LAW OF UKRAINE

On Economic Partnerships

(The Official Journal of the Verkhovna Rada (OJVR), 1991, No. 49, Art.682)

(Comes into effect pursuant to the Verkhovna Rada Decree No. 1577-XII (1577-12) of 19 September, 1991, OJVR, 1991, No. 49, Art.683)

(With amendments introduced in accordance with Law No. 2692-XII (2692-12) of 14 October 1992, OJVR, 1992, No. 48, Art.662
Decree No. 24-92 of 31 December 1992, OJVR, 1993, No. 11, Art. 94 Laws
No. 3709-XII (3709-12) of 16 December 1993, OJVR, 1994, No. 3, Art. 11
No. 3710-XII (3710-12) of 16 December 1993, OJVR, 1993, No. 51, Art. 480
No. 82/95-BP of 02 March 1995, OJVR, 1995, No. 14, Art. 90
No. 769/97-BP of 23 December 1997, OJVR, 1998, No. 18, Art. 89
No. 622-XIV (622-14) of 05 May 1999, OJVR, 1999, No. 26, Art. 213
No. 1708-III (1708-14) of 11 May 2000, OJVR, 2000, No. 32, Art. 256
No. 2409-III (2409-14) of 17 May 2001, OJVR, 2001, No. 31, Art. 146
No. 2916-III (2916-14) of 10 January 2002, OJVR, 2002, No. 15, Art. 102
No. 3047-III (3047-14) of 07 February 2002, OJVR, 2002, No. 29, Art. 194
No. 3095-III (3095-14) of 07 March 2002, OJVR, 2002, No. 32, Art. 222
No. 2459-IV (2459-15) of 03 March 2005, OJVR, 2005, No. 16, Art. 263)

(Official commentary to the Law - see the Constitutional Court Judgement, No. 4-pn/2005 (v004p710-05) of 11 May 2005)

(With amendments introduced in accordance with Law No. 2801-IV (2801-15) of 06 September 2005, OJVR, 2005, No. 48, Art.480)

(Note: The economic partnerships officially registered prior to the moment of coming into effect of the Law 'On Introduction of amendments and supplements to the Law of Ukraine 'On Economic Partnerships' (3709-12), are not subject to re-registration pursuant to the Verkhovna Rada Decree No. 3711-XII (3711-12) of 16 December 1993, OJVR, 1994, No. 3, Art.12)

This Law specifies the concept and types of economic partnerships, order of their foundation and types of activity, as well as rights and obligations of their participants and founders.

Section I

GENERAL PROVISIONS

Article 1. Economic Partnerships

Economic Partnerships under this Law are enterprises, institutions, organizations established on the basis of an agreement by legal and
physical persons through consolidation of their assets and business with the purpose of gaining a profit.

Economic partnerships include joint-stock companies, limited liability companies, additional liability companies, general partnerships and commandite partnerships.

Partnerships are legal persons. Partnerships may conduct any business which does not conflict with the Ukraine's legislation. Economic partnerships may acquire property and personal non-property rights, undertake obligations and appear before a court and an arbitration court on their behalf. (Section five of Article 1 with alterations introduced in accordance with Law No. 762-IV (762-15) of 15 May 2003.)

Any economic partnership may acquire equity stakes (shares), assets of other economic partnerships observing legal requirements on business competition protection. (Article 1 is supplemented with section six in accordance with Law No. 82/95-BP of 02 March 1995, with alterations introduced in accordance with Law No. 1294-IV (1294-15) of 20 November 2003.)

**Article 2. Name of a Partnership**

Name of a partnership shall include a type of the partnership, in the case of general partnerships and commandite partnerships it shall include surnames (names) of the partnership members, as well as other required information.

Name of a partnership shall be cited in its constituent documents. Name of a partnership shall not refer to its affiliation with respective ministries, departments and public organizations. Place of location (location) of a partnership shall be in the territory of Ukraine.

