

LAW OF UKRAINE ON ECONOMIC ASSOCIATIONS

This Law defines the concept of economic associations and the principles by which they are to be regulated as well as the rights and duties of their participants and founders.

PART I. GENERAL REGULATIONS

Article 1. Economic Associations

In accordance with this Law, an economic association is any enterprise, organization or institution founded on the basis among agreement of legal persons and citizens unified by their properties and enterprise activity and intended to produce profit. Such economic associations include joint-stock companies, limited liability associations, additional responsibility associations, complete associations.

Economic associations are legal persons and may conduct any enterprise activity which does not violate Ukrainian law.

Economic associations shall enjoy property and personal rights, make commitments, and act in the court and arbitration on their own behalf.

Article 2. The Name of Associations

The name of the association should identify its kind of activity, name or names of the participants for complete and limited associations, and other necessary information.

The name of the association should be included in its constituent documents.

The name of the association shall not state that the association belongs to the corresponding ministry, department or public organization. The location of the association should be within the Ukrainian territory.

Article 3. Founders and Participants of Associations

Enterprises, organizations, institutions as well as individual citizens may be founders or participants of the association, except as provided in Ukrainian statutes.

Enterprises, organizations and institutions that become participants of the association do not lose their status of legal person. Foreign citizens, persons without citizenship, foreign legal persons as well as international organizations may become founders and participants of economic associations, except as provided in Ukrainian statutes.

Article 4. Constituent Documents of the Association

Joint-stock, limited and additional responsibility associations are created and act on the basis of constituent treaty and charter; the complete and limited associations are created and act on the basis of constituent treaty only.

The constituent documentation should contain information about the kind of the association, field and goals of its activity, structure of the founders and participants, its name and place of location, amount and procedure of creation of authorized capital, procedure of distribution of incomes and losses, structure and authority of committees of the association and procedures of adoption of the decisions including the enumeration of questions in which the unanimity or qualified majority of votes is necessary, the order of introduction of changes into the constituent documents and procedure of liquidation and reorganization of the association.

The constituent documents should also contain the information mentioned by Articles 37,51,65 and 67 of this Law. Absence of the information mentioned above can be the ground for the denial of state registration of the association.

Other conditions which do not contradict the statutory acts of Ukraine may be included into constituent documents.

Article 5. Term of Association's Activity

If the term of the activity is not determined in the constituent documents of the association, the association is considered to be created for an undetermined time.

Article 6. State Registration of the Association

The association gains the status of legal person from the day of its state registration.

The state registration of the association is carried out according to the regulations established by the Ukrainian Law on Enterprises in Ukrainian SSR.

The association which engages in bank activity is registered by the National Bank of Ukraine in the order established by Law of Ukraine on Banks and Banking Activity.

Article 7. State Registration of Changes in the Constituent Documents of the Association

Changes that occur in the constituent documents of the association, and which are related to state registration, are subject to the state same regulations as for the registration of association. For the purpose of introducing these changes into the state register, the association shall inform within five (5) days the government authority which registered the association concerning changes in its constituent documents.

Article 8. Consequences of the Agreements Made Before the Registration of the Association

The association can make settlements, open bank accounts, sign treaties and other agreements only after its registration.

Agreements made on behalf of the association prior to its registration are considered to be made by the association only in case of ratification.

Agreements made by the founders before the registration of the association and not ratified by it afterwards have legal consequences only for the founders.

Article 9. Subsidiary Enterprises, Branches and Representations of the Associations

The association can establish branches and representations within the territory of the Ukraine as well as subsidiary enterprises according to current law of Ukraine.

Article 10. Rights of the Participants of the Association

The participants of the association have the right to:

a) participate in management of the activity of the association within the limits determined by the constituent documents, with the exceptions provided by this Law;

b) participate in the distribution of the profits of the association or receive their parts in them (dividend);
c) leave the association as provided herein;
d) receive information about the activities of the association.
At a participant's demand, the association must provide for his review the annual balance, accounts of its activity, and protocols of the meetings.
The participants enjoy all other rights provided by Ukrainian law and constituent documents of the association.

Article 11. Duties of the Participants of the Association

The participants of the association are obliged to:

- a) follow the constituent documents of the association and the decisions of the general assemblies and other management organs of the association;
- b) fulfill their duties to the association including the ones connected with propertial participation, as well as make contributions (pay the shares) in the amount, order and by means mentioned by the constituent documents;
- c) not divulge commercial secrets and confidential information about the association's activity;
- d) carry other responsibilities mentioned by this Law or other Ukrainian legislation or constituent documents.

Article 12. Ownership of the Association's Property

The association is the owner of:

- the property contributed to it by the founders and participants,
- the production made by the association in the course of the economic activity, - - the earned profits, and
- other property obtained by lawful means.

The risk of destruction or damage of the property owned by the association, or granted to it for its use, is taken by all the members of the association, unless otherwise provided by the constituent documents.

