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**LAW OF UKRAINE**

**On Business Associations**

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the Laws #3709-12 dated 12.16.93, VVR 1994, #3, p. 11

#3710-12 dated 12.16.93, VVR 1993, #51, p. 480

#82/95-VR dated 03.02.95, VVR 1995, #14, p. 90

#90/95-VR dated 03.14.95, VVR 1995, #14, p. 93

#769/97-VR dated 12.23.97, VVR 1998, #18, p. 89

# 622-14 dated 05.05.99, VVR 1999, #26, p. 213

#1708-14 dated 05.11.2000, VVR 2000, #32, p. 256

#1987-14 dated 09.21.2000, VVR 2000, #46, p.397

#2409-14 dated 05.17.2001, VVR 2001, #31, p. 146

#2916-14 dated 01.10.2002, VVR 2002, #15, p. 102

#2921-14 dated 01.10.2002, VVR 2002, #16, p. 114

#3047-14 dated 02.07.2002, VVR, 2002, #29, p. 194

#3095-14 dated 03.07.2002, VVR, 2002, #32, p. 222

#762-IV (762-15) dated 15.05.2003, VVR, 2003, #30, p. 247

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This Law stipulates definitions and forms of business associations, the regulations governing their establishment and activities and the rights and obligations of their members and founders.

**SECTION I. GENERAL PRINCIPLES**

**Article 1. Business Associations**

This law recognizes as business associations all enterprises, organizations and institutions established on the basis of agreement among legal entities and citizens through joining of their property and entrepreneurial activity with the aim of making profit.

Business associations shall include: joint-stock companies, limited liability companies, additional liability companies, full liability partnerships and limited (general) partnerships.

Business associations are legal entities.

Business associations may engage in any type of entrepreneurial activity that does not violate the laws of Ukraine.

Business associations may acquire property and personal non-property rights, enter into binding agreements, represent themselves in a court or court of arbitration.

A business association may purchase stakes (shares) and assets of other business associations in compliance with the requirements of antimonopoly legislation.

## **Article 2. Name of Business Associations**

The name of a business association shall contain a reference to the form of the business association, and in the case of full liability or limited partnerships — the last names of the company's members, as well as other required information.

The name of the business association shall be indicated in the founders' documents of the company.

The company name may indicate the fact that the business association belongs to particular ministries, departments or public organizations. The location of the business association shall be within Ukraine.

## **Article 3. Founders and Members of the Business Association**

Enterprises, organizations and institutions, as well as citizens, unless otherwise provided by the laws of Ukraine, may be founders or members of a business association (Section 1 of Article 3 as to the right of state-run enterprises to be founders or members of business associations was suspended according to the Decree KM #24-92 of 12.31.92 ).

Enterprises, organizations and institutions - members of a business association - shall not be subject to liquidation as legal entities. (Section 2 of Article 3 as to the right of state-run enterprises to be founders or members of business associations was suspended according to the Decree KM #24-92 of 12.31.92).

Foreign citizens, persons without citizenship, foreign legal entities and international organizations may be founders and members of business associations on an equal basis with citizens and legal entities of Ukraine, unless otherwise provided by the laws of Ukraine.

## **Article 4. Founders' Documents of the Business Association**

A joint stock company, limited liability company, and additional liability company shall be incorporated and shall carry out its activity according to the founders' agreement and the charter. Full or limited liability companies shall carry out activities according to the founding agreement. The founders' documents of the company, when required, shall be subject to consent of the Antimonopoly Committee of Ukraine. (Section 1 of Article 4 amended according to the Law #82/95-VR dated 03.02.95.)

The founders' documents shall provide data regarding: the type of the business association; object and purposes of its activity; the identity of its founders and members; the name and location; the amount and manner of formation of the statutory fund; the manner of distribution of profits and losses; the composition and authorities of the company bodies and their decision-making procedures, including a list of issues decided by a qualified majority of votes; the procedure for making changes to the founders' documents, and the procedure for liquidating or reorganizing the business association. (Section 2 of Article 4 amended according to the Law #3095-14 dated 03.07.2002.)

The founders' documents shall also contain the data provided by articles 37, 51, 65, 67 and 76 of this Law.

The absence of such data in the founders' documents shall be the basis for refusal of the government to register the business association.

Additional terms and conditions may also be included in the founders' documents as long as they do not violate the laws of Ukraine.

#### **Article 5. Term of Activity of the Business Association**

Should the founders' documents of a business association not provide a specific term for its activity, the association shall be considered established for an unlimited period of time.

#### **Article 6. State Registration of the Business Association**

A business association shall acquire the rights of a legal entity as of the date of its state registration.

State registration shall be performed in compliance with the rules specified in the Law of Ukraine: "On Enterprises in the Ukrainian SSR."

Business associations that carry out banking activities shall be subject to registration with the National Bank of Ukraine according to the procedure specified in the Law of Ukraine on banks and banking activities.

#### **Article 7. Government Registration of Changes in the Business Association's Founders' Documents**

Any changes made to the founders' documents of the business association which need to be entered into the state registry shall be subject to state registration according to the rules for government registration of the company.

Within five days, the business association shall inform the registration body of any changes made to the founders' documents with the purpose to enter the required changes in the state registry.

#### **Article 8. Consequences of Agreements Made Prior to Registration of the Business Association**

A business association may open current and deposit accounts with a bank, as well as conclude contracts and other agreements only after its registration. Agreements concluded on behalf of the business association prior to its registration shall be deemed concluded with the business association only if the business association approves them in the future. (Section 1 of Article 8 amended according to the Law #2921-14 dated 01.10.2002.)

Agreements concluded by the founders before registration of the business association and not approved by the business association in the future shall be deemed binding only upon the founders.

#### **Article 9. Subsidiaries, Affiliates and Representative Offices of the Business Association**

The business association shall be authorized to establish affiliates and representative offices both on the territory of Ukraine and beyond in accordance with the laws of Ukraine.

#### **Article 10. Rights of the Business Association Participants**

Business association members shall have the right to:

a) participate in governing the association in the manner specified in the founding documents, unless otherwise is specified by this Law;

b) participate in division of the business association's profits and receive a share of profits (dividends). If a person is a participant of the company as of the beginning of the dividend payment period, he shall have the right to receive a share of profits (dividends) in proportion to his stake; (item (b) of Section 1 of Article 10 amended according to the Law #769/97-VR as of 12.23.97)

c) terminate its membership with the business association according in the proscribed manner;

d) acquire information about the business association's activity. The business association shall be obliged to make available to a member, at his request, annual balance sheets, reports on its activity, minutes of its meetings.

Members may also be granted other rights as stipulated by the legislation and the business association's founders' documents.

### **Article 11. Obligations of the Business Association Participants**

The business association participants shall be obliged to:

a) comply with the business association's founders' documents and implement the decisions of the general meetings as well as of other governing bodies of the business association;

b) fulfill their obligations to the association, including those related to investment of property, as well as to contribute (effect payment for shares) in the amount and in the manner and by means specified in the founders' documents;

c) maintain commercial secrets and confidential information about the activity of the business association;

d) fulfill other obligations unless otherwise provided by this Law, other laws of Ukraine and the founders' documents.