**Article 3. Founders and Participants of a Partnership**

(The validity of section one of Article 3 is cancelled with regard to the right of state enterprises to act as founders or participants of economic partnerships pursuant to Decree No. 24-92 of December 31, 1992.) Enterprises, institutions, organizations, as well as physical persons may be founders and participants of an economic partnership save as otherwise provided by the legislation acts of Ukraine.

(The validity of section two of Article 3 is cancelled with regard to the right of state enterprises to be founders or participants of economic partnerships pursuant to Decree No. 24-92 of December 31, 1992.) Enterprises, institutions and organizations having become members of a partnership shall not be liquidated as legal persons.

Foreign citizens, stateless persons, foreign legal persons, as well as international organizations may be founders and members of economic partnerships *pari passu* with Ukraine's citizens and legal persons, except in cases provided by legislation acts of Ukraine.

**Article 4. Constituent Documents of a Partnership**

Any joint-stock company, limited liability company and additional liability company shall be founded and act on the basis of the foundation agreement and the Articles of Association, general and commandite partnerships - on the basis of the foundation agreement. Constituent documents of the partnership shall be coordinated with the Antimonopoly
Committee of Ukraine in the cases provided for by the effective law.
(Section one of Article 4 with amendments introduced pursuant to Law No. 82/95-BP of 02 March 1995.)

Constituent documents shall contain information about the type of the partnership, subject and purpose of its business operations, founders and participants, name and location, amount of the authorized fund and order of its formation, order of distribution of gains and losses, composition and competency of the partnership bodies and order of decision-making, including the list of issues which may be decided only by qualified majority of votes, order of making alterations in constituent documents, as well as the order of liquidation and reorganization of the partnership.
(Section two of Article 4 with amendments introduced pursuant to Law No.3095-III (3095-14) of 07 March 2002.)

Constituent documents shall also contain information provided for by Articles 37, 51, 65, 67 and 76 of this Law.

Lack of the aforesaid information in constituent documents shall serve as the basis for refusal in state registration of the partnership.

Other terms and conditions which are not contrary to the Ukraine's legislation may be included into constituent documents.

**Article 5. Period of a Partnership Activities**

If a period of a partnership activities is not specified in the constituent documents, the partnership shall be deemed established for an indefinite period.

**Article 6. State Registration of a Partnership**

A partnership shall acquire rights of legal entity since the moment of its state registration.

State registration of a partnership shall be made in accordance with regulations established by the Law of Ukrainian S.S.R. 'On Enterprises in Ukrainian S.S.R.'(887-12).

Partnerships related to banking business shall be registered with the National Bank of Ukraine in order specified by the laws of Ukraine concerning banks and banking business.

**Article 7. State Registration of Alterations in Constituent Documents**

Any alteration in constituent documents of a partnership which shall be entered in the State Register, is subject to state registration in accordance with the same rules established for state registration of the partnership.

The partnership undertakes to inform the respective registration body about alterations, introduced in constituent documents, within the five-day period for introducing necessary alterations in the State Register.

**Article 8. Consequences Arising from Agreements Entered into Prior to the Partnership Registration**

A partnership cannot open current and deposit accounts with banks, as well as conclude contracts and other agreements unless and until its registration has been completed. Agreements entered into on behalf of the partnership prior to the moment of its registration are deemed concluded with the partnership itself provided that the latter subsequently approve
Article 9. Subsidiaries, Branches and Representative Offices of Partnerships

A partnership has the right to establish its branches and representative offices, as well as subsidiaries on the territory of Ukraine and abroad in accordance with the effective law of Ukraine.

Article 10. Rights of Partnership’s Participants

Participants of a partnership have the right:

a) to take part in the management of the partnership pursuant to the order specified in the constituent documents, except in cases provided by this Law;

b) to take part in distribution of profits of the partnership and receive a share of the profits (dividends). Persons participating in the partnership as of the beginning of the period for payment of dividends, have the right to get a share of the profits (dividends) in proportion to the share of participation of each member;

(c) to withdraw from the partnership in accordance with the established order;

d) to receive information about business operations of the partnership. The partnership must give annual balance-sheets, operating statements of the partnership, minutes of its meetings for examination to any participant of the partnership upon his/her request.