Article 13. Contributions of the Founders and Participants of the Association

The contributions of the participants and founders of the association may include: buildings, houses, equipment and other material valuables, valuable papers, rights for using land, water and other natural resources, constructions, equipment and other property rights including intellectual property, money resources, including hard currency.

The contribution valued in rubles constitutes the participant's or founder's contribution to authorized capital. The procedure for valuation is determined by the constituent documents of the association, unless otherwise provided by Ukraine law.

Article 14. Funds of the Association

The reserve (insurance) fund is created by the association the amount determined by the constituent documents, but not less than twenty-five percent (25%) of the authorized capital. In addition, the reserve fund shall have such other funds, as provided by Ukrainian law or by the constituent documents of the association. The amount of the annual allocations to the reserve (insurance) fund is determined by the constituent documents but cannot be less than five percent (5%) of net profit.

Article 15. Profit of the Association

The profit of the association is earned by revenues from its economic activity, after material costs as well as wages. From the gross profit account, the interest on credit and bonds is paid, as well as taxes required by Ukrainian law and other payments to the state budget.

The net profit, received after the cost allocations mentioned above, is left totally at the association's disposal and its use is determined according to the constituent documents.

Article 16. Changes in the Authorized Capital

The association has the right to change (increase or reduce) the authorized capital. The increase of the authorized capital can be carried out only after all the participants make their contributions (paid for their shares), except as provided by this Law.

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Within three days' after its appointment, the liquidation committee publishes the information about the association in one of the official (republican and local) newspapers noting the time for creditors and debtors to apply with their claims. The liquidation committee also evaluates the association's property, finds creditors and debtors, and settles the accounts with them, takes measures to pay the debts of the association to third persons, makes liquidation account, presents it to highest organ of the association or organ which appointed the liquidation committee.

Article 21. Distribution of Property and Money of the Association

After its Liquidation the amount of money that belongs to the association, including earnings from sale of its property during the liquidation, after settling the accounts with the hired staff and execution of duties to the state budget, banks, owners of the stocks of the association and other creditors, is distributed between the members of the association in the order and ' under conditions as provided by the constituent documents and this Law within six (6) months after publication of the information about the liquidation.

The property contributed by the participants for use is returned as is, without compensations or bonuses.

In case of disagreement as to payment of the debts of the association, its money and property is not to be distributed until the settlement of disagreement or until creditors receive necessary guarantees.

Article 23. Association's Management and its Officials

Management of the association is carried out by the committees, the structure and election (appointment) which is determined by the form of association.

The chairman and the members of executive committee and the head of the revision committee are considered to be the association's officials; in associations with a council (observational council), the chairman and members of the council (observation council) are the association's officials.

The following persons cannot be officials of the association:

members of public organizations' elected committees, military men, officials of the prosecutor's office, court, state security, internal affairs, arbitration court, state notary as well as members of the government bodies and government agencies which are called to control the activity of the association.

Persons who are forbidden to engage in certain activity by law cannot be officials of the associations which engage in this activity.

Persons who have unexpunged convictions for larceny, bribery and other self-interest crimes cannot be appointed (elected) to the ruling positions and positions connected with financial responsibility.

The association's officials are responsible for damage caused to the association, as provided in Ukrainian law.

The association's officials must maintain commercial secrets and confidential information and are responsible for divulging it, as provided by Ukrainian law and constituent documents of the association.

PART II. KINDS OF ASSOCIATIONS

Chapter 1. Joint-Stock Associations Article 24. Joint-Stock Associations, Defined

The joint-stock association is one that has an authorized capital, divided into certain number of shares of definite equal nominal value and carries responsibility for their commitments only by its property. The stockholders are liable for the association only within the limits of the shares they own.

In some cases, the charter may provide that stockholders who have not fully paid for their shares are responsible for the association's commitments to the limits of the unpaid amount.

The total nominal value of issued stocks, not less than one hundred (100) rubles, constitutes the authorized capital of the association.

Article 25. Forms of Joint-Stock Associations

Joint-stock associations take two forms: an open joint-stock association's shares are distributed by means of open subscription and buying/selling at the stock-exchanges; a closed joint-stock association's shares are distributed only among the founders and cannot be distributed by means mentioned above.

The closed joint-stock association may be transformed into an open joint-stock association by registration of its shares, as provided by the legislation about valuable papers and stock-exchanges, and by changing its charter.

Article 26. Founders of the Joint-Stock Association

Any legal person and separate citizen can be the founder of joint-stock association.

Founders of the joint-stock association enter into an agreement concerning their joint activity in establishing a joint-stock association, and their responsibility to the persons who subscribed to shares and third persons.

Founders carry joint responsibility for commitments made before the registration of the joint-stock association.

To create a joint-stock association, the founders must announce their intention to Found the association, carry out subscription to stocks, conduct a constituent assembly, and effect state registration of the joint-stock association.

