initiation of the winding up procedure, the annual accounts, the report on the company's operations, approval of the activities of the persons responsible for winding up and of the Supervisory Board, if any.

## **Distribution of Assets Remaining After Settlement of**

### **Liabilities To Creditors**

#### **Article 655**

- 1) A company's assets remaining after the settlement of its liabilities to its creditors shall be distributed among the shareholders or stockholders.
- 2) Remaining assets shall be distributed in accordance with the ratio of the nominal value of the shares or stock, unless otherwise provided by the Company Agreement or Charter or unless there are stock conferring different types of rights in the distribution of the company's remaining assets.

## **Time Period for Distribution of Assets Remaining After**

### **Settlement of Liabilities To Creditors**

#### **Article 656**

- 1) A company's assets may be distributed six (6) months after the release of the third announcement of the invitation to creditors.
- 2) If one of the creditors known to the company fails to respond, the amount owed to him/her shall be deposited with the Registration Court.
- 3) If a company liability cannot be paid immediately or is disputable, distribution of assets may take place only after security is provided to the creditor.

## **Filing and Keeping of Documentation**

### **Article 657**

- 1) After the winding up, the persons responsible for winding up shall file the annual accounts and a report to the interest holders or to the assembly.
- 2) The persons responsible for winding up shall attach to the company's application for its erasure from the Trade Registry, filed with the Registration Court the approved annual accounts and reports as well as a copy of the decisions of the shareholders or the Assembly to expel the persons responsible for winding up.
- 3) The company's books and documents shall be kept for ten (10) years from the day on which it is erased, at a place determined by the Registration Court. Shareholders or stockholders or other parties with justified interest shall, if approved by the

Court, have the right to review and make copies and excerpts from the books and documents at their own expense.

**Assets Discovered After Erasure of Company**  
**Article 658**

- 1) If any assets are discovered following the erasure of a company from the Trade Registry, the Registration Court shall, upon the request of any entity with legal interest, summon the persons responsible for winding up again or shall appoint new persons responsible for winding up who shall act in accordance with the provisions of this Law pertaining to winding up.
- 2) If any legal claim is raised against an erased company, particularly based on a complaint for renewal or for annulment, the court shall appoint a custodian of the former company. A complaint may be filed against the persons responsible for the liabilities of the former company, unless their obligations became time-barred.

**Conditions for Making a Decision for Extension of the Duration of the Company**  
**Article 659**

- 1) If a company faces termination due to the expiry of the time limit for its duration as set forth in its Agreement or Charter or due to a decision made by interest holders, the Assembly may issue a decision for extension of the company's duration until the initiation of the distribution of assets among the interest holders or stockholders.
- 2) A decision pertaining to paragraph 1 of this Article shall be taken unanimously by all shareholders of the company with limited liability or with two-thirds majority of the stockholders representing the basic capital in the Joint-Stock Company Assembly.
- 3) If a Company is terminated by the initiation of a winding up procedure, and the procedure is interrupted upon the request of the company or by a court decision for setting off the creditors in bankruptcy procedure, the provision pertaining to paragraph 1 of this Article shall also apply.
- 4) The persons responsible for winding up shall apply for entry of the extension of the life of the company in the Trade Registry. In the application, they must prove that distribution of the company's assets among the shareholders has not yet been initiated.
- 5) A decision on extending the duration of a company shall have legal effect upon its entry in the Trade Registry.

**Chapter Seven**  
**STATE-OWNED COMPANIES AND COMPANIES**  
**WITH PARTICIPATION OF THE STATE**

## **Definition and Types**

### **Article 660**

- 1) The Republic of Macedonia may incorporate limited liability companies and joint-stock companies under state ownership.
- 2) Companies owned by the state are companies in which the Republic of Macedonia has acquired all shares or stocks.

## **Groups of Companies and Companies with Participation of the State**

### **Article 661**

- 1) Companies owned by the state may incorporate other limited liability companies or joint-stock companies and establish forms of affiliation between companies which shall manage, unite or co-ordinate their activities and operations.
- 2) The Republic of Macedonia may acquire shares and stocks in companies (Companies with Participation of the State). If participation of the Republic of Macedonia is less than ten percent (10%), the provisions of this Chapter shall not apply, except in cases explicitly prescribed by Law.

## **Manner of Incorporation and Acquisition of Shares or Stocks**

### **Article 662**

- 1) Decisions on incorporation of a state owned-company, and on acquisition of shares or stocks in a company with participation of the Republic of Macedonia shall be made by the Government of the Republic of Macedonia.
- 2) If a public interest is identified by Law, the Republic of Macedonia may request a company to offer the state shares or stock and on that basis acquire special rights to the management of the company.

## **Entry In Trade Registry and Its Announcement**

### **Article 663**

- 1) The incorporation of a state-owned company shall be filed for entry and announcement in the Trade Registry within (thirty) 30 days of the incorporation or of the day of acquisition of all shares and stock. The Republic of Macedonia as the owner of the shares or as a stockholder shall not be held accountable for a company's liabilities.
- 2) If the Republic of Macedonia, as a shareholder or stockholder, fails to file for entry of acquisition of shares or stock, it shall have unlimited responsibility for the company's liabilities, as of the moment of acquisition of the shares or stocks.
- 3) If winding up or a bankruptcy procedure is initiated because of permanent insolvency of the state-owned company, the Republic of Macedonia, as a shareholder or stockholder, shall have unlimited liability for all of the company's obligations which have been created following the entry of the company in the Trade Registry.

## **Bodies of a Company**

### **Article 664**

- 1) The provisions of this Law pertaining to limited liability companies or joint-stock companies shall also apply to the organisational structure and operations of state-owned companies, unless otherwise determined by the provisions of this Chapter.
- 2) Functions normally held by the shareholders in a limited liability company shall be conducted by the Republic of Macedonia as the owner of share, and functions normally held by the Assembly of a joint-stock company shall be conducted by the Republic of Macedonia as the sole stockholder.
- 3) The functions identified in paragraph 2 of this Article shall be conducted by the Government of the Republic of Macedonia on behalf of the Republic of Macedonia.
- 4) Company's Articles of Incorporation or a document verifying acquisition of shares may provide for the functions identified in paragraph 2 of this Article to be conducted by a public enterprise.