The participants may have other rights provided for by the law and constituent documents of the partnership.

Article 11. Obligations of Participants of a Partnership

Participants of a partnership undertake:

a) to adhere to constituent documents of the partnership and implement decisions of general meetings and other administrative bodies of the partnership;

b) to meet commitments to the partnership including those related to proprietary interest, as well as make contributions (pay up shares) to the amount, in order and by means provided for by the constituent documents;

c) not to disclose commercial secrets and confidential information concerning business operations of the partnership;

(d) to bear other commitments if provided for by this Law, other laws of Ukraine and constituent documents.

Article 12. Ownership of Property of a Partnership

A partnership is the owner of:
the property, ownership of which was transferred to the partnership by its founders and participants;
the products manufactured by the partnership in the course of its economic activity;
received profits;
other property acquired on the legitimate basis.
A partnership shall bear risks of accidental loss or damage of the property which belongs or is given to it for use, except as otherwise provided by the constituent documents.

**Article 13. Contributions Made by Participants and Founders of a Partnership**

Contributions of participants and founders of a partnership may be buildings, constructions, equipment and other material valuables, securities, plots of land in accordance with the Land Code of Ukraine (2768-14), right to use water and other natural resources, buildings, constructions, equipment, as well as other property rights (including intellectual property right), money funds, including those in foreign currency. (Section one of Article 13 with alterations introduced in accordance with Law No. 1377-IV (1377-15) of December 11, 2003.)

Contribution evaluated in karbovanets constitutes the share of the participant and the founder in the authorized fund. The order of contribution assessment shall be established in the constituent documents of the partnership, except as otherwise provided by the Ukraine's legislation.

It is prohibited to use budget funds, borrowed and pledged funds to form the authorized fund. (Article 13 is supplemented with section three in accordance with Law No. 3709-12 of December 16, 1993.)

An auditor (audit company) must verify the financial standing of the founders (except physical persons) of open joint-stock companies as to their ability to make respective contributions to the authorized fund. (Article 13 is supplemented with section three in accordance with Law No. 90/95-BP of 14 March 1995.)

**Article 14. Funds of a Partnership**

A partnership shall form the reserve fund (insurance fund) in the amount specified by the constituent documents but in any case it must equal at least 25 per cent of the authorized fund; other funds provided for by the Ukraine's legislation or constituent documents of the partnership shall be formed as well.
The constituent documents shall specify the amount of annual deductions to the reserve (insurance) fund, but they must be no less than 5 per cent of the total net profit.

**Article 15. Profit of a Partnership**

Profit of a partnership arises from operating revenues after repayment of material and similar expenses as well as labour costs. Interests on bank credit and obligations shall be paid for from the balance-sheet profit of a partnership; taxes and other payments to the budget provided for by the Ukraine's legislation shall be paid as well. The net profit received after the aforesaid settlements shall remain at the disposal of the partnership, which determines this profit allocation in accordance with the constituent documents.
Article 16. Changes in the Authorized Fund

A partnership has the right to change (increase or decrease) its authorized fund. The authorized fund may be increased after making payment of contributions (payment for shares) by all the members, except in cases provided by this Law. Should the creditors of a partnership reject a reduction of the authorized fund, such a reduction shall be prohibited. Decision of the partnership to change the amount of the authorized fund comes into effect since the day of filing such changes in the State Register.

Article 17. Audit of Financial Operations of a Partnership

Audit of financial operations of a partnership is conducted by state tax inspection, other state authorities within their competence, inspection bodies of the partnership and audit organizations. (Section one of Article 17 with alterations introduced in accordance with Law No. N 3710-12 of December 16, 1993.) Inspection shall not disturb normal course of business of the partnership.