### **Article 12. Ownership and Property of the Business Association**

A business association shall be deemed the owner of:

- property transferred to it in ownership by the founders and participants;
- products manufactured by the business association in the process of its business activities;
- earnings gained;
- other property obtained by ways not forbidden by law.

Any risk of accidental destruction or damage to property possessed by the business association or transferred to it for use shall be borne by the business association, unless otherwise provided for by the founders' documents.

### **Article 13. Contributions of Business Association Participants and Founders**

The contributions of business association participants and founders may include buildings, constructions, equipment and other tangibles, securities, plots of land in compliance with the Land Code of Ukraine, the rights to use water and other natural resources, buildings, constructions, equipment, as well as other property rights (including intellectual property rights), and money, including foreign currency.

The contribution evaluated in rubles shall constitute the participant's or founder's share in the statutory fund. The procedure for estimation of the contributions shall be specified in the founders' documents of the business association, unless otherwise provided by the laws of Ukraine.

Budget funds, credit and pledged funds shall not be used in formation of the statutory fund. (Section 3 was added to Article 13 according to the Law #3709-12 dated 12.16.93.)

The financial position of the founders (excepting natural persons) of open joint stock companies regarding their ability to make respective required contributions to the statutory fund shall be examined by an auditor (firm of auditors). (Section 4 was added to Article 13 according to the Law #90/95-VR dated 03.14.95).

#### **Article 14. Funds of the Business Association**

The business association shall form a reserve (insurance) fund in an amount specified by the founders' documents, however, it may not be less than 25 percent of the statutory fund as well as other funds provided by the laws of Ukraine or the founders' documents of the business association.

The amount of the annual contribution to the reserve (insurance) fund shall be specified in the founders' documents, however, it may not be less than 5 percent of the net profit.

#### **Article 15. Profit of the Business Association**

The association's profit shall be formed with receipts from government activities after covering material and similar expenditures as well as labor costs. The association shall pay interest on bank credit and bonds, pay taxes and perform other payments with regard to the budget from the profits as stipulated by the legislation of Ukraine. The net profit after execution of said payments shall remain at the association's disposal. The association shall designate use of net profit.

#### **Article 16. Changes in the Statutory Fund**

A business association shall have the right to change (increase or decrease) the amount of its statutory fund.

The statutory fund may be increased if all members have paid their respective contributions (payments for the shares) unless otherwise provided by this Law.

The statutory fund may not be decreased if creditors of the business association take exception to this.

Decisions made by the business association regarding changes in the amount of the statutory fund shall come into effect on the date that these changes are entered into the state registry.

#### **Article 17. Audit of the Business Association's Financial Activity**

An audit of the business association's financial activity shall be performed by the state tax inspectorates as well as by other government bodies within their respective authorities, audit bodies with the business association and auditors' organizations. (Section 1 of Article 17 amended according to the Law #3710-12 dated 12.16.93.)

The audits shall not affect the company's routine functioning.

#### **Article 18. Accounting and Reporting of the Business Association**

The business association shall keep records, and compile and submit statistic and administrative data according to the procedures established by the law. (Section 1 of Article 18 provided according to the Law #1708-14 dated 05.11.2000 and the Law #3047-14 dated 02.07.2002.)

Accuracy and completeness of the annual financial reporting of the business association shall be certified by an auditor (firm of auditors). A mandatory audit of the annual balance sheet and reporting of business associations with the annual turnover of less than 250 nontaxable minimum incomes shall be performed once in three years. (Section 2 was added to Article 18 according to the Law #90/95-VR dated 03.14.95 with amendments according to the Law #1708-14 dated 05.11.2000.)

#### **Article 19. Termination of the Activity of an Association**

The activity of an association shall be terminated through its reorganization (merger, acquisition, division, spin-off, transformation) or liquidation in compliance with the requirements of the legislation on economic competition protection.

A business association may be reorganized by a decision of its supreme governing body. Reorganization of the association, which abuses its monopoly position in the market may be performed through a compulsory division as stipulated by the acting legislation. (Section 2 of Article 19 amended according to the Law #82/95-VR dated 03.02.95.)

Upon reorganization of the association, its rights and obligations shall be transferred to its legal successors.

The association shall be liquidated:

- a) should the term of its operation expire, or should the purposes and goals set forth upon its establishment be achieved;
- b) upon the decision of the association's supreme governing body;
- c) on the basis of a court ruling based on a lawsuit filed by the bodies, which control the activities of the association, in case of systematic or gross violation of the law by the association; on the basis of an arbitration court ruling under the procedure as established by the Law of Ukraine "On Restoration of a Debtor's Solvency or Recognizing It Bankrupt" (2343-12);
- d) for other reasons specified by the founders' documents.

#### **Article 20. Liquidation Commission**

An association shall be liquidated by a liquidation commission appointed by the association or, in the event of termination of the association's activity based on a court ruling, by a liquidation commission appointed by the court bodies. Should an association be recognized bankrupt, it shall be liquidated according to the liquidation procedure as envisaged by the Law of Ukraine "On Restoration of a Debtor's Solvency or Recognizing It Bankrupt" (2343-12).

From the day of its appointment, the liquidation commission shall assume the authority to manage the affairs of the association. Within three days from the moment of its appointment, the liquidation commission shall publish the association's information in one of the official (national and local) press bodies stating the deadline for filing creditors' claims, shall ensure the determination of the value of the association's property under the procedure as established by the law on appraisal of property and property rights and professional appraisal activity; shall identify the association's debtors and creditors and make settlements with them; shall take measures to repay the association's debts to third parties and its participants; and shall compile a liquidation balance sheet and submit it to the senior body of the association or the body that appointed the liquidation commission. The accuracy and completeness of the liquidation balance sheet should be confirmed by an auditor (audit firm), with the exception of associations with an annual business turnover of less than two hundred and fifty nontaxable minimums.

## **Article 21. Distribution of the Funds of the Association Upon Its Liquidation**

Funds in possession of the association, including receipts from sales of its property upon liquidation, shall be distributed after payment of wages owed to association employees and fulfillment of its obligations to the budget, banks, owners of bonds issued by the association and other creditors. Funds will be distributed among the association members in a manner and according to the conditions provided by this Law and the founders' documents within six months following the date of publication of information concerning its liquidation.

The property transferred to the association for its use by the members shall be returned in kind without any payment.

Should any dispute arise in connection with payment of the association debts, its funds shall not be subject to distribution among the members until the dispute is settled, or until the creditors are given the required guarantees.

## **Article 22. Termination of the Association's Activity**

Liquidation of the business association shall be deemed completed and the activity of the association shall be deemed terminated from the moment of entering this fact into the state registry.

## **Article 23. Association's Management Bodies and Their Officials**

The association shall be managed by its bodies, the composition and manner of election (appointment) of which shall be subject to the form of the business association.

The chairman and members of the executive body, the chairman of the audit committee of the association as well as the chairperson and members of the association board (supervisory board) - should such board be established by the association - shall be deemed the officials of the association management bodies. (Section 2 of Article 23 amended according to the Law #769/97-VR as of 12.23.97.)