## **One-Tier or Two-Tier System of Management**

### **Article 665**

- 1) A manager(s) or members of the of the Managing Board of a state-owned limited liability company shall be designated by the company's Articles of Incorporation or Articles of Transformation of the company.
- 2) The Articles of Incorporation or Transformation of a state-owned joint-stock company will identify the system of management (one or two-tier) and shall designate the members and mandate of the initial Supervisory Board or Board of Directors.
- 3) On the basis of a management agreement, the management of a state-owned company may be entrusted to one or more managers in a manner determined by the Company Articles of Incorporation or Transformation. The Agreement shall be executed by the Government of the Republic of Macedonia and shall set forth the rights and obligations of the managers.

## **Managing Board**

### **Article 666**

- 1) Pursuant to the state-owned company's Articles of Incorporation or Transformation may be determined that the company be managed by a Managing Board with a minimum of five (5) members, including representatives of shareholders or stockholders and employees, and members appointed based on their expertise.
- 2) The Government of the Republic of Macedonia, as a shareholder or stockholder, shall appoint the members of the Managing Board with a decision. The president of the Managing Board shall act as general director, unless the appointment of the general director is explicitly determined by the company's Articles of Incorporation or Transformation.
- 3) The employees shall be represented by not more than one-third of the members in the Managing Board. The employee representatives shall be appointed upon the proposal made by the Council of employees or by one tenth of the employees.

**Participation in the Company's Bodies in Which  
The Republic of Macedonia Participates in the Basic Capital  
Article 667**

- 1) In companies in which the Republic of Macedonia's participation in the basic capital exceeds ten (10%), the number of its representatives in the Managing Board or the Board of Directors of the company shall be proportionate to its participation in the basic capital.
- 2) Representatives of the Republic of Macedonia on the Managing Board or the Council of Directors shall have equal rights and obligations with the other members.

**Supervision of State-Owned Companies and  
Companies With State Participation  
Article 668**

- 1) The state shall supervise the commercial and financial activities of state-owned companies and companies in which the state participates with a minimum of fifty percent (50%) of the basic capital. Provisions of the Law governing the operations of the public enterprises which refer to their commercial and financial supervision shall apply to the commercial and financial supervision carried out by the state.
- 2) Annual accounts and reports on operations of state-owned companies and the companies in which state participation exceeds fifty percent (50%) of the basic capital shall be reviewed and approved by the Commission for Approval of Annual Accounts of Public Enterprises in accordance with the law that regulates operations of the public enterprises.
- 3) The law that regulates operations of the public enterprises shall apply to the activities of the Commission identified in paragraph 2 of this Article.

**Chapter Eight  
COMPANIES WITH SILENT PARTNERS**

**Silent Partner and Contribution  
Article 669**

- 1) A company with silent partners shall be incorporated with an Agreement under which one party (the silent partner) shall invest or participate with a contribution in a company owned by another party (public partner), thus acquiring the right to share the profit and loss experienced by the owner of the company.
- 2) A silent partner's contribution may consist of money, property or rights the value of which may be expressed in monetary value.

**Status of a Company  
Article 670**

- 1) A company with silent partners shall not have a legal status or a trade name.
- 2) A company with silent partners shall exist only with respect the relations between the partners and does not concern the company's relations with third parties. Only

the owner of the company may effect legal transactions, manage the company with silent partners or assume all rights and obligations arising from the operations of the company with silent partners.

### **Mutual Agreement on Relations**

#### **Article 671**

- 1) Partners are free to reach a mutual agreement on the objectives, forms and the scope of interests and the operational terms of a company with a silent partner.
- 2) The owner of the company and one or more silent partners shall perform their duties with the same degree of due diligence required of their own affairs. This standard shall not release them from liability arising from extreme negligence.

### **Contract on Relations**

#### **Article 672**

- 1) The relations between the silent and public partner(s) shall be regulated by contract.
- 2) The contract shall apply to the relations between the owner of the company and the company's silent partners, unless otherwise provided by this Law.

### **Contribution of a Silent Partner**

#### **Article 673**

- 1) The contribution of a silent partner shall be part of the contribution of the owner of the company, unless otherwise agreed.
- 2) The silent partner shall not be obliged to increase his/her contribution or make additional contributions, if his/her contribution has decreased due to losses of the company with silent partner.

### **Covering of Losses**

#### **Article 674**

- 1) A silent partner shall participate in covering of losses, unless otherwise agreed.
- 2) The silent partner shall participate in covering losses to the extent of his/her paid or unpaid contribution.
- 3) If the silent partner's share in the profit or loss is not determined by contract, in the event of a dispute it shall be determined by the court in a non-contentious procedure.

### **Calculation of Profit/Loss**

#### **Article 675**

- 1) At the end of each business year, the owner of a company shall calculate the company's profit or loss and pay to the silent partner his/her share of the profit.
- 2) The silent partner is not obliged to return the profit received if further losses occur at a later date. As an exception, if the value of the silent partner's contribution decreased due to a loss the profit shall be used for covering the decrease in value.

- 3) Profit that has not been collected by the silent partner shall not increase the value of his/her contribution.

### **Right to Copies and Access to Books and Documents**

#### **Article 676**

- 1) A silent partner may request copies of the company's annual accounts and inspect their accuracy and regularity by comparing them with the company's books and documents.
- 2) Upon request of the silent partner, the court may, in a non-contentious procedure, order the company's annual accounts, including other explanations, books and agreements to be delivered to the silent partner for inspection.
- 3) The rights of the silent partners pertaining to paragraphs 1 and 2 of this Article can be neither denied nor limited by an agreement.

### **Relations with Third Parties**

#### **Article 677**

- (1) Each partner shall establish personal contractual relations with third parties on his/her own behalf.
- (2) Any partner shall be liable even when, without an agreement with the other partners, s/he discloses the names of silent partners to third parties.
- (3) The name of a silent partner shall not be included in the trade name of the company, but if it is, and the silent partner knew or should have known that his/her name was included, s/he shall share a direct, unlimited and joint liability with the owner of the company to any creditors for liabilities arising from the operations of the company.