Article 18. Accounting and Reporting of the Partnership

A partnership shall keep books, compile and submit statistical information and administrative data in order established by the law. (Section one of Article 18 in version of Laws No. 1708-III (1708-14) of 11 May 2000, No. 3047-III (3047-14) of 07 February 2002.) Reliability and integrity of annual financial statements of a partnership shall be confirmed by an auditor (auditing firm). The audit of annual financial statements of a partnership, whose annual economic turnover is less than two hundred fifty tax-free minimum pecuniary gains, shall be made every three years on the mandatory basis. (Article 18 is supplemented with section two in accordance with Law No. 90/95-BP of 14 March 1995, with alteration introduced in accordance with Law No. 1708-III (1708-14) of 11 May 2000.)

Article 19. Termination of Partnership's Operations

Termination of partnership's operations shall be made through its reorganization (merger, affiliation, division, separation, transformation) or liquidation with observance of legislative requirements concerning protection of economic competition. (Section one of Article 19 with alterations introduced pursuant to Laws No. 82/95-BP of 02 March 1995, No. 1294-IV (1294-15) of 20 November 2003.) Reorganization of a partnership shall be done under the decision of the supreme body of the partnership. Reorganization of the partnership which abuses of its monopolistic market position may be also made through its enforced division in the order provided for by the effective law. (Section two of Article 10 with alterations introduced in accordance with Law No. 82/95-BP of 02 March 1995.) The partnership, if reorganized, shall transfer the entirety of its rights and obligations to its assignees.
The partnership shall be liquidated:

a) if the period it was established for has expired, or the goal set at its foundation is reached;

b) by the decision of the supreme body of the partnership;

c) by court decision on presentation of the bodies supervising the business of the partnership in case of systematic or gross violation of law; (Paragraph one of clause "c", section four, Article 19 with alterations introduced in accordance with Law No. 762-IV (762-15) of 15 May 2003.)

d) for other reasons provided for by the constituent documents.

Article 20. Liquidation Commission

Liquidation of a partnership shall be carried out by the liquidation commission appointed by this partnership, or, if the partnership's operations are terminated under the court decision, by the liquidation commission appointed by these bodies. Should the partnership be recognized bankrupt, its liquidation shall be made in accordance with liquidation procedure provided for by the Law of Ukraine 'On Recovery of Borrower's Solvency or Recognition of its Bankruptcy' (2343-12); (Paragraph two of clause "c", section four, Article 19 in the version of Law No. 2409-III (2409-14) of 17 May 2001, with alterations introduced in accordance with Law No. 762-IV (762-15) of 15 May 2003.) (Clause "c", section four, Article 19 in the version of Law No. 2692-12 of October 14, 1992.)

Authorities concerning administration of partnership's business affairs shall be transferred to the liquidation commission since the date of its assignment. The liquidation commission within three days after its assignment shall publish information concerning the partnership liquidation in one of official (republican or local) mass media with notification of the deadline for creditor's filing statements of claim; provide assessment of the partnership's property in the order established by the property appraisement law as well as property rights, and conduct professional valuation operations; reveal its debtors and creditors and settle accounts with them; take measures to repay partnership’s debts to third persons and its members; draw up the liquidation balance and submit it to the supreme body of the partnership or the body having assigned the liquidation commission.

Reliability and integrity of the liquidation balance shall be confirmed by an auditor (auditing firm) save partnerships whose annual economic turnover is less than two hundred fifty tax-free minimum pecuniary gains. (Section two of Article 20 with alterations introduced in accordance with Laws No. 90/95-BP of 14 March 1995, No. 2801-IV (2801-15) of 06 September 2005.)

Article 21. Distribution of Funds of a Partnership at its Liquidation

Money funds of a partnership, including earnings received from sale of its property in the process of liquidation, after making payments for labour of the partnership's employees and on fulfilment of obligations to the budget, banks, holders of bonds issued by the partnership, and other creditors, shall be distributed among the members of the partnership in the order and under conditions established by this Law and the constituent
documents within six month period after publication of information about liquidation of the partnership.