Article 27. Issuing Valuable Papers

The joint-stock association has the right to issue bonds and other valuable papers, as provided by Ukrainian law about valuable papers and stock-exchange.

Article 28. Obtaining Shares

Shares are bought by the participants during the creation of the joint-stock association on the basis of agreement with its founders and in connection with additional issuance of shares in connection with an increase of authorized capital from the association.

Unless otherwise provided by the charter of the association, stocks can be bought on the basis of an agreed upon price from its owner or holder or for a mutually determined price, or for the exchange market price, or by right of succession of citizens, or succession of rights of legal person.

The procedure for payment for shares is determined in accordance with the law of Ukraine.

Article 29. Distribution of Stocks

In connection with the foundation of joint-stock association, the stock can be distributed by means of open subscription (in the open joint-stock associations) or by division of the stock among the founders (in the closed joint-stock association).

Article 30. Open Subscription to Shares

The open subscriptions to shares during the creation of joint-stock associations is organized by its founders. In any case, the founders must hold not less than twenty-five percent (25%) of shares for not less than two (2) years.

The founders of the joint-stock association shall publish a notice about the open subscription in which the association's name should be indicated, aims and terms of its activity, structure of founders, date of constituent assembly, amount of the authorized capital expected, nominal value of shares, their amount and kinds, advantages and privileges of the founders, place of conducting business, dates of beginning and ending of subscription to shares, amount of property contributed by the founders in kind, name of the bank and number of the account on which the initial payments should be put.

According to the decision of the founders, other information can be included. The term of the open subscription must not exceed six (6) months.

Persons who want to buy shares must deposit not less than ten percent (10%) of the share price in the founders' account, after which the founders provide prospective buyers with a written commitment to sell the appropriate number of shares.

After expiration of the term mentioned in the notice, the subscription discontinues. If by this time less than sixty percent (60%) of shares is sold by the subscription, the association is not established. The persons who subscribed to shares receive their money or other property back not later than in thirty (30) days. Failure to full-fill this commitment s the founders' joint responsibility. If the subscription exceeds the amount of the authorized capital, the founders may decline over-subscription. Adjustment for over-subscription is accomplished by deleting the last subscribers. f the founders do not adjust over-subscription, the decision on accepting or declining subscriptions is made by constituent assembly. In either case, adjustment for over-subscription by the founders or by the constituent assembly, and money is returned in accordance with the procedure in this Article.

Where adjustment is made by the constituent assembly, the persons who subscribed î shares must pay not less than thirty percent (30%) of nominal price of shares, taking into account the initial contribution. To confirm the contributions, the founders give temporary certificates.

Article 31. Distribution of Shares Among Founders of Joint-Stock Associations

When all the shares of joint-stock association are distributed among the founders, hey must pay not less than fifty percent (50%) of shares by the time of the constituent assembly.

Article 32. Obtaining Shares by the Joint-Stock Association

A joint-stock association may buy fully paid shares from the holder for reselling or nullification only from funds which exceed the authorized capital. These shares must be sold or nullified within not more then one (1) year. During this time, the distribution of income, voting and quorum requirements at the assembly of holders is made without taking to account the shares purchased by the joint-stock association.

Article 33. Payment for Stock

The stockholder, within the period of time determined by the constituent assembly, put in no case later than one (1) year after registration of the joint-stock association, must pay the entire price for the stock. Failure to pay during the require term will result in a penalty to the stockholder)of ten percent (10%) annually on total amount of overdue payment.

For any stockholder's failing to pay within more than three months after the determined time of payment, the joint-stock association may sell these stocks, according to he procedure in the charter of the association.

Article 34. Prohibition of Issuing the Shares to Cover the Losses

A joint-stock association is prohibited from issuing new shares to cover losses of its economic activity.

Article 35. Constituent Assembly of Joint-Stock Associations.

The constituent assembly of the joint-stock association is called at the time mentioned the notice, but not later than two months after the subscription to shares is terminated.

If this term is exceeded, the person who subscribed to shares may demand return of the payment of the price of the shares. The constituent assembly is considered to have authority if the persons who subscribed to more than sixty percent (60%) of shares participate in it.

If the constituent assembly has not convened because of the lack of quorum, the constituent assembly should be called again during the following two weeks.

If the second calling of the assembly fails to produce quorum, the joint-stock association is considered not founded.

Voting at the constituent assembly shall proceed according to the principle: one share - one vote.

The decisions to found the joint-stock association, its subsidiary enterprises, branches and representations, to elect the council of the joint-stock association (observation council), its executive and controlling organs, and to give privileges to the founders of the joint-stock association must be adopted by three-fourths (3/4) of votes of the shares present at the assembly; other questions are to be adopted by simple majority vote.