### **Termination Terms**

#### **Article 678**

A company with silent partners shall be terminated:

- 1) If the time period for which it has been founded expires;
  - 2) Upon an agreement of the partners;
  - 3) Upon achieving the goals for which the company with a silent partner was incorporated or if achievement of those goals becomes impossible, irrespective of whether the Agreement designated a limited or unlimited period of time;
  - 4) Upon the death of the owner of the company or termination of the owner of the company that is not a natural person, unless otherwise determined by the Agreement; or
  - 5) With the initiation of a bankruptcy procedure for the company or for the silent partner.
- (2) In cases pertaining to paragraph 1 of this Article, termination of a company with a silent partner shall be a matter of Law, unless otherwise provided by the agreement.
  - (3) A company shall not be terminated because of the death of a silent partner.

**Regulation of Relations in Cases When a Company  
has Not been Terminated by Bankruptcy  
Article 679**

If a company is terminated for reasons other than initiation of a bankruptcy procedure, the owner shall estimate the silent partner's share and pay the silent partner's share in cash, unless otherwise agreed between them.

**Bankruptcy of the Company  
Article 680**

- 1) If a bankruptcy procedure is initiated, the company's silent partner(s) shall pay the matured part of the contribution.
- 2) If a company's loss exceeds the contribution of the silent partner, s/he shall be entitled to collect his/her claim from the deposited contribution or from the contribution matured upon opening of a bankruptcy procedure as a bankruptcy creditor.
- 3) A silent partner is not obliged to deposit into the bankruptcy estate the part of his/her contribution which has not matured by the time the bankruptcy procedure is initiated notwithstanding his/her obligation to share the loss.

**Denial of Refund or Forgiveness  
Article 681**

- 1) If, on the basis of a contract between the owner of the company and the silent partner(s) during the year preceding the initiation of a bankruptcy procedure, the contribution of the silent partner has not been returned in full or in part or his/her share of the loss has been partially or fully forgiven, the Bankruptcy Trustee may deny the refund or forgiveness, irrespective of whether the refund or forgiveness occurred as a result of the termination of the company.
- 2) If bankruptcy is initiated due to circumstances arising after execution of an agreement on refund or forgiveness, the denial required by paragraph 1 of this Article shall not apply.
- 3) Provisions pertaining to bankruptcy shall apply in all other aspects.

**Part Three  
FOREIGN TRADE COMPANIES AND FOREIGN SOLE  
PROPRIETORS**

Section One  
FOREIGN TRADE COMPANIES AND FOREIGN SOLE PROPRIETORS

### **Definition**

#### **Article 682**

- 1) For the purposes of this Law, a foreign trade company is a company incorporated under the law of the country in which it has registered its head office, outside the Republic of Macedonia.
- 2) For the purposes of this Law, a foreign sole proprietor is a natural person whose status as a sole proprietor is recognised outside the Republic of Macedonia, in the country of his/her citizenship in which his/her head office has been registered and out of which s/he runs the operations of the enterprise.

### **Criteria for Affiliation**

#### **Article 683**

- 1) For the purposes of this Law, a trade company with a head office outside the Republic of Macedonia as defined by its Agreement or Charter shall be regarded as a company of the state where its head office is located.
- 2) Under the circumstances identified in paragraph 1 of this Article, the company shall be deemed a national company when in reality it is managed from a place within the Republic of Macedonia or when it engages in a commercial activity which is fully or mostly conducted within the Republic of Macedonia.
- 3) A trade company whose head office is not defined by its Agreement or Charter shall be regarded as a company to the state where it is located and from which is in reality managed.

### **Operating Position**

#### **Article 684**

- 1) In their operations on the territory of the Republic of Macedonia, foreign trade companies and foreign sole proprietors shall comply with the law and shall have a status equal with domestic natural persons and legal entities, unless otherwise determined by state agreement or by law.
- 2) A foreign trade company or a foreign sole proprietor may not conduct activities on the territory of the Republic of Macedonia before a branch office is established.

### **Rules on Similar Types of Companies**

#### **Article 685**

- 1) Where foreign trade company is of a type not governed by this Law, provisions pertaining to trade companies most similar in type shall apply. Similarity shall be determined according to the manner in which the interest holders have deposited their contributions in the company, the kind and scope of liabilities of the interest holders, and the organisational form.
- 2) If a foreign company falls outside any of the types of trading companies identified in this Law, the provisions pertaining to joint-stock companies shall apply.

### **Legal Status**

#### **Article 686**

- 3) The legal and business capacity (legal status) of a foreign trade company shall be determined in accordance with the law of the country to which the company is located.
- 4) A foreign trade company's business capacity may not be greater or its liability less than that recognised or imposed by the legislation of the Republic of Macedonia to domestic companies of the same or similar type or scope of business activity. Nor may a foreign trade company be absolved of obligations arising from legal transactions concluded or anticipated in the Republic of Macedonia, if a domestic company of the same or similar type or scope of business activity is not allowed to do likewise.

### **Application of Law**

#### **Article 687**

- (1) A foreign trade company operating on the territory of the Republic of Macedonia must comply with the laws of the Republic of Macedonia.
- (2) A foreign trade company with an organisational unit in the Republic of Macedonia which is entered in the Trade Registry shall have, with respect to business operations concluded or yet to be carried out in the Republic of Macedonia, the same legal status as a domestic legal entity of the same or similar type and scope of business activity, even if the laws of its country or origin do not provide for such a legal status.

### **Real Estate Ownership**

#### **Article 688**

- 1) A foreign trade company or a foreign sole proprietor may, for the purposes of conducting their business activities, acquire ownership of buildings and limited types of property rights to real estate.
- 2) A foreign company or a foreign sole proprietor, including its organisational unit in the Republic of Macedonia, may not acquire ownership of land.
- 3) A foreign company or a foreign sole proprietor may acquire ownership of apartments and housing facilities only in the manner prescribed by law.

### **More Favourable Treatment**

#### **Article 689**

Where the Republic of Macedonia is a signatory to an international agreement which provides more favourable terms for conducting a commercial activity by a foreign party than Macedonian law provides, the more favourable provisions within the international agreement shall prevail.