Assets given to the partnership by its members for use shall be returned in kind without any reward.

Should any dispute concerning repayment of partnership's debts arise, its money funds shall not be subject to distribution among its members till settling the dispute or the creditors' receiving respective guarantees.

**Article 22. Time of Partnership's Winding-up**

Liquidation of a partnership is deemed completed and the partnership is deemed went out of business since the time of making respective entry in the State Register.

**Article 23. Administrative Bodies of a Partnership and their Officials**

A partnership shall be managed by its administrative bodies whose composition and order of election (assignment) of the members depends on the type of the partnership.

The president and members of the executive body, head of the auditing commission shall be deemed officials of the administrative bodies of the partnership; should the board (supervisory board) of the partnership exist, the president and members of the board (supervisory board) shall be officials of the administrative bodies as well. (Section two of Article 23 with alterations introduced in accordance with Law No. 769/97-BP of 23 December 1997.)

People's deputies of Ukraine, members of the Cabinet of Ministers of Ukraine, heads of central and other executive bodies, military men, deputies of local councils working there on a permanent basis, officials of public prosecutor's office, courts, bodies of national security or internal affairs, state notaries, as well as officials of public and local authorities cannot be officials of the administrative bodies of the partnership, save in cases when state officials carry out management of the shares (interests, equity participations) which are state property, and represent state interests in the board of the partnership (supervisory board) or auditing commission of the partnership. The persons who are prohibited by court against conducting certain business activities, cannot be officials of those partnerships which conduct such a business. The persons who have uncancelled conviction of theft, bribery and other self-interested crimes cannot fill administrative positions in partnerships as well as positions related to material responsibility. (Section three of Article 23 with alterations introduced in accordance with Laws No. 769/97-BP of 23 December 1997, No. 622-XIV (622-14) of 05 May 1999, No. 762-IV (762-15) of 15 May 2003, No. 1519-IV (1519-15) of 19 February 2004, No. 2459-IV (2459-15) of 03 March 2005.)

Officials shall be liable for damages caused by them to the partnership in accordance with the effective law of Ukraine.

Officials shall keep commercial secret and confidential information and bear responsibility for its disclosure pursuant to the effective law of Ukraine and constituent documents of the partnership. (Article 23 with alterations introduced in accordance with Law No. 769/97-BP of 23 December 1997.)
Section II

TYPES OF PARTNERSHIPS

Chapter 1. JOINT-STOCK COMPANIES

Article 24. Concept of a Joint-Stock Company

A joint-stock company is a partnership with its authorized fund divided into a definite number of shares of equal face value, which is liable for its obligations only with its assets.

The shareholders are liable for obligations of the partnership within the amount of shares they hold.

In cases provided for by the Articles of Association the holders of outstanding shares shall also bear responsibility for the partnership's obligations to the extent of the outstanding amount.

The total face value of issued shares shall constitute the authorized capital of the joint-stock company which cannot be less than the equivalent of 1250 minimum wages at a minimum wage rate effective at the moment of foundation of the joint-stock company. (Section four of Article 24 with alterations introduced in accordance with Law No. 3709-12 of 16 December 1993.)

Article 25. Types of Joint-Stock Companies

There are the following types of joint-stock companies: open joint-stock company whose shares may be allocated through public subscription or exchange purchase; closed joint-stock company whose shares are allocated among the founders and cannot be allocated through public subscription or freely traded at a stock exchange.

A closed joint-stock company may be transformed into open joint-stock company through registration of its shares in accordance with the procedure set forth in the laws concerning securities and stock exchange, in this case respective alterations must be introduced into company's Articles of Association.

Article 26. Founders of a Joint-Stock Company

Founders of a joint-stock company may be legal and physical persons.

The founders of a joint-stock company enter into an agreement for and between them which determines the order of conducting joint operations aimed at foundation of a joint-stock company, their liabilities to persons - subscribers for shares, and third persons.