The officials of the association's management bodies may not be People's Deputies of Ukraine, members of the Cabinet of Ministers of Ukraine, managers of central and other executive government bodies, military officers, deputies of local councils who work at the councils on a full-time basis, officials of prosecutor's offices, courts, state security bodies, internal affairs bodies, and public notary offices, as well as officials of government bodies and local self-government bodies, with the exception of cases where civil servants perform the functions of management of shares (interests, stakes) owned by the state and represent the interests of the state in the association's board (supervisory board) or audit commission. Persons who have been forbidden by court to be involved in a particular type of activity may not be officials of those companies that are involved in this type of activity. Persons who have non-expunged convictions for theft, bribery or other mercenary crimes may not hold management positions or positions involving financial responsibility in associations.

Officials shall be liable for any damage caused by them to the association as stipulated by the laws of Ukraine.

Officials shall not disclose commercial secrets and confidential information and shall be liable for such disclosure as provided by the current legislation of Ukraine and the founders' documents of the association. (Article 23 amended according to the Law #769/97-VR dated 12.23.97.)

## **SECTION II. PARTICULAR TYPES OF BUSINESS ASSOCIATIONS**

### **Chapter 1. Joint Stock Company**

#### **Article 24. Definition of the Joint Stock Company**

A joint stock company is a company the statutory fund of which is divided into a specified number of shares of equal nominal value. A joint stock company is liable for its obligations only within the limits of its property.

Shareholders shall be liable for the obligations of the company only within the limits of the shares owned by them.

As provided by the charter, shareholders who have not paid for their shares in full shall be liable for the obligations of the company within the limits of the outstanding amount as well.

The total nominal value of the issued shares shall constitute the joint stock company's statutory fund, which shall not be less than an amount equivalent to 1250 minimum wages as of the date the joint stock company is created. (Section 4 of Article 24 amended according to the Law #3709-12 dated 12.16.93.)

#### **Article 25. Types of Joint Stock Companies**

There are two types of joint stock companies: open joint stock companies, the shares of which may be distributed through public subscription and through trade on stock exchanges; and closed joint stock companies, shares of which shall be distributed among the founders and may not be distributed by way of subscription or be traded on stock exchanges.

A closed joint stock company may be reorganized into an open joint stock company through registration of its shares in a manner specified by the law on securities and the stock exchange and by making changes to the company's charter.

#### **Article 26. Founders of the Joint Stock Company**

Legal entities and citizens may be founders of a joint stock company.

The founders of a joint stock company shall conclude an agreement between themselves to specify joint actions to be taken in order to establish the joint stock company, as well as their liability to persons who subscribed for shares and to third parties.

The founders shall bear joint responsibility with obligations undertaken by them prior to registration of the joint stock company.

To establish the joint stock company, its founders shall announce their intention to create the joint stock company, conduct subscription for the shares, hold the founders' meeting and register the joint stock company.

#### **Article 27. Securities Issue by the Joint Stock Company**

The joint stock company shall have the right to issue securities pursuant to requirements established by the Securities and Stock Market State Commission. When additional shares are issued without registration of the previous issue of shares, all purchase and sale agreements for shares of the additional issue shall be deemed invalid with the results envisaged by part four of Article 30 of this Law.

The joint stock company shall be obliged to issue to the shareholders shares (share certificates) not later than six months after registration of the share issue.

A closed joint stock company shall have right to issue only registered shares. (Article 27 provided according to the Law #769/97-VR dated 12.23.97.)

## **Article 28. Acquisition of Shares**

Shares may be purchased by participants upon establishment of the joint stock company on the basis of an agreement concluded with the company's founders. In the event of an additional issue of shares in connection with an increase in its statutory fund, such an agreement shall be concluded with the joint stock company.

Shares can also be purchased on the basis of an agreement with the owner or holder at a price defined by the parties or at a price existing on the stock market. It may also be inherited by citizens or legal entities, and through other means in accordance with the legislation.

(Section 2 of Article 28 provided according to the Law #769/97-VR as of 12.23.97.)

Transfer and execution of the ownership right to shares shall be completed pursuant to Ukrainian legislation.

(Section 3 of Article 28 provided according to the Law #769/97-VR as of 12.23.97.)

## **Article 29. Distribution of Shares**

Upon establishment of the joint stock company, shares may be distributed through public subscription (in the case of open joint stock companies) or distribution of all the shares among the founders (in the case of closed joint stock companies).

## **Article 30. Public Offering of Shares**

A public offering for shares upon the establishment of the joint stock company shall be organized by the founders. The founders shall be obliged to hold the shares in an amount not less than 25 percent of the statutory fund for a period not less than two years.

Founders of the joint stock company (issuers) shall be obliged to publish information pursuant to the requirements of existing legislation on share issuance and procedure as defined by the Securities and Stock Market State Commission. (Section 2 of Article 30 provided according to the Law #769/97-VR as of 12.23.97.)

The period of open subscription to shares cannot exceed 6 months. (Section 3 of Article 30 provided according to the Law #769/97-VR as of 12.23.97.)

The persons willing to purchase shares shall deposit in the founders' account not less than 10 percent of the value of shares to which they subscribed, after which the founders issue to them written obligation on sale of the relevant number of shares.

The public offering shall be closed upon expiration of the term indicated in the information on issuance. Should less than 60 percent of the shares be subscribed for as of the closing date of the public offering, the joint stock company shall be deemed not established. Persons who subscribed for the shares shall be returned the amounts or other property invested by them within 30 days. Should the founders fail to fulfill this obligation, they shall bear a joint and several liability.

Should the subscription amount be greater than the amount of the statutory fund, the founders shall be authorized to reject the over-subscription. Such rejection of subscription shall be performed on the basis of the list of subscribers beginning from the end of the list. Should the founders not reject the over-subscription, the founders' meeting shall be authorized to decide whether to accept or reject the over-subscription. Should the founders or the founders' meeting reject the over-subscription, the invested amounts shall be returned in the manner specified in section four of this Article. (Section 6 of Article 30 amended according to the Law #769/97-VR as of 12.23.97.s)

Persons who subscribed for the shares shall pay not less than 30 percent of the nominal value of the share including the initial contribution prior to the founders' meeting date if envisaged by terms of the issue. In confirmation of each investment made, the founders shall issue provisional certificates.

### **Article 31. Distribution of All Shares Among the Founders of the Joint Stock Company**

Should all shares issued by the joint stock company be distributed among the founders, they shall invest not less than 50% of the nominal value of the shares prior to the date of the founders' meeting.

### **Article 32. Acquisition by the Joint Stock Company of Its Own Shares**

The joint stock company shall have the right to redeem shares paid for in full by a shareholder only using funds in excess of its statutory fund with the purpose to sell them, distribute them among its employees or cancel them. Said shares shall be either sold or canceled within one year. Within this period, distribution of profit, as well as voting and defining a quorum at shareholders' general meetings shall be performed without taking into account the shares redeemed by the joint stock company.

### **Article 33. Payment for Shares**

The shareholder shall pay for his shares in full within the period established by the founders' meeting, however, not later than one year following the date of registration of the joint stock company.