### **Units of Foreign Companies**

#### **Article 690**

- 1) A foreign trade company shall, through its branch office, have rights consistent with its type and scope, to conduct all activities, to assume obligations and access courts and other government bodies in the Republic of Macedonia, under the same

conditions applicable to domestic companies of the same or similar type and scope of business activity, unless otherwise provided by law.

- 2) A foreign trade company shall have the rights to establish representative offices as organisational units or otherwise conduct certain business activities, to assume obligations and access courts and other government bodies in the Republic of Macedonia, under the conditions determined by law.
- 3) In the event of doubt or denial the legal existence and scope of capacity shall be proved by the foreign company.

### **Approval for Establishment of an Organisational Unit**

#### **Article 691**

A foreign trade company or a foreign sole proprietor shall be entitled to establish a branch or representative office or other organisational unit in the Republic of Macedonia, upon approval issued by the Ministry with authority for foreign economic relations, within thirty (30) days of the submission of the request for approval. If the approval is not issued within thirty (30) days, the request shall be considered denied.

## Section Two

### BRANCH AND REPRESENTATIVE OFFICES

#### **Branch Office**

##### **Article 692**

- 1) A foreign trade company or a foreign sole proprietor shall have the right to establish a branch office in the Republic of Macedonia only if entered in the Registry of the country in which its head office has been located, for a minimum of two (2) years.
- 2) If a foreign trade company establishes several branch offices in the Republic of Macedonia, it shall designate the main branch office in its form for entry in the Trade Registry.
- 3) A foreign sole proprietor shall have the right to establish only one branch office.

#### **More Than One Branch Offices**

##### **Article 693**

- 1) If a foreign trade company establishes more than one branch office in the Republic of Macedonia, the branch office considered to be the main branch office (the Macedonian Central Branch Office) in the Republic of Macedonia shall be designated in the company's form for entry in the Trade Registry.
- 2) The other branch office established by a foreign trade company in the Republic of Macedonia shall be considered branch offices of the Macedonian Central Branch Office.
- 3) The trade name of the branch office shall include the trade name of the Macedonian Central Branch Office, as well as the reference number of the other branch offices according to their order of entry.

## **Entry In the Trade Registry**

### **Article 694**

- 1) A foreign trade company or a foreign sole proprietor shall file for entry of a branch office in the Trade Registry at the court with jurisdiction determined by the registered address of the branch office and the type of company.
- 2) The following documents shall be attached to the entry form:
  - 1) An excerpt from the Registry in which the founder is entered, showing the content and date of entry;
  - 2) A copy of the Company Agreement or Charter certified by an authorised administrative body of the company's country of origin, as well as a certificate issued by the foreign authorities proving that the submitted Agreement or Charter is still in effect. If the laws of the company's country of origin do not require a written Agreement or Charter, a certificate issued by the competent diplomatic or consular office of the Republic of Macedonia shall be submitted proving the existence of the company, its interest holders and their liabilities;
  - 3) A list of persons to whom representation of the company in the Republic of Macedonia has been entrusted, including their name and surname, occupation, residential address and citizenship. Proof that these persons have been legally designated according to the Company Agreement or Charter and the laws of the company's country of origin shall be attached to the list;
  - 4) A decision issued by the authorised body of the company establishing the branch office;
  - 5) A certified copy of the company's approved annual accounts and the report of the managing body for the previous two years, if possible, according to the type of company and the laws of the company's country of origin;
  - 6) A description of activities which will be performed by the branch office; and
  - 7) Evidence of approval by the Ministry authorised for foreign commercial relations.
- (3) The Founder of the branch office shall not be entitled to operate through the branch office prior to its entry in the Trade Registry.
- (4) The entry of other types of organisational units (agencies, representative offices, etc.) shall be made pursuant the manner and under the conditions set forth in Article 690, paragraph 2 of this Law.

## **Acting in Legal Transactions**

### **Article 695**

A branch office shall act on behalf and in the interests of the foreign trade company or the foreign sole proprietor, using the trade name, the head office and the trade name of the branch office.

## **Liability in Legal Transactions**

### **Article 696**

A foreign trade company or a foreign sole proprietor shall be liable with its entire property for the liabilities arising from operations of the branch office.

**Representatives**  
**Article 697**

- 1) A foreign trade company shall appoint one or more representatives for each branch office who will, through that branch office, represent the company in its activities in the Republic of Macedonia. The foreign company may appoint the same representative(s) for more than one branch office.
- 2) Pursuant to this Law, the representatives of the Macedonian Central Branch Office shall be the representatives of the other branch offices, even if other representatives have been appointed for the other branch offices.
- 3) All representatives must have permanent residence in the Republic of Macedonia.

**Trade Books**  
**Article 698**

- 1) A foreign trade company or a foreign sole proprietor shall keep trade books for its operations in the Republic of Macedonia through its respective branch office(s).
- 2) If domestic companies or sole proprietors are obliged to announce their annual financial statements, the representatives shall also be obliged to announce this information, both for the entire company and for the operations of each branch office.

**Termination of a Branch Office**  
**Article 699**

- 1) A branch office of a foreign trade company or of a foreign sole proprietor shall be considered terminated with the termination of the foreign company [the company-proprietor], when the time-period for which it was established or for which approval was granted expires, or when the company, the sole proprietor, the Registration Court or the authorized government body decides that the branch office be terminated.
- 2) The Registration Court may also decide to terminate the branch office of a foreign trade company or foreign sole proprietor:
  - 1) If it finds that the company or the foreign sole proprietor has been terminated in its country of origin, or if it has been banned from conducting business activities it conducts in the Republic of Macedonia;
  - 2) If the foreign company or the foreign sole proprietor fails to appoint representatives of its branch office(s) within three (3) months of the day the court has requested so;
  - 3) If the foreign company or the foreign sole proprietor has been under an obligation to invest assets, but has failed to do so, or if it has completely or partially withdrawn from its investment; and
  - 4) If a creditor proves that his/her claim arising from the operations of the company or the foreign sole proprietor that have established the branch office cannot be collected.

- (3) If the Macedonian Central Branch Office is terminated, while the other branch offices continue with their operations, the company shall designate a new central branch office, and enter it in the Trade Registry.