Article 36. Authority of Joint-Stock Association's Constituent Assembly

The constituent assembly may decide the following:

- a) the decision to found the joint-stock association and adoption of its charter;
- b) declining a subscription to shares that exceeds the amount of shares offered; or, in case of accepting a subscription which exceeds the offered amount by authorizing an increase in capital;
- c) reduction of the amount of authorized capital, when by the end of the defined term, not all the shares are covered by the subscription;
- d) election of the council of the joint-stock association (observation council), executive and controlling committees;
- e) confirmation of the commitments made by the founders before founding of the joint-stock association;
- f) determination of privileges enjoyed by the founders;
- g) adoption of the evaluation of the contributions made in kind;
- h) and i) [not in English translation; Ukrainian original unavailable]
- j) other questions as provided by the constituent documents.

Article 37. Content of Charter of Joint-Stock Associations

The charter of the joint-stock association apart from the information required by the Article 4 of this Law, must contain information about the kinds of stocks issued, their nominal prices, correlation between different kinds of stocks, amount of shares to be bought by the founders, consequences of breaking the commitment to buy the shares, etc.

Article 38. Procedure For Increasing Authorized Capital of the Joint-Stock Association

The joint-stock association may increase its authorized capital if all the shares previously issued were fully paid at not less than the nominal price.

An increase of authorized capital is carried out by means of issuing of new shares, exchanging of bonds for shares, or by increasing the nominal price of the share.

Subscription to the additional shares is carried out according to Article 30 of this Law. The stockholders have priority in obtaining the additionally issued shares.

An increase of authorized capital by not more than one-third (1/3) may be made by the board of administration, if allowed by the charter.

Changes in the charter connected with the increase of authorized capital must be registered by the committee that registered the charter of the joint-stock association after having sold additional shares.

The joint-stock associations' bank and insurance institutions may provide other ways of increasing the authorized capital.

Article 39. Authority for Reduction of Authorized Capital of Joint-Stock Associations

The decision to reduce the authorized capital of the joint-stock association is adopted according to the same procedure as of increasing its authorized capital.

Reduction of authorized capital proceeds by reducing the nominal price of shares, by reducing the quantity of shares, by purchase of shares with their subsequent nullification.

The decision by the joint-stock association to nullify shares must occur not less than in six (6) months after notifying all stockholders of the decrease of the authorized capital by means provided by the charter.

The joint-stock association shall compensate owners of the shares for damage connected with changes of authorized capital. Any controversy regarding compensation for damage is to be decided by the court or arbitration court.

Article 40. Covering the Joint-Stock Association's General Assembly in Connection with Changes of the Authorized Capital

The notice for a meeting of a general assembly for deciding changes in the authorized capital of the joint-stock association must contain:

- a) purposes, means and minimal amount of increase or reduction of the authorized capital;
- b) draft of changes in the charter of the joint-stock association in connection with increase or reduction of authorized capital;
- c) data about the amount of shares issued additionally or excluded and their total value;
- d) information about the new nominal prices of shares;
- e) rights of the stockholders during issuing of new shares or exclusion of them;
- f) data of the beginning and the end of the subscription to the shares issued

additionally or their exclusion; and
g) order of compensation for the losses to the owners of the shares.

[Article 41. Not in English translation; Ukrainian original unavailable]

Article 42. Highest Body of the Joint-Stock Association

The highest body of the joint-stock association is the general assembly of the association. All members (stockholders) of the association may participate in the general assembly without regard to the number and kind of stocks they hold. Members of the executive bodies of the association who are not stockholders may participate in the general assembly with voting privileges.

The stockholders (or their representatives) who participate in the general assembly are registered by name and number of votes. The registration list is to be signed by the head and the secretary of the assembly.

The general assembly has authority to:

- a) determine general directions of the activity of the joint-stock association, adoption of plans and accounts for their fulfillment;
- b) introduce changes into the charter of association;
- c) elect and recall of members of council (observation council) of the association;
- d) elect and recall members of the executive body and revise the committee;
- e) ratify the annual results of the activity of the joint-stock association, including subsidiary enterprises, confirmation of the accounts and conclusions of the revision committee, draft regulations for profits distribution and how to cover losses;
- f) establish, reorganize and liquidate subsidiary enterprises, branches and representations, ratify their charters;
- g) subject officials of the association to personal responsibility;
- h) confirm regulations of procedure and other internal documents of the association, determine the organizational structure of the association;
- i) decide to purchase its own stock;
- j) not in English translation; Ukrainian original unavailable.]
- k) determine wages of officials of the association, its subsidiary enterprises branches and representations;
- l) ratify treaties (agreements) for sums which exceed the amount provided by the charter of the association;
- m) adopt decisions to discontinue the activity of the association, appoint a

liquidation committee, ratify liquidation report.

The general assembly has authority when stockholders, who have totally over sixty percent (60%) of votes according to the charter of the association, participate in it.

[Articles 43-45 Not in English translation; Ukrainian original unavailable]

Article 46. Council of Joint-Stock Associations

A joint-stock association may appoint (elect) its council (observation council), which controls the activity of the executive body.