Should the shareholder fail to pay in full, he shall pay a penalty at the annual rate of 10 percent of the arrears, unless otherwise provided by the company's charter.

Should the payment be not effected within 3 months following the payment date, the joint stock company shall be authorized to sell the shares in accordance with the procedure specified in the company's charter.

### **Article 34. Prohibition on Issuance of Shares to Cover Losses**

The joint stock company shall not be authorized to issue shares with the purpose to cover losses suffered in connection with carrying out of its business activities.

### **Article 35. Joint Stock Company Founders' Meeting**

The founders' meeting of the joint stock company shall be held when specified in the notification and must be held within two months following the date of completion of subscription for the shares.

Should the founders' meeting not be held on the specified date, a person who subscribed for shares shall have the right to demand the return of the amount paid for the shares.

The founders' meeting may not vote on any matter unless a quorum of persons who subscribed for greater than 60 percent of the shares offered is in attendance.

Should the meeting not be held due to the absence of a quorum, the meeting shall be postponed until any date within the following two weeks. If a quorum is not reached once again, the joint stock company shall be deemed not established.

The voting principle applicable to the founders' meeting shall be one-share-one-vote.

Decisions on establishment of the joint stock company, its subsidiaries, affiliates and representative offices, as well as on election of the joint stock company board (supervisory board), executive and audit bodies of the joint stock company, or on granting privileges to the founders at the

company's expense shall be taken by a three quarter majority vote of the persons who have subscribed for the shares in attendance at the founding meeting. Decisions on other matters shall be taken by simple majority vote.

### **Article 36. Authorities of the Joint Stock Company Founders' Meeting**

The joint stock company founders' meeting shall be authorized to decide the following issues:

- a) establishment of the joint stock company and approval of its charter;
- b) acceptance or rejection of proposals regarding subscriptions for shares in the event a subscription exceeds the number of shares publicly offered (should a decision to perform a subscription exceeding the announced amount of the public offering be taken, the targeted statutory fund shall be respectively increased);
- c) decrease the statutory fund if the required amount provided in the notification was not covered in full through the public offering within a specified period of time;
- d) election of the board of the joint stock company (supervisory board), the executive and audit bodies of the joint stock company;
- e) approval of agreements concluded by the founders prior to establishment of the joint stock company;
- f) determination of privileges to be granted to the founders;
- g) approval of evaluation of in-kind investments;
- h) other matters pursuant to the founders' documents.

### **Article 37. Content of the Joint Stock Company Charter**

The charter of the joint stock company, in addition to the data provided by Article 4 of this Law, shall contain information about types of shares being issued, their nominal value, respective percentage of shares of different types, the number of shares purchased by the founders and consequences of failure to fulfill obligations to buy shares, period and procedure of payment of the share of profit (dividends) once a year according to results of the calendar year. (Article 37 amended according to the Law #769/97-VR as of 12.23.97.)

### **Article 38. Procedure for Increase in the Statutory Fund of the Joint Stock Company**

The joint stock company shall be authorized to increase its statutory fund should the previously issued shares be paid in full at a price not less than the nominal value.

The statutory fund may be increased, as established by the Securities and Stock Market State Commission, by additional issue of shares, conversion of bonds into shares or by increase in the nominal value of shares. (Section 2 of Article 38 amended according to the Law #769/97-VR as of 12.23.97.)

Subscription for additionally issued shares shall be performed as specified in Article 30 of this Law. Shareholders shall enjoy the preemptive right to buy additionally issued shares. Persons who subscribed to additionally issued shares participate in the voting upon approval of subscription results. (Section 3 of Article 38 amended according to the Law #769/97-VR as of 12.23.97.)

Any increase in the statutory fund of the joint stock company by not greater than 1/3 may be made by a decision of the management board if specified by the charter.

Any changes related to an increase in the statutory fund made to the charter shall be subject to registration with the body with which the charter of the joint stock company was registered upon completion of realization of additionally issued shares.

Charters of banking and insurance institutions (considered joint stock companies) may provide procedures for an increase in the statutory fund other than the one indicated above.

#### **Article 39. Procedure for Decrease in the Statutory Fund of the Joint Stock Company**

A decision to decrease the statutory fund of the joint stock company shall be made in the same manner as regards increase in its statutory fund.

The size of the statutory fund is decreased by decreasing the nominal value of shares or by decreasing the number of shares through a repurchase of some of the shares from shareholders in order to annul these shares.

If the joint stock company decides to decrease the statutory fund, shares not remitted for annulment shall be deemed invalid, but not earlier than six months after notification to all shareholders in the manner stated by the charter.

A joint stock company shall compensate a shareholder for losses incurred due to changes in the statutory fund. Disputes regarding compensation for losses shall be settled through court.

#### **Article 40. Notice of a General Meeting on Changes in the Statutory Fund of the Joint Stock Company**

The notice of convening a general meeting to decide the issue on changes in the statutory fund of the joint stock company shall contain the following:

- a) reasons, manner and minimal size of increase or decrease in the statutory fund;
- b) drafts of changes to the company charter in connection with increase or decrease in the statutory fund;
- c) information about the number of shares to be additionally issued or withdrawn and their total value;
- d) information about new nominal value of shares;
- e) rights of shareholders in connection with an additional issue or withdrawal of shares;
- f) the public schedule for shares to be additionally issued, or their withdrawal period;
- g) procedure for compensation of losses to shareholders incurred in connection with changes in the statutory fund.

#### **Article 41. Highest Body of the Joint Stock Company**

The general meeting shall be the highest body of the joint stock company. All shareholders, irrespective of the number and category of shares they own, shall have the right to attend the general meeting. Members of executive bodies of the company who are not shareholders of the company, shall have the right to advisory votes at the general meeting. The shareholders (their representatives) who attend the general meeting shall register their presence at the general meeting, along with an indication of the respective number of votes of each participant. This registry shall be signed by the meeting chairman and secretary. Registration of shareholders who arrived to attend the general meeting shall

be conducted pursuant to the registry of shareholders on the day of the general meeting by the executive body of the joint stock company or the registrar on the basis of agreement concluded with it.

Registration of shareholders - owners of bearer shares shall be registered on the basis of submission by them of these shares (share certificates) or extracts from securities account. Persons who own shares as of the date of the general meeting (with the exception of the statutory meeting) shall have the right to participate in the general meeting of shareholders.

Representation of the shareholder and transfer of his (her) authorities to another person shall be conducted pursuant to legislation. A proxy for the right to participate and vote at the general meeting of shareholders may be certified by the registrar or the Management Board of the joint stock company.

Shareholders who have in total more than 10 percent of votes and/or the Securities and Stock Market State Commission may appoint their representatives to exercise control over registration of shareholders for participation in the general meeting and then should notify the executive body of the joint stock company about this in writing before the beginning of registration.