The founders are jointly liable for obligations arisen prior to the registration of the joint-stock company.

To establish a joint-stock company the founders shall announce their intention to found a joint-stock company, carry out subscription for shares, hold constituent assembly and carry out state registration of the joint-stock company.
Article 27. Issue of Securities by a Joint-Stock Company

A joint-stock company shall have the right to issue securities according to the requirements set by the State Commission on Securities and Stock Market. Should additional shares be issued without registration of the previous issue of shares, all contracts on purchase and sale of shares of supplementary issue shall deem invalid with consequences provided for by section five of Article 30 of this Law.

A joint-stock company must give its shareholders their shares (share certificates) within six months after registration of share issue.

A closed joint-stock company is allowed to issue only registered shares. (Article 27 in the version of Law No. 769/97-BP of 23 December 1997.)

Article 28. Acquisition of Shares

The participants shall buy shares in the course of foundation of a joint-stock company on the basis of an agreement concluded with the company's founders, and in case of supplementary share issue caused by increase in the authorized fund - on the basis of an agreement with the company.

A share may be acquired on the basis of an agreement concluded with its owner or holder at a price fixed by the parties or at a fair price existing in the stock market, or be inherited by physical persons or assigned to legal persons, or transferred on another basis provided for by the law. (Section two of Article 28 in the version of Law No. 769/97-BP of 23 December 1997.) (For official interpretation of provisions of section two of Article 28 see the Constitutional Court Judgement No. 4-pn/2005 (v004p710-05) of 11 May 2005.)

Any transfer and enjoyment of the right of share ownership shall be made in accordance with the Ukraine's legislation. (Section three of Article 28 in the version of Law No. 769/97-BP of 23 December 1997.)

Article 29. Distribution of Shares

In the course of foundation of a joint-stock company its shares may be distributed through open subscription (in open joint-stock companies) or between the founders (in closed joint-stock companies).

Article 30. Open Subscription for Shares

In the course of joint-stock company foundation its founders shall organize open subscription for shares. In any case the founders must be holders of shares whose value is not less than 25 per cent of the authorized fund, for the period of two years as minimum.

Founders of an open joint-stock company (issuers) must publish information about shares issue, whose contents and order of registration is specified by the State Commission on Securities and Stock Market, in accordance with requirements of the effective law. (Section two of Article 30 in the version of Law No. 769/97-BP of 23 December 1997.)

The period for open subscription for shares shall not exceed six months. (Section three of Article 30 in the version of Law No. 769/97-BP of 23 December 1997.)

Persons wishing to acquire shares have to transfer to the founders' account not less than 10 per cent of value of shares they subscribe for, and the founders shall give them a written obligation to sell them the respective number of shares.
Upon termination of the period specified in the announcement the subscription terminates. Should the subscription for 60 per cent of shares fail to this moment, the joint-stock company shall deem unfounded. Money funds or other assets transferred or given by the subscribers for shares shall be returned to them within 30 days. The founders are jointly liable for non-fulfillment of this obligation.

When the subscription for shares exceeds the amount of the authorized fund, the founders may decline any excessive subscription if it is provided for by terms and conditions of the issue. Rejection of subscription shall be made in accordance with the list of subscribers, beginning with its end. If the founders do not reject excessive subscription the constituent assembly shall approve the respective resolution on acceptance or denial of excessive subscription. Should the founders or constituent assembly reject the excessive subscription the transferred funds shall be returned in the order provided for by section four of this Article. (Section six of Article 30 with alterations introduced in accordance with Law No. 769/97-BP of 23 December 1997.)

Persons subscribed for shares shall transfer not less than 30 per cent of face value of shares including the preliminary contribution prior to the day of a constituent assembly convocation. The founders shall issue temporary certificates confirming the contribution.

**Article 31. Distribution of all the Shares among the Founders of a Joint-Stock Company**

Should all the shares of a joint-stock company be distributed among the founders, the latter shall pay at least 50 per cent of face value of shares prior to the day of a constituent assembly convocation.