According to the charter of the association, or the resolution of general assembly, the council (observation council) can be certified to be responsible for certain functions of the authority of general assembly. Members of the joint-stock association's council (observation council) cannot also be members of executive body.

Article 47. Executive Bodies of Joint-Stock Associations

The executive body of the joint-stock association, which directs its activity, is the management board, or other body provided by the charter.

The functions of the management board are supervised by the head (chairman) of the board who is appointed or elected, according to the charter of the association.

The management board manages the activities of joint-stock association except for those in the authority of the general assembly and council (observation council) of the joint-stock association. The general assembly may transfer part of its authority to the management board. The management board is accountable to the stockholder's general meeting and the council (observation council) of the joint-stock association, and executes their decisions.

The management board acts on behalf of the joint-stock association, within the limits presumed by this Law and charter of the association.

Article 48. Head and Members of Management Board of Joint-Stock Associations

The head of the management board of the joint-stock association has the right to act on behalf of the association without warrant.

Other members of the management board can be given this right, according to the charter.

The head of the association's management board keeps minutes of meetings of the management board. The minute book must be at the disposal of every stockholder; certified extracts from the minute book should be given according to the stockholders' demand. Only those persons who are involved in the business of the association may become members or the head of its management board.

Article 49. Revision Committee of Joint-Stock Associations

Control of financial and economic activity of the management board is carried out by the revision committee, which is elected out of the stockholders.

The revision committee's activity, structure and procedure is confirmed by the stockholders' general assembly, according to the charter of the association.

Control of financial and economic activity of the management board is carried out according to the general assembly, council (observation council) the revision committee's own initiative or at the demand of stockholders who own totally over ten percent (10%) of the shares. At its demand, the revision committee may obtain all documents, materials and explanations of officials.

The revision committee reports the results of its activities to the general assembly of joint-stock association or its council (observation council).

Members of the revision committee may participate in meetings of the management board with voting privileges. The revision committee should present an annual report of accounts and balances; without such reports, the general assembly is unable to confirm the balance. The revision committee is also obliged to call the general assembly of stockholders in the event of danger to the interests of joint-stock association or discovery of violations by the officials.

Chapter 2. Limited Responsibility Associations

Article 50. Limited Responsibility Associations, Defined

The limited responsibility is an association that has authorized capital divided into parts, the size of which is determined by the constituent documents.

Participants of the limited responsibility association take responsibility within the limits of their contributions.

As provided by the constituent documents, participants who have not fully paid their contribution are responsible for the commitments of the association to the limits of their unpaid contribution.

Article 51. Constituent Documents of Limited Responsibility Associations

Apart from the information required by Article 4 of this Law, a limited responsibility association's constituent documents must contain data about the size of each participant's contribution, structure and procedure of making contributions.

Changes in the property values contributed, or additional contributions of the participants, do not affect the size of each participant's share in the authorized capital set forth in the constituent documents, unless otherwise provided.

Article 52. Authorized Capital of Limited Responsibility Association

Limited responsibility associations shall establish authorized capital, the amount of which shall be not less than 50 thousand (50,000) rubles.

Before registration of the limited responsibility association, each participant must pay not less than thirty percent (30%) of his contribution required by constituent documents, and such payment is to be confirmed by corresponding bank certificate.

Each participant must fully pay his/her contribution not later than one year after registration of the association. In case of failure to fulfill this commitment on time, the participant is obliged to pay annually ten percent (10%) of overdue sum, unless otherwise required by constituent documents.

The participant of a limited responsibility association, having paid the contribution, shall receive the association's certificate.

Article 53. Shareholder Concession in Limited Responsibility Associations

The participant of a limited responsibility association, in agreement with the rest of participants, can cede his share(s) (or its part) to one or several other participants or, if it is not precluded by constituent documents, even to a third person or persons. Other participants of the association enjoy priority in obtaining the ceded share (the part of it) in proportion to their shares in the authorized capital of the association, or in any other agreed procedure.

Concession of shares (or parts of it) to third persons is possible only after full payment of the contribution by the participant who cedes it.

With concession of shares (or parts of it) to a third person, there occurs a simultaneous transfer of the rights and duties of the conessor to this person.

The share(s) of a participant in a limited responsibility association, after his full payment of contribution, may be purchased by the association itself. In this event, the association is obliged to resell it to other participants, or a third person, within one (1) year. During this period, the distribution of profits as well as voting and determination of quorum in the highest committee shall be carried out without consideration of the shares purchased by the association.

Article 54. Payment of Property Price Upon Participant's Leaving the Limited Responsibility Association

Upon the participant's leaving the limited responsibility association, he is paid the price of the part of the association's property in proportion to his share of the authorized capital. The payment occurs after confirmation of the annual account for the year he left, within twelve (12) months from the day of his leaving. On the participant's demand, and in agreement with the association, the contribution can be returned in kind fully or partially.