The general meeting shall be authorized to:

- a) determine main areas of business of the joint stock company, approve its plans and reports on completion of the plans;
- b) introduce amendments to the company charter;
- c) elect and dismiss members of the joint stock company board (supervisory board);
- d) elect and dismiss members of the executive body and audit commission;
- e) approve annual reports on company activities, including its subsidiaries; approve statements and conclusions of the audit commission, procedures for profit distribution; determine procedures for compensation of losses;
- f) establish, reorganize or liquidate subsidiaries, affiliates and representative offices; approve their charters and regulations;
- g) decide on making officials of the company managing bodies answerable for property liability;
- h) approve rules of procedure as well as other internal documents of the company, determine the company's organizational structure;
- i) decide on redemption of shares by the company;
- j) decide on salary of officials of the joint stock company, as well as of its subsidiaries, affiliates and representative offices;
- k) approve contracts (agreements) the amounts of which exceed the amount indicated in the company charter; and
- l) make decisions on termination of activity of the company; appoint a liquidation commission; approve a liquidation balance sheet.

Authorities envisaged by items b, e, f, and l shall belong to exclusive jurisdiction of the general meeting of shareholders and cannot be transferred to other bodies of the company.

The general meeting may also be entitled to address other issues as stated in the company charter.

The general meeting shall be recognized as competent if it is attended by shareholders representing over 60% of the votes in accordance with the company charter.

Minutes of the general meeting of shareholders shall be signed by the chairman and secretary of the meeting and be transferred to the executive body of the joint stock company not later than three working days after the end of the meeting.

(Article 41 amended according to the Law #769/97-VR as of 12.23.97.)

#### **Article 42. Validity of Decisions Taken by the Shareholders' General Meeting**

The following issues shall be decided by a three quarter majority of shareholders who attend the general meeting:

- a) changes to the company charter;
- b) termination of the company's activity;
- c) establishment and termination of activities of subsidiaries, affiliates and representative offices of the company.

On other matters decisions shall be taken by a simple majority of shareholders participating in the meeting.

#### **Article 43. Procedure for Convening the General Shareholder Meeting**

Holders of registered shares shall be personally informed about the upcoming general shareholder meeting in the manner prescribed by the charter. Additionally, an announcement with indication of the date, time, place, and agenda of the upcoming general meeting shall be made in a local publication at the location of the company and in one of the official publications of the Verkhovna Rada of Ukraine, or of the Cabinet of Ministers of Ukraine, or of the Securities and Stock Market State Commission. Should a general meeting agenda include an item about changes in the company's statutory fund, the information specified in Article 40 of this Law shall be published simultaneously with the general meeting agenda. The announcement shall be made at least 45 days prior to the date of the general meeting. When required, a repeated announcement may be published in the above publications. The general shareholder meeting shall be held on the territory of Ukraine, as a rule, at the location of the joint stock company, except when as of the date of the general meeting foreigners, persons without citizenship, foreign legal entities, or international organizations own 100% of the company's shares. (Section 1 of Article 43 provided according to the Law #769/97-VR as of 12.23.97 with amendments according to the Law #2916-14 as of 01.10.2002. )

At least 30 days before the meeting, any shareholder may submit his proposals regarding the meeting agenda. Inclusion of such items in the agenda shall be subject to the decision of the executive body of the company. Additional items suggested by shareholders, who own more than 10 percent of votes, shall be subject to mandatory inclusion in the agenda. All shareholders shall be notified of any decisions on changes in the agenda at least 10 days prior to the meeting in the manner specified in the charter. (Section 2 of Article 43 provided according to the Law #769/97-VR as of 12.23.97.)

The shareholders shall be given access to documents related to the general meeting agenda prior to the date of the general meeting.

The general meeting may not decide issues which are not appearing on the agenda.

#### **Article 44. Voting Procedure Applicable to the General Shareholder Meeting**

The voting principle applicable to the shareholder meeting shall be one-share-one-vote. (Section 1 of Article 44 amended pursuant to the Law #769/97-VR as of 12.23.97.)

A shareholder may appoint a representative to act on his behalf on a permanent or temporary basis. The shareholder shall be authorized to replace his representative in the highest management body upon a notice given to the executive body of the joint stock company.

#### **Article 45. Periodicity of Convening the General Shareholder Meeting. Extraordinary Meetings**

The general shareholder meeting shall be convened not less frequently than once a year, unless otherwise indicated in the company charter.

Extraordinary shareholder meetings shall be convened in the event of insolvency of the company, under circumstances specified in the company charter, or in any other case when the interests of the company require.

Extraordinary meetings shall also be called by the executive body through a written request of the joint stock company board (supervisory board) or the audit commission. The executive body of the joint stock company shall be obliged within 20 days from the moment of receipt of a written request to make a decision on calling an extraordinary meeting with the agenda proposed by the joint stock company board (supervisory board) or audit commission. (Section 3 of Article 45 provided according to the Law #769/97-VR as of 12.23.97.)

Shareholders who in total own over 10 percent of votes shall have the right to require that an extraordinary meeting be held at any time and for any reason. If, within 20 days, the Management Board does not fulfill the aforesaid request the shareholders shall have right to call the meeting themselves pursuant to requirements of part one of Article 43 of this Law. (Section 4 of Article 45 provided according to the Law #769/97-VR as of 12.23.97.)

#### **Article 46. Board of the Joint Stock Company (Supervisory Board)**

The board of the joint stock company (supervisory board) can be created in the joint stock company from the shareholders. It represents the interests of the shareholders between the general meetings and reviews and regulates the activities of the Management Board within the jurisdiction defined by the charter.

Representatives of a trade union body or another body, which is authorized by the staff and signed a collective contract on behalf of the staff, shall participate in the work of the joint stock company's board (supervisory board) with the right of advisory vote.

In a joint stock company with over 50 shareholders, creation of the joint stock company board (supervisory board) is mandatory.

Pursuant to the joint stock company charter or by a decision of the general meeting of shareholders, the joint stock company board (supervisory board) may be empowered to perform some of the functions which fall within authorities of the general meeting.

The issues assigned by the charter of the joint stock company to exclusive jurisdiction of the joint stock company board (supervisory board) cannot be transferred to the company executive bodies.

Members of the joint stock company board (supervisory board) shall not be members of the executive body or audit commission. (Article 46 provided according to the Law #769/97-VR as of 12.23.97.)

#### **Article 47. Executive Bodies of the Joint Stock Company**

The executive body of the joint stock company that governs its routine activities may be the management board or any other body provided by the charter.

The management board shall be governed by the chairperson of the management board, who may be designated or elected pursuant to the company charter.

The management board shall be authorized to decide any issues related to the activities of the joint stock company except those that fall within authorities of the general meeting and the joint stock company board (supervisory board). The general meeting may decide to delegate some of its authorities to the management board.

The management board shall be subordinate to the general meeting and joint stock company board (supervisory board) and shall organize the implementation of their decisions.

The management board shall act on behalf of the joint stock company within the limits provided by this Law and the company charter.

The management board shall be governed by the chairperson of the management board. The chairperson shall be elected as provided by the joint stock company charter.

#### **Article 48. Chairperson and Members of the Management Board of the Joint Stock Company**

The chairperson of the joint stock company management board shall be authorized to act on behalf of the company without proxy. Other members of the management board may also be granted the authority pursuant to the charter.

The chairperson of the management board shall organize the minutes of the meetings of the management board. The minute books shall be available to all shareholders at any time. Any shareholder shall be provided with duly witnessed extracts from the minute book upon request.