### **Winding Up a Branch Office**

#### **Article 700**

- 1) If a foreign trade company or a foreign sole proprietor fail to appoint a person responsible for winding up, the winding up of a branch office shall be carried out by the company or proprietor's representatives, unless the branch office is terminated through bankruptcy or integration.
- 2) Creditors with claims against the company arising from the operations of the terminated branch office, shall have a right to priority settlement over other creditors in the process of winding up.
- 3) If a branch office is terminated as a result of the termination of the company, winding up need not be carried out if the branch office, with its entire asset base in the Republic of Macedonia, is converted into a type of trade company permitted under this Law and with a main office in the Republic of Macedonia within six (6) months as of the day of the company's termination or if, within the same period, its entire asset base is taken over by any trade company, legal entity or natural person in the Republic of Macedonia.

### **Liability for Damage**

#### **Article 701**

- 1) The provisions of this Law pertaining to liability for damages applicable to domestic companies shall apply to branch offices of foreign companies or foreign sole proprietors. Representatives and persons responsible for winding up shall, with respect to their liabilities, have equal status with the members of the managing body and persons responsible for winding up of a joint-stock company or a limited liability company.
- 2) The provisions of this Law pertaining to liability for damages made by managers and persons responsible for winding up of a limited liability company shall also apply to representatives and persons responsible for winding up of a general partnership and limited partnership, unless their liabilities, if they are partners, are of a higher degree.
- 3) Persons who, acting in the capacity of representatives, violate the provisions of this Law shall have a joint liability for damages they cause. The company or the sole proprietor shall also be jointly liable for the damages.

### **Commercial Representative Office**

#### **Article 702**

- 1) A foreign trade company authorised to conduct commercial activities in compliance with the legislation of its country of origin shall have the right to establish a commercial representative office in the Republic of Macedonia.

- 2) A representative office shall not represent a legal entity; nor can it perform any commercial activity.
- 3) A representative office established pursuant to paragraph 1 of this Article shall be registered with the ministry holding authority for foreign economic relations.
- 4) For the purposes of the registered representative office established pursuant to paragraph 1 of this Article legal provisions and regulations pertaining to the conclusion of legal transactions between natural persons and legal entities in the Republic of Macedonia shall apply to business operations concluded between a foreign company and natural persons or legal entities in the Republic of Macedonia.

#### **Part Four PENALTY PROVISIONS**

##### **Article 703**

- 1) A fine of between 50,000 and 150,000 Denars shall be levied if a trade company commences its operations prior to its entry in the Trade Registry (Article 440, paragraph 3).
- 2) In addition to the fine pertaining to paragraph 1 of this Article, a company may be banned from conducting business for a period of between one (1) and five (5) years.

##### **Article 704**

- (1) A fine of between 80,000 to 240,000 Denars shall be levied on a limited liability company:
  - 1) If the expenses and rewards for participation in the incorporation of a company are not paid out of the profit, in accordance with Article 121, paragraph 3 of this Law;
  - 2) If the prescribed time-period for payment of the unpaid amount of the monetary contribution is not observed (Article 126, paragraph 3);
  - 3) If the company's assets required to preserve the basic capital are paid to a shareholder (Article 138, paragraph 1);
  - 4) If the book of shares is not maintained pursuant to Article 143, paragraphs 1 and 2;
  - 5) If a share of the property is purchased in violation of Article 146, paragraph 3;
  - 6) If a company mentions an increase of the basic capital in its business statements and regulations, prior to the announcement of the decision in the Trade Registry (Article 198, paragraph 3); or
  - 7) If it pays the shareholders on the basis of a decrease in the basic capital, prior to the entry of the amendments of the Company Agreement in the Trade Registry (Article 205, paragraph 2).
- (2) In addition to the fine pertaining to paragraph 1 of this Article, a company may be banned from conducting business for a period of two (2) to five (5) years.

- (3) A fine of between 10,000 and 50,000 Denars shall also be levied against the person in a company responsible for offenses found in conjunction with paragraph 1 of this Article.

#### **Article 705**

- (1) A fine of between 80,000 and 250,000 Denars shall be levied against a joint-stock company:
- 1) If it guarantees or pays interest to the stockholders (Article 283, paragraph 2);
  - 1-a) If it fails to permit transfer of shares (Article 290);
  - 1-b) If it fails to enter a transfer or a change in the book of shares (Article 291);
  - 2) If it fails to announce a decision for increase in the basic capital and the actual increase in the basic capital, a decision for conditional increase in the basic capital, for the purpose of entry in the Trade Registry (Article 391, paragraph 1, Article 393, paragraph 1, and Article 397, paragraph 1); and
  - 3) If it fails to announce a decision for decrease in the basic capital, or an actual decrease in the basic capital, for the purpose of entry in the Trade Registry (Article 416, paragraph 1 and Article 418, paragraph 1).
- (2) In addition to the fine pertaining to paragraph 1 of this Article, a company may be banned from conducting business for a period of two (2) to five (5) years.
- (3) A fine of between 10,000 and 50,000 Denars shall also be levied against the person in the company responsible for offenses found in conjunction with paragraph 1 of this Article.

#### **Article 706**

- (1) A fine of between 100,000 and 300,000 Denars shall be levied against a sole proprietor if he/she:
- 1) Executes contracts and conducts other activities in the trade of goods or rendering of services that are not identified in the business operations entered in the Trade Registry (Article 444, paragraph 1);
  - 2) Fails to keep trade books pursuant to Article 537, 538, items 1, 2 and 3, and Article 698;
  - 3) Fails to make inventory pursuant to Article 539;
  - 4) Fails to maintain business records and other documents in an appropriate and proper manner pursuant to Article 540; and
  - 5) Fails to prepare and announce the annual accounts and the consolidated annual accounts pursuant to Articles 552, 590, 592 and 596.
- (2) A fine of between 15,000 and 50,000 Denars shall also be levied against the proprietor for offenses found in conjunction with paragraph 1 of this Article.