**Article 32. Acquisition of Own Shares by a Joint-Stock Company**

A joint-stock company shall have the right to buy out the shares from the shareholder who paid them up, only within the funds exceeding the authorized fund, for their further resale, distribution between its employees or cancellation. The aforesaid shares shall be sold or cancelled within one year at the latest. Within this period the distribution of profit, voting and making a quorum at general meetings of shareholders shall be realized taking into account all the shares save and except the own shares acquired by the joint-stock company.

**Article 33. Payment for Shares**

The shareholders are bound to make payments for their shares in full within the period fixed by the constituent assembly but no later than one year after the registration of the joint-stock company. Should a shareholder fail to make payment within the specified period, he/she shall pay 10 per cent annual of the late payment for the time of delay save as otherwise provided by the Articles of Association. If payments are not made within the specified 3-month grace period, the joint-stock company shall have the right to sell these shares in accordance with the procedure set forth in the Articles of Association.
Article 34. Prohibition against Issue of Shares for Covering Losses

A joint-stock company is prohibited to issue shares for covering losses arisen out of its business operations.

Article 35. Constituent Assembly of a Joint-Stock Company

Constituent assembly of a joint-stock company shall be convened within the period indicated in the notification but no later than two months since the moment of termination of subscription for its shares. Should the aforesaid period expire, a subscriber to the shares shall have the right to require that the paid portion of the shares value be returned.

Constituent assembly of a joint-stock company is deemed competent, if its participants are the persons who subscribed for more than 60 per cent of shares offered for subscription. If the constituent assembly fails because of lack of a quorum, the second convocation of the constituent assembly shall be held within two weeks. If the second convocation of the constituent assembly also fails because of lack of a quorum, the joint-stock company shall be deemed unfounded.

Voting at the constituent assembly shall be based on the principle: one share – one vote.

Resolution on the foundation of a joint-stock company, its subsidiaries, branches and representative offices, on the election of the board of a joint-stock company (supervisory board), its executive and auditing bodies, as well as on granting privileges to the founders for account of the joint-stock company shall be approved by a majority of 3/4 votes of persons who are present at the constituent assembly and have subscribed for the shares, while other issues shall be decided by a simple majority of votes.

Article 36. Competence of the Constituent Assembly of a Joint-Stock Company

Constituent assembly of a joint-stock company shall decide the following issues:

a) approves the resolution on foundation of the joint-stock company and its Articles of Association;

b) accepts or rejects a proposal of subscription for shares, scope of which exceeds the quantity of shares offered for subscription (in case of approval of the resolution on the subscription for shares, which exceeds the scope of announced subscription, the specified authorized fund shall adequately increase);

c) decreases the amount of the authorized fund, if the whole required sum indicated in the notification is not fully covered by subscription for shares within the specified period;

d) elects the board of the joint-stock company (supervisory board), executive and auditing bodies of the joint-stock company;

e) decides the issue of approval of agreements concluded by the founders prior to the foundation of the joint-stock company;

f) fixes privileges granted to the founders;

g) approves assessment of contributions in kind;

h) deliberates other issues pursuant to the constituent documents.
Article 37. Contents of Articles of Association of a Joint-Stock Company

Articles of Association of a joint-stock company in addition to information indicated in Article 4 of hereof shall contain information about classes of shares for issue, their face value, proportion of different classes of shares, number of shares to be bought by the founders, consequences arisen out of a failure to fulfil commitments concerning redemption of shares, period and order of paying a part of profit (dividends) once a year in accordance with the results of a financial year. (Article 37 with amendments introduced according to Law No. 769/97-BP of 23 December 1997.)

Article 38. Order of Increasing the Authorized Fund of a Joint-Stock Company

A joint-stock company shall have the right to increase its authorized fund, if all the shares previously issued are fully paid up at a price which is not less than their face value.