Any company staff member may be the chairperson or a member of the company management board.

#### **Article 49. Audit Committee of the Joint Stock Company**

The audit committee, members of which are elected from among the shareholders, shall review the financial and economic activities of the management board of the joint stock company.

Members of the management board, joint stock company board (supervisory board) and other officials may not be members of the audit commission. (Section 2 was added to Article 49 pursuant to the Law #769/97-VR as of 12.23.97.)

The procedure for operation of the audit committee and its composition shall be approved by the shareholders' general meeting as stipulated by the company charter.

Financial and economic activities of the management board shall be subject to inspection by the audit committee by order of the general meeting, the joint stock company board (supervisory board), on its own, or upon request of shareholders who have greater than 10 percent of votes in the aggregate. Any company officials shall file all materials, including accounting and other documents, with the audit committee upon its request.

The audit committee shall file statements on results of such inspections with the shareholders' general meeting or with the joint stock company board (supervisory board).

Audit committee members may attend meetings of the management board at which they shall have an advisory vote.

The audit committee shall prepare an assessment on the basis of the annual reports and balance sheets. Without an assessment from the audit committee, the general shareholders' meeting does not have the right to approve the balance sheet.

The audit committee shall call an extraordinary general shareholders' meeting in the event of any threat to the interests of the joint stock company or discovery of misuse committed by officials of the joint stock company.

## **Chapter 2. Limited Liability Company**

### **Article 50. Definition of the Limited Liability Company**

A limited liability company is a company the statutory fund of which is divided into stakes specified in the founders' documents.

The participants shall be liable within the limits of their respective stakes.

In cases specified by the founders' documents, participants who failed to pay in full for their stakes shall be liable for obligations of the company within the limits of their stakes.

### **Article 51. Features of the Consent of the Founders' Documents of the Limited Liability Company**

In addition to information specified in Article 4 of this Law, the founders' documents of a limited liability company shall contain data on the amount of the respective stakes of the participants as well as the amount, composition and manner of making contributions.

Any changes in the value of contributed property as well as additional contributions of participants, shall in no way affect the amount of their respective stakes specified in the founders' documents of the company, unless otherwise provided by the founders' documents.

### **Article 52. Statutory Fund of the Limited Liability Company**

The limited liability company shall form its statutory fund in an amount not less than 100 minimum wages, based on the minimum wage effective as of the date of creation of the limited liability company. (Section 1 of Article 52 amended pursuant to the Law #3709-12 dated 12.16.93 and the Law #622-14 as of 05.05.99.)

Prior to registration of the limited liability company, each participant shall have paid into the statutory fund not less than 30 percent of the stake specified in the founders' documents. Paying money into the statutory fund shall be confirmed with the documents issued by a banking institution. (Section 2 of Article 52 provided according to the Law #1987-14 dated 09.21.2000.)

Each participant shall pay his respective stake within one year following the date of registration of the limited liability company. Should these obligations not be fulfilled in time, the participant shall pay a penalty at an annualized rate of 10 percent of the outstanding amount, unless otherwise provided by the founders' documents.

The limited liability company participant who paid his respective stake in full shall be granted the limited liability company certificate.

### **Article 53. Assignment of a Stake (or Part of It) in the Statutory Fund of the Limited Liability Company**

Any participant may, upon the consent of the other participants, assign his stake (or part of it) to one or several participants in the same limited liability company and, unless otherwise provided by the founders' documents, to third parties as well. The participants shall enjoy the preemptive right to purchase the stake (or part of it) of another participant who assigned it in proportion to their respective stakes in the company statutory fund or in another amount upon their consent.

A stake (or part of it) may not be assigned to a third person before it is paid in full by the participant assigning it.

Assignment of a stake (or part of it) to a third person shall be accompanied by a transfer of respective rights and obligations of the participant who assigns it partially or in full to the third person as well.

The stake of a participant (should it be paid in full) may be acquired by the limited liability company. In this event it shall transfer the stake to either other participants or third parties within a period not exceeding one year. Within this period, profit distribution, voting and determination of a quorum at the supreme governing body shall be performed without taking into account the stake acquired by the partnership.

### **Article 54. Remuneration of the Cost of Property Upon Termination by the Participant of a Company.**

Should a participant withdraw from a limited liability company, he shall be paid the amount of the part of the limited liability company's property proportional to his respective stake in the statutory fund. Such payment shall take place after approval of the annual report for the year in which he withdrew participation, and within a term not exceeding 12 months following the date of the termination. Upon request of the participant and by consent of the limited liability company, his contribution may be remunerated in kind either in full or partially.

The participant who terminated his participation in the limited liability company shall be paid his respective share in the company profit obtained for the particular year prior to the moment of his termination. The property provided by the participant to the limited liability company in its use only, shall be returned to the participant without any compensation.

### **Article 55. Successors (Heirs) of a Participant in the Limited Liability Company**

Upon reorganization of a legal entity which is a participant of a limited liability company, or in connection with death of a natural person who is a participant, the successors (heirs) shall have a preemptive right to enter into the limited liability company.

Should the successor (heir) refuse to join the company, or should the limited liability company refuse to accept the successor (heir), he shall be remunerated in cash or in kind for the value of his respective stake in the property which belonged to the reorganized or liquidated legal entity (predecessor). The value of the successor's stake is determined as of the date of reorganization, liquidation or death of the participant. In such cases the statutory fund shall be decreased.

### **Article 56. The Term Before Effectiveness of the Decision on Reducing of the Statutory Fund of the Limited Liability Company**

A decision of the limited liability company to reduce the statutory fund shall take effect not earlier than three months following the date of state registration and publication of the fact in the specified manner.

### **Article 57. Imposition of Debt Collection Upon the Participant's Respective Stake in the Company**

No debt collection may be imposed upon a participant's respective stake in a limited liability company with respect to the participant's personal obligations.

In the case of a shortfall of a participant's property to cover debts with regard to his obligations, the creditors shall be authorized to require segregation of the debtor's stake or liquidation of the company as provided in Article 55 of this Law.

### **Article 58. Supreme Governing Body of the Limited Liability Company**

The participants' meeting shall be the supreme governing body of the limited liability company.

The participants may assign representative persons to act on their behalf on a permanent or temporary basis. Any participant may replace his respective representative to the participants' meeting by prior notification of the rest of participants.

Any participant in a limited liability company may assign his authority at meetings to another participant or participant's representative by prior notification of the rest of participants.

The number of votes a participant has shall be in proportion to the size of his corresponding stake in the statutory fund.

The company chairperson shall be elected by the participants' meeting.

### **Article 59. Authorities of the Participant Meeting of the Limited Liability Company**

In addition to the authorities specified in items (a), (b), (d-h), and (j-k) of Article 41 of this Law, the participant meeting of the limited liability company shall have the following authorities:

- a) to determine the scope, form, and procedure of making additional contributions by the participants;
- b) to make a decision on acquisition of a participant's stake by the company; and
- c) to exclude a participant from the company.