#### **Article 707**

- (1) A fine of between 80,000 and 250,000 Denars shall be levied against a company if:
- 1) The Managing Board of the company is formed contrary to the provisions of this Law (Article 323);
  - 2) The Supervisory Board of the company is formed contrary to the provisions of this Law (Article 334);

- 3) A company performs activities not included in the business operations entered in the Trade Registry (Article 440, paragraph 3);
- 4) A company in the course of doing business, fails to use its trade name as it has been entered in the Trade Registry (Article 454);
- 5) The old trade name is used without consent of a withdrawn stockholder or his/her successors (Article 457);
- 6) A company fails to perform, within the period permitted, the activities set forth in Article 484, paragraph 2;
- 7) A company fails to report the change of its head office to the court, in the Trade Registry in which it has been entered (Article 494, paragraph 1);
- 8) A company makes changes in the annual accounts with a decision for use of the profit (Article 560, paragraph 3); or
- 9) A company decreases the mandatory general reserve below the lowest prescribed amount and fails to use the general reserve as prescribed (Article 561).

(2) A fine of between 15,000 and 50,000 Denars shall also be levied against the person in the company responsible for offenses found in conjunction with paragraph 1 of this Article.

(3) In addition to the fine pertaining to paragraph 1, item 5 of this Article, a company may be banned from conducting a certain business activity for a period of one (1) to five (5) years.

#### **Article 708**

A fine of between 80,000 and 250, 000 Denars shall be levied against a foreign sole proprietor if s/he conducts in the Republic of Macedonia, without establishing a branch office. (Article 684, paragraph 2).

#### **Article 709**

A fine of between 10,000 and 40,000 Denars shall be levied against a sole proprietor if s/he:

- 1) Registers more than one trade name (Article 10, paragraph 3);
- 2) Transfers the trade name to a third party, contrary to the provisions of this Law (Article 12, paragraph 2);
- 3) Fails to report the termination of the natural person-sole proprietor to the authorised public revenue office (Article 15, paragraph 1); and
- 4) Commences operations prior to the entry in the Trade Registry (Article 440, paragraph 3 and Article 445).

(2) In addition to the fine pertaining to paragraph 1 of this Article, a sole proprietor may be banned from conducting business activities for a period of one (1) to five (5) years.

#### **Article 710**

A fine of between 15,000 and 50,000 Denars shall be levied against a general partnership if:

- 1) It performs certain activities for which none of the partners or employees has the requisite qualification;

- 2) It denies the partners who are not managers the rights pursuant to Article 68, paragraphs 1, 2 and 3.
- (2) A fine of between 10,000 and 30,000 Denars shall also be levied against the person in the general partnership responsible for offenses found in compliance with paragraph 1 of this Article.

#### **Article 711**

A fine of between 15,000 and 50,000 Denars shall be levied against a company if:

- 1) It fails to keep a book of decisions and allows access to the book pursuant to Article 172, paragraph 1 and 2;
  - 2) It denies any shareholder access to the book of shares (Article 289, paragraph 4); and
  - 3) It fails to carry out the activities of Article 484, paragraph 2, within the prescribed time period.
- (2) A fine of between 10,000 and 30,000 Denars shall also be levied against the person in the company responsible for offenses found in compliance paragraph 1 of this Article.

### **Part Five TRANSITIONAL AND FINAL PROVISIONS**

#### **Article 712**

This Law shall apply to trade companies incorporated in the Republic of Macedonia from the day it takes effect. Incorporation actions undertaken prior to its taking effect shall not be repeated.

#### **Article 713**

- 1) Companies incorporated prior to the effectiveness of this Law shall abide by its provisions as of 30 June 1999 or, pursuant to the provisions of this Law, as of the day the amendments to the Company Agreement or Charter, which were made for the purpose of reconciling the company with the provisions of this Law are announced, where such announcement is made before June 30, 1999.
- 2) Companies covered by paragraph 1 of this Article shall bring into compliance with this law their Articles of Incorporation and the Company Agreement or Charter not later than June 30 1999. Compliance may be effected by cancellation, amendment or substitution of provisions of the Company Agreement or Charter which are contrary to the imperative provisions of this Law, if necessary, as well as by addenda imposed by this Law. Compliance may be effected by amendments to the existing Company Agreement or Charter, or by adoption of a new Company Agreement or Charter. A decision for bringing into compliance may be reached by a plain majority of votes of the stocks represented at the Company Assembly or by the shares represented at the Interest Holders Assembly, if the provisions of the Company Agreement or Charter, which are not in compliance of this Law are amended on the basis of the decision. In the event of conversion of a company and increase in its basic capital, except for when the reserves and the profit are included in the basic capital, the decision on compliance of the provisions of the Company

Agreement or Charter shall be adopted with a procedure on amending and appending the Company Agreement or Charter, prescribed by the Law or by the Company Agreement or Charter.

- 3) If the company's documents are in compliance with the provisions of this Law and their adjustment is not required, the Company Assembly or the Interest Holders Assembly shall adopt a decision which states that the documents need not be adjusted. The decision shall be announced according to this Law's requirements for announcement of decisions for amending and appending Company the Agreement or Charter. These companies shall operate according to this Law as of the day of announcement of the decision, provided that it has been announced before June 30, 1999.

#### **Article 714**

- 1) If a company fails to adjust its Agreement or Charter according to the provisions of this Law, the provisions contrary to the provisions of this Law, shall be void as of 30 June, 1999.
- 2) If a company fails to increase its basic capital, at least up to the lowest amount prescribed by this Law, a limited liability company or a joint-stock company with basic capital lower than that prescribed by this Law shall terminate its operations and be transformed into another type of a company for which, pursuant to this Law, minimum basic capital exceeding the amount of the existing basic capital is not required by this Law.
- 3) Companies which fail to bring their documents and operations into compliance with this Law shall terminate after the expiry of the time-period prescribed by this Law. The winding up shall be carried out by the Registration Court in accordance with the provisions of this Law.

#### **Article 715**

The Registration Court may set another term, not exceeding six (6) months, within which a company shall bring its Agreement or Charter into compliance with the provisions of this Law. If a company fails to comply with this Law, the Company Agreement or Charter shall be void.

#### **Article 716**

Under this Law, companies shall constitute company bodies within a period of three (3) months after the day of entry in the Trade Registry of the amendments to the Company Agreement or Charter and the accompanying decision for the purpose of bringing them into compliance with this Law.