A participant who leaves the association is paid his share of the profits received by the association in the year of his departure. Any property given by a participant to a limited responsibility

association for use only, is returned in kind, without reward.

Article 55. Successors (legatees) of the Participant of Limited Responsibility

Associations

During the reorganization of the legal person that is a participant of the association, or in case of death of the citizen-participant of the association, the successors (legatees) have the priority to join the association.

In case of the successor's (legatee's) declining to join the limited responsibility association or the association's declining to accept the successor (the legatee), the latter is given, in money or property, the share, which belonged to the reorganized or liquidated or deceased legal person, the price of which is determined on the day of reorganization, liquidation, or death of the participant. In this case, the amount of authorized capital should be reduced.

Article 56. Term for Decision about Reduction of a Limited Responsibility Association's Authorized Capital Coming into Force

The decision about reduction of a limited responsibility association's authorized capital comes into force no sooner than three (3) months after state registration and publication of the fact in the established procedure.

Article 57. Proceeding for Recovery of Limited Responsibility Association's Participant's Share

Proceeding for recovery on a limited responsibility association's participant's share for his personal commitments is not possible. In case of insufficiency of participant's property for covering his own debts, the creditors have the right to demand separation of the participant's-in-debt share in the procedure provided by Article 55 of this Law.

Article 58. Highest Body of Limited Responsibility Associations

The highest body of a limited responsibility association is the participants' assembly. This assembly consists of the participants or representatives appointed by the limited responsibility association.

The participants' representatives may be permanent or appointed for a certain term. Any participant may at any time change his representative, by providing information to other participants about the fact.

A participant of a limited responsibility association has the right to transfer his powers at the assembly to any other participant or

any other participant's representative.
Participants have the number of votes in proportion to the size of their shares in the authorized capital.
The association participants' assembly elects the head of the association.

Article 59. Authority of Limited Responsibility Association Participants' Assembly

The assembly of limited responsibility association participants has authority to decide, apart from the questions in the paragraphs "a", "b", "d-g", "i-m" of Section 42 of this Law, the following questions:

- a) determination of size, form and order of making additional contributions made by the participants;
- b) decision on the question of obtaining the participants' share by the association itself;
- c) exclusion of participant from association.

On the questions in paragraphs "a", "b" of Article 41 [presumably means article 42] of this Law as well as the decision about exclusion of the participant from the association, unanimity in the highest body is necessary. On the other questions, decisions are adopted by simple majority votes.

Article 60. Decisions by the Limited Responsibility Association Participants' Assembly

The participants' assembly is considered to have authority if the participants (participants' representatives) have over sixty percent (60%) of the total votes present. Except for questions which require unanimity, all participants must be present.

Members of executive committees who are not members of the association may participate in the assembly and vote. Participants of the assembly may participate when they are registered \with their appropriate number of votes. The registration list is signed by the head and the secretary of the assembly.

Any participant of a limited responsibility association may demand consideration of his own questions at the participants' assembly if he presents them not later than twenty-five (25) days before the beginning of the assembly.

In cases provided by constituent documents, or allowed by the association's procedure, decision making by means of consent is to be followed. In this case,

participants must receive a draft of the question, and must express their opinion on the matter. In ten (10) days after receiving the opinion of the last participant, all participants should be

informed about the decision by the head of the assembly. The decision, by means of consent, is considered to be adopted if no participant objects.

The head of the association's assembly keeps the minutes. The minute book must be to the disposal of the participants any time. On their demand, certified extracts from the minute book shall be given to the participants.

Article 61. Calling A Limited Responsibility Association Participants' Assembly, Extraordinary Assembly

A limited responsibility association participants' assembly is called twice a year, unless otherwise provided by the constituent documents.

By contrast, an extraordinary assembly is called by the head of the association, under circumstances provided in constituent documents, such as possible insolvency of the association or other situations where the interests of the association as a whole demand it, particularly if danger of drastic reduction of authorized capital appears to be necessary.

The association participants' assembly must also be called at the demand of the head of the executive committee.

Participants of the association who together, have over twenty (20%) of votes have the right to call an extraordinary assembly at any time and for any reason concerning any activity of the association. If in twenty-five (25) days, the head of the assembly has not yet fulfilled the demand for an extraordinary assembly, they can call the assembly themselves.

Participants shall be informed about the time, place and agenda of the forth-coming assembly by means provided in the charter. This announcement should be made not less than thirty (30) days before calling general assembly. Each participant may demand consideration of his own question at the assembly under the condition that he came forward with it not later than twenty-five (25) days before the beginning of the assembly. Not later than seven (7) days before the assembly, participants should be given the opportunity to review documents included into the agenda of the assembly.

Decisions on questions not included in the agenda may be made only after unanimous agreement of all the participants present at the assembly.