A decision on the issues specified in items (a) and (b) of Article 41 of this Law, as well as the issue on exclusion of a participant from the company, shall be deemed adopted if the participants, which totally own over 50% of all votes, have voted therefor. (Section 2 of Article 59 provided according to the Law #3095-14 dated 03.07.2002.)

Decisions on other issues shall be taken by a simple majority vote.

### **Article 60. Decision-Making Procedure Applicable to the Participant Meeting**

The participant meeting shall be deemed valid if the participants (participants' representatives), which totally own over 60% of all votes, have attended the meeting. (Section 1 of Article 60 amended according to the Law #3095-14 dated 03.07.2002.)

Members of executive bodies who are not participants may attend the meeting and shall have one advisory vote. Participants who attend the meeting shall register their presence along with an

indication of the respective number of votes they have. The list of attendees shall be signed by the meeting chairman and meeting secretary.

A participant shall be authorized to request consideration of an issue by the meeting should such a request be given within 25 days prior to the meeting date.

In the cases envisaged by the founders' documents or rules approved by the company, a decision may be made through a poll. In this case, a draft decision or a voting item shall be sent to the participants which must provide a written response thereto. Within 10 days following the date of receipt of the last response, the chairman shall notify all participants of the decision made. (Section 4 of Article 60 amended according to the Law #3095-14 dated 03.07.2002.)

The meeting chairman shall organize keeping minutes. The minutes shall be available to any participant at any time. Any participant shall be provided with duly witnessed extracts from the minutes upon his request.

#### **Article 61. Convening of the Participants' Meeting, Extraordinary Meetings**

The participants' meeting shall be convened not less than twice a year unless otherwise provided by the founders' documents.

Extraordinary participants' meetings shall be convened when: events occur as provided in the founders' documents; in the case of insolvency of the company, or in any other case involving the common interests of the company, i.e., in the case of a foreseeable considerable decrease in the statutory fund.

The participants' meeting shall also be convened upon request of the executive body.

An extraordinary participants' meeting may be convened at any time and consider any agenda items regarding activities of the participants upon request of participants who have greater than 20 percent of votes. Should the company chairperson fail to entertain the request within 25 days, they shall be authorized to singly convene the meeting.

The participants shall be given notice of the general participants' meeting along with indication of its time, place and agenda, at least 30 days before the scheduled meeting as specified by the charter. Upon request, any participant may add additional agenda items for consideration at the participants' meeting if such request is given at least 25 days before the scheduled meeting. All documents indicated in the meeting agenda shall be available to any participant at least 7 days before the general meeting date. Issues not appearing on the agenda may be passed by the meeting only upon consent of all participants in attendance at the meeting.

#### **Article 62. Executive Body of the Limited Liability Company**

An executive body- collegial (directorate) or one-member (director) - shall be established by the limited liability company. The directorate shall be chaired by the general director. Persons who are not participants may also be members of the executive body. The directorate (director) shall be authorized to decide any issues related to activities of the company except those which fall within authorities of the participants' meeting. The participants' meeting shall be authorized to delegate their particular authorities to the directorate (director).

The directorate (director) shall report to the participants' meeting and organize implementation of its decisions. The directorate (director) shall not be authorized to take decisions mandatory for all participants.

The management board (director) shall act in the name of the company within the limits provided by this Law and the founders' documents.

The general director shall be authorized to act without proxy in the name of the company.

The general director (director) may not be the participants' meeting chairman.

### **Article 63. Review of the Activity of the Management Board (Director) of the Limited Liability Company**

The audit committee shall review the operations of the management board (director) of the limited liability company. The audit committee shall be composed of at least 3 (the number shall be specified in the founders' documents) members elected from among the participants at the participants' meeting. No member of the management board (director) may be elected an audit committee member.

The activities of the directorate (director) shall be reviewed by the audit committee by order of the meeting, on its own, or upon request of the participants. The company officials shall provide any required materials, accounting documents as well as other documents and personal explanations to the audit committee upon request of the latter.

The audit committee shall file statements on results of such inspections with the supreme governing body of the company.

The audit committee shall prepare a statement on the company's annual reports and balance sheets. The participants' meeting may not approve the company balance sheet should such statement of the audit committee not be available.

The audit committee may request that an extraordinary participants' meeting be convened in the event of any threat to the interests of the company or discovery of facts of misuse committed by officials.

### **Article 64. Exclusion from the Limited Liability Company**

A participant of the limited liability company, which continuously fails to fulfill or improperly fulfills his duties, or impedes to reach the company's objectives with his actions, may be excluded from the company by vote of the participants, which totally own over 50% of all votes. This participant (its representative) shall not participate in the voting. (Section 1 of Article 64 amended according to the Law #3095-14 dated 03.07.2002.)

A participant's exclusion from the company shall entail consequences provided in Articles 54 and 55 of this Law.

## **Chapter 3. Additional Liability Company**

### **Article 65. Concept of an Additional Liability Company**

An additional liability company is a company in which the statutory fund is divided into stakes in amounts specified in the founders' documents. Participants in such a company shall be liable for its debts in an amount corresponding to their contributions to the statutory fund and, for the case in which these sums are not enough, additionally with their respective property pro-rated in accordance with their respective stakes in the company.

The critical amount of obligations of the participants shall be specified in the founders' documents.

Standards specified in Articles 4, 11, 52-64 of this Law, including specific features provided by this Article, shall be applicable to the additional liability company.

## **Chapter 4. Full Liability Partnership**

### **Article 66. Concept of the Full Liability Partnership**

A full liability partnership is a company in which all participants conduct joint entrepreneurial activity and are jointly liable for obligations of the partnership with all their property.

#### **Article 67. Content of the Founding Agreement on the Full Liability Partnership**

In addition to the provisions stipulated by Articles 4 and 66 of this Law, the founding agreement for full liability partnerships shall specify the amount of each respective stake of the participants, as well as the amount of contributions and the type of participation in management of the partnership.

#### **Article 68. Management of the Full Liability Partnership**

Management of a full liability partnership shall be subject to the general agreement of all participants.

A partnership may be managed by all participants, or by one or several of the participants acting on behalf of the partnership. In the latter case, the respective authorities of such participants shall be specified in a mandate signed by the other participants.

Should the founding agreement specify particular participants entitled to manage the partnership, it shall be provided that each of such participants may act on behalf of the partnership on his own. The founding agreement may provide that such participants shall only be authorized to take particular actions jointly.

The participants authorized to manage the full liability partnership shall provide complete information to the other participants about actions taken by them on behalf of the partnership.

Management authorities of a participant shall be completely or partially terminated upon termination of operation of the partnership in connection with refusal of said participant of the mandate or termination of the mandate at the request of at least one of the remaining participants.

If a participant acts in the common interest of the partnership without authority and without prior approval by the other participants, he may request that the partnership reimburse his expenditures under the condition that it is proved that as a result of his actions the association preserved or gained assets the value of which exceeded expenses incurred by the company.

#### **Article 69. Assignment of a Stake (Part of It) of a Participant in the Full Liability Partnership**

With the consent of the other participants, any participant in a full liability partnership may assign his respective stake (or part of it) to one or several participants in the same partnership or to a third party as well.

Assignment of a stake (or part of it) to a third person shall be accompanied by a transfer of the respective rights and obligations of the participant who terminated his partnership in the full liability partnership or assigned part of his stake to the partnership.