#### **Article 717**

Decisions for bringing the provisions of the Company Agreement or Charter into compliance with the provisions of this Law shall be adopted pursuant to the existing rules of the company.

#### **Article 718**

As of the day this Law takes effect, the following types of companies shall continue to operate in the manner and under conditions as entered in the Court Registry:

- 1) Socially-owned companies, public enterprises, joint-stock companies, limited liability companies, and socially-owned companies employing disabled persons;
- 2) Joint-stock companies, limited liability companies, limited partnerships, limited partnership by shares, companies with unlimited joint liability of the members and enterprises employing disabled persons with mixed ownership;
- 3) Co-operatives, joint-stock companies, limited liability companies, limited partnerships, limited partnerships by shares, companies with unlimited joint liability of the members and enterprises employing disabled persons with co-operative ownership; and
- 4) private enterprises, joint-stock companies, limited liability companies, limited partnerships, limited partnerships by shares, companies with unlimited joint liability of the members, stores and farms with the status of a legal entity.

#### **Article 718-a**

- 1) Entities conducting activities with personal labour registered in accordance with the Law on Independent Activities with Personal Labour (AOfficial Gazette of the Republic of Macedonia@ No.18/89, 46/89 and 23/90), except for craftsmen shall bring their operations into compliance with this Law not later than 30 June, 1999.
- 2) Persons included in paragraph 1 of this Article who fail to bring their operations into compliance with this Law, following the expiry of the determined time limit, shall automatically terminate their operations and shall be ex-officio [in line of duty] erased from the Registry pursuant to this Law.

#### **Article 719**

- (1)On the day this Law takes effect, the Law on Enterprises shall be considered void (AOfficial Gazette of SFRY@, No.77/88, 40/89, 46/90 and 61/90 and AOfficial Gazette of RM@, No. 15/93).
- (2)Provisions of the Law on Enterprises shall continue to apply to socially-owned enterprises, public enterprises and co-operative enterprises until those enterprises are transformed to certain types of companies defined by this Law within the term, in the manner, and under the conditions determined by another law.
- (3)The Law on Enterprises shall continue to apply to private enterprises, until pursuant to the conditions, manner and the time-frame determined by this or another law they are transformed into certain types of companies or continue to operate as sole proprietors pursuant to this Law.

#### **Article 720**

- 1) Representatives of the social capital holding shares or stocks based on social capital shall participate in the management of joint-stock companies and limited liability companies with social or mixed ownership in proportion to the shares of the social capital in the total permanent capital of the company, unless otherwise determined by the Articles of Incorporation or Company Charter.
- 2) Rights pertaining to appointment or expulsion of representatives of the social capital, following 1 January 1997, shall be exercised by the Agency of The Republic of Macedonia on Transformation of Enterprises with Social Capital. The Agency

shall not appoint persons holding shares, or stocks in the company as representative of the social capital. The appointment shall be made by the Managing Board of the Agency.

#### **Article 721**

- 1) Companies incorporated prior to the adoption of this Law, such as social, co-operative private enterprises and enterprises employing disabled persons, shall continue to use the trade name as it has been entered in the Court Registry before the enactment of this Law.
- 2) A company included in paragraph 1 of this Article, which changes its business operations entered in the Court Registry prior to the effectiveness of this Law and continues to conduct the same or similar types of activities, as well as the legal entity already entered in the Court or the Trade Registry at the Registration Court under the same or similar trade name, simultaneously with the entry of the change related to the business operations, shall be obliged to apply for change of the trade name, in accordance with the provisions of this Law.
- 3) Until the enactment of a law which governs the special conditions on incorporation of companies employing disabled persons and the advantages thereof, the corresponding provisions of the Law on Enterprises shall apply.

#### **Article 722**

The provisions of this Law pertaining to trade books and annual accounts shall apply following the adoption of the accounting principles and standards, while the provisions of this Law pertaining to the audit of the annual accounts of trade companies shall apply following the adoption of laws which govern the auditing.

#### **Article 723**

- 1) Parts of enterprises with special authorisations in the legal trade which already exist in the Court Registry on the day of the effectiveness of this Law, shall continue their operations in the manner and under the conditions entered in the Court Registry, until the day on which they are entered in the Trade Registry as branch offices of the companies, in accordance with the provisions of this Law.
- 2) If an enterprise included in paragraph 1 of this Article fails to adjust its documents and submit to the court the form for entry of parts of the enterprise with special authorisation in the legal trade, the court shall erase it from the Court Registry, ex-officio [in the line of duty].

#### **Article 724**

- (1) The existing joint-stock companies that hold their own stocks shall be obliged to cancel them not later than June 30, 1999.
- (2) Limited liability companies holding their own shares shall be obliged to cancel them not later than June 30, 1999.
- (3) Joint-stock companies with a total number of stocks without voting rights exceeding one-half of the basic capital, shall adjust the ratio of stocks to the voting rights, pursuant to this Law, not later than June 30, 1999.

Article 724-a **shall be erased**

**Article 725**

- 1) Until such time that public notaries commence their operations with respect to this law and as determined by a stand-alone law, the notary affairs defined by this Law shall temporarily be conducted by attorneys.
- 2) Until the terms identified in paragraph 1 of this Article are realized the documents related to the notary affairs which are prepared by attorneys shall be certified by the court, in accordance with existing regulations.

**Article 726**

On the day this Law takes effect, the following Laws shall no longer be valid with regard to commercial entities:

- 1) Law on Entry in the Court Registry (Official Gazette of SFRY, No.13/83 and 17/19);
- 2) Law on Foreign Investment (Official Gazette of RM, No.31/93);
- 3) Law on Individual Activity with Personal Labour (Official Gazette of SRM, No.18/89); except the provisions related to craftsmen activities;
- 4) The provisions of the Law on Forced Settlement, Bankruptcy and Winding Up (Official Gazette of SFRY, No. 84/89), related to winding up of enterprises; and
- 5) Law on Securities - Title II (Official Gazette of RM, No.5/93).

**Article 727**

The Minister of Justice, within sixty (60) days after this Law takes effect, shall adopt the regulations on Trade Registry, pursuant to the authorisations determined by this Law.