Article 62. Executive Committees of Limited Responsibility Associations

The executive committee that is created in the limited responsibility association may be either: collegial (the board of directors) or one-person (director). The board of directors is headed by (one) general director; persons who are not members of the association may be members of executive committee as well.

The board of directors (or, the director) decide all matters of the association's activity, except for those that belong to the exclusive authority of participants' assembly.

The participants' assembly may decide to transfer some of its authority to the board of directors (director).

The board of directors (or, director) reports to the participants' assembly, and carries out its decisions.

The board of directors (or, director) must not make a decision that is obligatory for the association's participants. The board of directors (or, director) shall act within the limits determined by this Law and constituent documents.

A general director has the right to act on behalf of the association without warrant. Other members of the board of directors may also be given such right.

A general director may not also be the head of the association participants' assembly at the same time.

Article 63. Control of the Board of Directors' (Director's) Activity

Control of the limited responsibility association is carried out by the revision committee, which is founded by the association participants' assembly out of their ranks, in a number defined by the constituent documents, but not less than three (3) persons. The members of the board of directors (director) may not be the members of the revision committee.

Control of the board of directors' (director's) activity is carried out after the convening of an assembly, demand of participants or on the committee's own initiative. The revision committee has the right to demand (from the official) all necessary materials, bookkeeping or other documents and personal explanations.

The revision committee is accountable to the highest committee of the association.

The revision committee reviews annual accounts and balances.

Without the report of the revision committee, the participants' assembly has no authority to confirm the association's balance.

The revision committee has the right to raise the question of calling an extraordinary assembly, if danger to the essential interests of the association appears or if violations made by the officials are discovered.

Article 64. Exclusion from Limited Responsibility Association

A participant of limited responsibility association who systematically ignores his duties or does not fulfill them properly, or otherwise interferes with the goals of the association may be excluded from the association, by the unanimous decision of the association participants' assembly. In this case, that participant (or his representative) does not participate in voting.

Exclusion of any participant carries with it the consequences prescribed by the Articles 54 and 55 of this Law.

Chapter 3. Additional Responsibility Association

Article 65. Additional Responsibility Association, Defined

The additional responsibility association has authorized capital, divided into parts whose size is determined by the constituent documents. The participants of such associations are responsible for its debts, with their investments into the authorized capital; in cases of insufficiency of those sums, the property additionally belonging to them is reapportioned on a pro rata basis to each participant's investment.

The limits of responsibility of the participants is provided by the constituent documents.

Additional participant responsibilities are defined in Articles 4,11,52-64 of this Law.

Chapter 4. Complete Association **Article 66. Complete Association, Defined**

Complete association pertains to where all persons who take up common enterprise activity, and carry joint responsibility for the association's commitment regarding all of its property.

Article 67. Content of the Constituent Treaty About Complete Association

Apart from the conditions provided by Articles 4 and 66 of this Law, the constituent treaty of complete associations must describe the size, kind and order of investments and the way of their participation in the work of association.

Article 68. Management of Complete Associations

Management of complete associations is carried out according to the agreement of all the participants. Management of a complete association may be carried out either by all participants or by one or several of them who act on the association's behalf. In the latter case, the limits of the authority of the participants are determined by the participants.

If several participants are authorized to manage the association by the constituent treaty, each one of them may act on behalf of the association by himself. The constituent treaty may also provide that such participants must take certain actions collectively.

The participants authorized to manage the association's affairs must inform other participants upon demand about executed actions on behalf of the association.

The authority of a participant to manage the affairs of the association is fully or partially cancelled upon discontinuation of the activity of the association itself, or at the demand of at least one of the participants.

Unauthorized participants who act for the association, but whose actions are not approved by the rest of the participants, have the right to demand from the association compensation of expenses, if it is proved that the association preserved or gained property as a result of his actions, and that the value of these actions exceeded the expenses to the association.

Article 69. Concession of Complete Association Participants' Shares

Concession of the share (its part) by the complete association participant to the other participants or third persons may occur only when approved by the rest of the participants.

With concession of share (its part) to a third person, the seller simultaneously transfers all the rights and duties of the former participant.

Under conditions of reorganization of a complete association participant legal person, or the death of the citizen-participant of the association, his successor (legatee) may enjoy priority in becoming the successor participant of the association, providing other participants agree.

The successor (legatee) assumes responsibility for the debts of the participant to the complete association as well as for the debts of the association to the third persons, which occur as the result of the association's activity.

If a successor (legatee) refuses to join the association, or the association refuses to accept the successor legatee, he is paid the price of the share which belongs to the reorganized legal person (legatee), the amount of which is determined as of the day of reorganization (death) of the participant. In such cases the amount of the associations' property determined by the constituted documents, is reduced.

Article 70. Prohibition of Participants of Complete Associations to Compete with Complete Associations

Participants of complete associations are forbidden to enter on their own behalf into activities similar to the aims of the association's activity or to take part in any other associations (except for joint-stock associations) which have the aim of their own complete associations. In case of violation of these regulations, participants of the complete association are obliged to compensate the damage done to the association by their actions.