Upon reorganization of a legal entity that is a participant, or in connection with the death of the natural person who is a participant, his successors (heirs) shall have the preemptive right to enter into partnership of the full liability partnership.

Successors (heirs) of a participant shall be liable for debts of the participant which appeared within the operation period of the partnership to the company as well as for debts of the partnership to third persons.

Should the successor (heir) refuse to join the partnership, or should the full liability partnership refuse to admit him to partnership, he shall be remunerated the value of the stake of the reorganized or liquidated legal entity (predecessor). The value shall be assessed as of the date of reorganization (death) of the participant. In such cases, the size of the partnership's property as specified in the founding agreement shall be respectively reduced.

#### **Article 70. Ban on Competition of the Participants With the Full Liability Partnership**

Participants in a full liability partnership may not in their names and interests conclude deals similar in nature to activities of the partnership. They also may not take part in any other associations (except of joint stock companies) that have goals similar to the partnership's goals.

Should a participant violate any of the regulations provided in this Article, he shall compensate the partnership for all losses suffered by in connection with his actions.

#### **Article 71. Termination of Partnership From the Full Liability Partnership**

Any participant in a full liability partnership established for an indefinite term may at any time terminate his partnership by giving at least 3 months notice.

A participant may terminate his partnership in a full liability partnership established for a definite term only for valid reasons or if a notice of the termination is received at least 6 months before termination.

Should, upon termination from partnership the full liability partnership activity not be terminated, the participant shall be remunerated the value of his contribution in accordance with the balance sheet prepared as of the date of such termination. The participant's contribution may be totally or partially remunerated in kind upon his request and by consent of the partnership.

The participant who terminated his partnership in the full liability partnership shall be paid his respective share of the partnership's profit obtained for the given year. The property provided to the participants for their use only shall be returned without any compensation.

#### **Article 72. Expulsion of the Participant from the Partnership**

Should a participant fail to fulfill, improperly fulfill his corresponding obligations or hinder completion of the objectives of the full liability partnership, his partnership may be terminated as stipulated by the founders' documents.

In the case of such expulsion, the participant shall be subject to the applicable provisions specified in Article 71 of this Law.

#### **Article 73. Imposition of Debt Collection Upon the Participant's Stake in a Full Liability Partnership**

No debt collection may be imposed upon a participant's respective stake in a full liability partnership as to his personal obligations. In the case of a shortfall of a participant's property to cover debts with regard to his obligations, the creditors shall be authorized to require segregation of the debtor's stake or liquidation of the partnership in the established order.

The other participants may segregate the participant's respective stake in kind or in monetary form in compliance with the balance sheet as of the date of termination of the participant's partnership in the full liability partnership.

#### **Article 74. Liability of the Members for Debts of the Full Liability Partnership**

Should the available property not be sufficient to cover debts of the full liability partnership upon its liquidation, its participants shall be jointly liable within the limits of their property to cover the remainder. This may be subject to application of debt collection under the legislation of Ukraine to cover the remainder.

A participant who settled a debt of the partnership shall be authorized to recourse as to the particular amount of the debt of other participants liable to him with their respective property pro-rated according to their respective stakes in the partnership.

## **Chapter 5. Limited Partnership**

### **Article 75. Concept of the Limited Partnership**

A limited partnership is a partnership in which, along with one or more participants who carry out entrepreneurial activities on behalf of the partnership and bear liability for the partnership obligations with all their property, there is one or more other participants whose liability is limited to their respective investments in the partnership's property ("investors"). (Section 1 of Article 75 of the Law #769/97-VR as amended of 12.23.97).

Should the partnership include one or more participants who bear the liability with all their property, they shall be jointly liable for debts of the partnership.

### **Article 76. Content of the Founding Agreement on the Limited Partnership**

In addition to the provisions stipulated in Article 4 of this Law, the founding agreement for a limited partnership shall contain information about the amount of the respective stakes of the participants bearing full liability, as well as the respective amounts, content and procedure for making the contribution and form of their participation in management of the partnership.

With regard to the contributors, the founding agreement shall specify the aggregate amount of their stakes in the partnership property, as well as the amount, content and procedure for making contributions.

### **Article 77. Application of Norms for Full Partnership Standards to the Limited Partnership**

The norms specified in Articles 64-74 are applicable to the limited partnership, taking into account specific features provided by Articles 78-83 of this Law.

### **Article 78. Admission of a Contributor Into the Limited Partnership**

A contributor may be admitted to the limited partnership by making monetary or in-kind contributions.

### **Article 79. Rights of the Limited Partnership Contributors**

The limited liability partnership contributors shall be authorized to:

- act on behalf of the limited partnership solely by proxy or in accordance with such proxy;
- demand the preemptive return of contributions (versus participants bearing full liability) in the event of liquidation of the partnership;
- demand annual reports and balance sheets and verify their accuracy.

## **Article 80. Obligations of the Limited Partnership Contributors**

Limited partnership contributors shall make both contributions and additional contributions in the manner specified by the founding agreement.

The aggregated amount of contributors' stakes shall not be greater than 50 percent of the partnership's property specified in the founding agreement.

At the moment of registration, each contributor shall have contributed not less than 25 percent of their respective stake.

## **Article 81. Management of the Limited Partnership**

The limited partnership shall be managed by its participants who bear full liability.

For the case in which only one participant bears full liability for the limited company, the partnership shall be managed by this participant on his own.

Contributors shall not be authorized to hinder actions taken by the participants bearing full liability for management of the limited partnership.

## **Article 82. Responsibilities of the Limited Partnership Contributor**

Should a limited partnership contributor conclude an agreement on behalf of and in the interest of the partnership without the relevant authority and then receive approval for such actions by the partnership, the contributor and participants bear full liability and shall be liable under the agreement to creditors with all property subject to debt collection under the applicable laws.

Should his actions not be approved, the contributor shall be liable to a third person with his property subject to debt collection under the applicable laws.

Any limited partnership contributor shall be liable to third persons for all debts incurred by the partnership prior to his admission in the partnership in a manner applicable to all other contributors.

## **Article 83. Specific Features of Liquidation of the Limited Partnership**

In addition to the reasons specified in Article 19 of this Law, activities of the limited partnership may be terminated in the event of termination of the partnership by all participants bearing full liability.

Should all contributors terminate their participation, the participants bearing full liability shall be authorized to either liquidate or transform the partnership into a full liability partnership. In any of these cases, the founding agreement and the state registry shall be subject to required changes.

Partnership funds, including proceeds of sales of property in connection with liquidation, shall, after execution of wage payments to employees of the partnership and fulfillment of its obligations to banks, budget and other creditors, be distributed among its contributors first and foremost to reimburse their contributions made, and then - among the participants bearing full liability in a manner and upon terms and conditions specified in this Law and the founding agreements. Should the company's funds not be sufficient to repay the contributors their contributions, the available funds shall be distributed among the contributors pro-rated by their respective stakes in the partnership.

**L. Kravchuk,**  
*Chairman of the Supreme Rada of Ukraine*

Kyiv, 19 September 1997  
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