**Article 728**

This Law shall take effect on the thirtieth day from the day it has been announced in the AOfficial Gazette of the Republic of Macedonia@.

<b>Part One GENERAL PROVISIONS</b> .....	<b>4</b>
<b>Chapter One COMMERCIAL ENTITIES, SOLE PROPRIETORS AND TRADE COMPANIES</b> .....	<b>4</b>
Section One COMMERCIAL ENTITIES.....	4
Section Two SOLE PROPRIETOR.....	6
Section Three TRADE COMPANIES.....	7
<b>Part Two TYPES OF TRADE COMPANIES</b> .....	<b>16</b>
Section One DEFINITION AND INCORPORATION.....	16
Section Two LEGAL RELATIONS AMONG PARTNERS OF A GENERAL PARTNERSHIP.....	18
Section Three RELATIONS OF THE GENERAL PARTNERSHIP WITH THIRD PARTIES.....	23
Section Four TERMINATION OF GENERAL PARTNERSHIPS AND TERMINATION OF PARTNERSHIPS.....	24
<b>Chapter Two LIMITED PARTNERSHIP</b> .....	<b>26</b>
Section One GENERAL PROVISIONS.....	27
Section Two INCORPORATION AND ENTRY IN THE TRADE REGISTRY.....	27
Section Three LEGAL RELATIONS BETWEEN PARTNERS.....	28
Section Four LEGAL RELATIONS BETWEEN THE LIMITED PARTNERSHIP AND THIRD PARTIES.....	30
Section Five TERMINATION OF A LIMITED PARTNERSHIP.....	31
<b>Chapter Three LIMITED LIABILITY COMPANY</b> .....	<b>32</b>
Section One INCORPORATION.....	32
Section Two RIGHTS AND OBLIGATIONS OF THE SHAREHOLDERS.....	38
Section Three BODIES OF A LIMITED LIABILITY COMPANY.....	46
Subsection One Shareholders Assembly.....	46
Subsection Two Manager(s).....	50
Subsection Three Supervision of the Company's Operations.....	54
Section Four AMENDING THE AGREEMENT FOR A LIMITED LIABILITY COMPANY.....	56
Subsection One Increasing the Basic Capital.....	57
Subsection Two Decrease in the Basic Capital.....	59
Section Five TERMINATION OF A LIMITED LIABILITY COMPANY.....	60
Section Six CONVERSION OF A JOINT-STOCK COMPANY INTO A LIMITED LIABILITY COMPANY.....	62
<b>Chapter Four JOINT-STOCK COMPANY</b> .....	<b>65</b>
Section One GENERAL PROVISIONS.....	65
Section Two STOCKS.....	66
Section Two INCORPORATION OF A JOINT-STOCK COMPANY.....	70
Subsection One Simultaneous Incorporation.....	73
Subsection Two Successive Incorporation.....	76

Section Three LEGAL RELATIONS BETWEEN A JOINT-STOCK COMPANY AND ITS STOCKHOLDERS .....	85
Section Four GOVERNANCE AND MANAGEMENT OF A JOINT-STOCK COMPANY .....	93
Subsection One Board of Directors .....	93
Subsection Two Managing Board and Supervisory Board .....	101
Section Three Joint-Stock Company Assembly .....	109
Section Five JOINT-STOCK COMPANY INCORPORATED BY ONE ENTITY .....	120
Section Six CHANGES TO THE CHARTER AND INCREASES OR DECREASES IN THE BASIC CAPITAL .....	121
Subsection One Changes to the Charter.....	121
Subsection Two Increase in the Basic Capital.....	122
Subsection Two Decrease of the Basic Capital.....	129
Section Seven CONVERSION OF A JOINT-STOCK COMPANY INTO ANOTHER FORM OF COMPANY AND CONVERSION OF A LIMITED LIABILITY COMPANY INTO A JOINT-STOCK COMPANY .....	132
Section Eight TERMINATION OF A JOINT-STOCK COMPANY .....	135
<b>Chapter Five LIMITED PARTNERSHIP BY STOCKS.....</b>	<b>136</b>
Section One CHARACTERISTICS OF A COMPANY.....	139
Subsection One Business Operations.....	139
Subsection Two Head Office .....	140
Subsection Three Trade Name.....	141
Section Two PROCURATION .....	145
Section Three AUTHORISED COMMERCIAL AGENTS AND SALESMEN .....	147
Section Four TRADE REGISTRY AND REGISTRATION PROCEDURE.....	149
Subsection One Trade Registry.....	149
Subsection Two Entry of Companies.....	150
Subsection Three Entry of Sole Proprietors .....	153
Section Four Entry Procedure .....	154
Section Five TRADE BOOKS AND ANNUAL ACCOUNTS .....	165
Subsection One Trade Books .....	165
Subsection Two Annual Balance Sheet.....	169
Subsection Three Evaluation of Items in Accounting Statements and Release of Annual Balance Sheet and Annual Report.....	172
Section Six PARTICIPATION [EQUITY HOLDING] IN OTHER TRADING COMPANIES (CONNECTED COMPANIES) .....	174
Subsection One Companies With Significant Participation [Equity Holding], Majority Participation or Mutual Participation .....	175
Subsection Two Controlled and Controlling Companies.....	176
Subsection Three Information on Participation in Other Companies.....	178
Subsection Four Management and Liabilities of a Company with Majority Participation.....	180
Subsection Five Consolidated Annual Accounts .....	183
Section Seven Commercial Interest Community.....	186
Section Eight MERGER AND DIVISION.....	190
Subsection One General Provisions for Merger and Division of Companies .....	190

Subsection Two Integration or Division of Joint-Stock Companies .....	192
Subsection Three Integration or Division of Limited Liability Companies .....	195
Section Nine ANNULMENT OF A COMPANY AND ITS DOCUMENTS.....	195
Section Ten WINDING UP OF A COMPANY.....	198
<b><i>Part Three FOREIGN TRADE COMPANIES AND FOREIGN SOLE PROPRIETORS</i></b>	
.....	<b>208</b>
Section One FOREIGN TRADE COMPANIES AND FOREIGN SOLE PROPRIETORS.....	208
Section Two BRANCH AND REPRESENTATIVE OFFICES .....	211