Article 71. Leaving the Complete Association

The participant in a complete association that was established for the undetermined time may leave the association at any time after having given the association three (3) months' notice.
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Leaving an association created for a determined time is possible only for valid a reason, and after having given the association six (6) months' notice.

If, after the participant's leaving, the association continues its activity, the departed participant is paid the price of his investment according to the balance for the day of his leaving. At the participant's demand and with the other participants' approval, the investment may be returned fully or partially in kind. The leaving participant is paid his respective part of the income received by the association on the year of his leaving it. The property given to the association for use only is returned to the participant without bonus.

Article 72. Participant's Exclusion from the Complete Association

The participant who systematically neglects or improperly fulfills his duties, or otherwise interferes with reaching the aims of the association with his actions, may be excluded from the association by the procedures set forth in the constituent documents.

Exclusion of the participant has the consequences presumed by the Article 71 of this Law.

Article 73. Proceeding for Recovery on Complete Association Participant's Share

Recovery of a complete association participant's shares for his personal commitments is impossible. In case of insufficiency of participant's property for covering debts, creditors have the right to demand liquidation of the association in the established procedure or separation of the participant's-in-debt share.

The rest of the participants can separate the share of such a participant in money or in kind, according to the balance counted for the day of his leaving.

Article 74. Participants' Responsibility for the Complete Association's Debts

If, during liquidation of the complete association, the amount of the available property is insufficient for paying debts, the participants may take joint responsibility for the association with all of their property, which according to Ukrainian law can be proceeded against for recovery. The participant is responsible for the association's debts without regard to whether they occurred after or before his joining the association. The participant who completely paid the association's debts may seek contribution according to the corresponding part of the rest of the participants who take the responsibility to him in proportion to their shares in the association's property.

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Chapter 5 Limited Association

Article 75. Limited Association, Defined

The limited association an association in which the participants are responsible with all of their property for the association's commitments; one or more participants has or have responsibility which is limited by their share in the association's property (investors).

Article 76. Content of Constituent Treaty of Limited Association

The constituent treaty of limited association, apart from the conditions presumed by the article 4 of this Law, must also describe the sizes of the share of each participant with full responsibility, amount, kind and order of making the investments and, form of their participation in the association's affairs.

As for the investors, only the total amount of their shares in the association's property is required, as well as the amount, kind and procedure of their making investments.

Article 77. Application of the Complete Association's Norms to the Limited Association

The norms of the complete association (Articles 67-74) may be applied to the limited association, taking into account the peculiarities mentioned in Articles 78-83 of this Law.

Article 78. Joining the Limited Association

The investor may join the limited association by making the appropriate investment in money or in property.

Article 79. Rights of Limited Association Investors

The limited association investors have the right to:

- act on behalf of the limited association within its limits;
- demand priority in returning their investments in cases of liquidation of the association;
- demand annual accounts and balances as well as verification.
-

Article 80. Duties of Limited Association Investors

Investors are obliged to make investments, as well as additional investments, in the amount, means and procedures provided in the constituent treaty.

Each investor must pay not less than twenty-five (25%) of his share for the registration of the association.

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Article 81. Management of the Limited Association

Management of the limited association is carried out only by participants with full responsibility. In a limited association where there is only one participant with full responsibility, the latter manages the affairs of the association on his own.

Investors cannot interfere with the activity of participants with responsibility for management of the association's affairs.

Article 82. Responsibility of the Limited Association's Investor

If an investor of the limited association enters into an agreement on behalf and within the interests of the association without any authorizations, and if his actions are ratified by the association, then he and the participants with full responsibility answer for the commitment to creditors with all of his property, which, according to law may be proceeded against for recovery.

If ratification is not received, the investor is alone responsible to the third person with all of his property, which, according to law may be proceeded against for recovery.

Each investor of the limited association is responsible for the associations' debts that appeared either before and after his joining the association.

Article 83. Discontinuation of the Limited Association

The limited association discontinues its activity, apart from the conditions provided by Article 19 of this Law, when all of the participants with full responsibility leave the association.

If all investors leave the association, then the participants with full responsibility, instead of liquidating the association, may reorganize the limited association into a complete association. In this case, as well as in case of liquidation of the association, the corresponding changes should be introduced into the constituent documents and state register.

The available sums of money of the association, including the earnings from selling its property during liquidation and after paying the hired staff and settling the affairs with the banks, budget and other creditors, are distributed first among the investors for returning them the investments, and only then, among the participants with the full responsibility in the order, and under conditions presumed by this Law and the constituent treaty.

In case of insufficiency of funds of the association to return the investors their investments, the available money is distributed among the investors in correspondence to their shares in the

association's property.

Head of the Supreme Council (Parliament) L. Kravchuk.

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