Authorized fund increases in accordance with the order established by the State Commission on Securities and Stock Market through issue of new shares, exchanges of bonds for shares or increase in face value of the shares. (Section two of Article 38 with alterations introduced in accordance with Law No. 769/97-BP of 23 December 1997.)

Subscription for shares additionally issued shall be made in the order provided for by Article 30 of this Law. The shareholders shall have preferential right to acquire the shares additionally issued. The subscribers for these shares take part in the voting on approval of the results of subscription for the shares additionally issued. (Section three of Article 38 with alterations introduced in accordance with Law No. 769/97-BP of 23 December 1997.)

A resolution on increasing the authorized fund of a joint-stock company by 1/3 as maximum shall be adopted by the board provided that the same is specified in the Articles of Association.

Any change in the Articles of Association related to increasing the authorized fund, shall be registered with the authority, which has registered the Articles of Association of a joint-stock company, upon selling the shares additionally issued.

Articles of Association of banking and insurance institutions which are joint-stock companies may provide for an order of increasing the authorized fund other than that specified in this Article.

Article 39. Order of Reducing the Authorized Fund of a Joint-Stock Company

A resolution on reducing the authorized fund shall be approved in the same order as that on increasing the authorized fund.

The authorized fund decreases through reducing face value and quantity of the shares and through redemption of a part of the shares from their owners for further cancellation.

By the resolution of a joint-stock company as to reducing the authorized fund the shares not presented for their cancellation shall be deemed invalid, but not earlier than six months after giving a respective notification to all the shareholders in the manner specified in the Articles of Association.

A joint-stock company indemnifies the owner of shares for the losses resulted from changes in the authorized fund. Any disputes concerning
indemnification of losses shall be settled by a court of justice. (Section four of Article 39 with alterations introduced in accordance with Law No. 762-IV (762-15) of 15 May 2003.)

Article 40. Notification of Convening of a General Meeting Concerning the Changes in the Authorized Fund of a Joint-Stock Company

Notification of the future convocation of a general meeting convened for deciding the issue of changes in the authorized fund of a joint-stock company shall include:

a) reasons for, method and minimum rate of increasing or reducing the authorized fund;
b) draft changes and alterations in the Articles of Association related to increasing or reducing the authorized fund;
c) information about quantity of shares to be additionally issued or withdrawn, and their total value;
d) information about new face value of the shares;
e) information about shareholders' rights in case of additional issue or withdrawal of shares;
f) the date of commencement and termination of subscription for the shares of additional issue, or their withdrawal;
g) the order of indemnification of the owners of shares for losses resulted from changes in the authorized fund.

Article 41. Supreme Body of a Joint-Stock Company

A general meeting of shareholders is the supreme body of a joint-stock company. All the shareholders regardless of quantity and class of shares they possess, have the right to take part in the general meeting. The members of executive bodies who are not the shareholders also have the right to take part in the general meeting with a deliberative vote. Shareholders (or their authorized representatives) taking part in the general meeting shall be registered with indication of quantity of votes each of them possesses. Registration of the shareholders (their authorized representatives) arrived to participate in the general meeting shall be made by the executive body of the joint-stock company or by the registrar on the basis of a contract entered into with him on the day of holding the general meeting and in accordance with the register of shareholders. The register shall be signed by the chairperson and the secretary of the meeting.

Registration of shareholders - owners of bearer shares, shall be performed against presentation of these shares (share certificates) or statements of the accounts in securities. The persons - owners of shares as of the day of convocation of the general meeting of shareholders, shall have the right to take part in it (save the convocation of the constituent assembly).

Any shareholder can delegate his/her powers to the other person in accordance with the law. The Power of Attorney for taking part in and voting at the general meeting may be certified by the registrar or the board of the joint-stock company.

The shareholders possessing in aggregate over 10 per cent of votes and/or the State Commission on Securities and Stock Market may appoint their representatives to supervise the registration of shareholders taking part in the general meeting, they shall give the respective written notification to the executive body of the joint-stock company prior to the beginning of the registration.
The competence of the general meeting includes:

- Definition of basic lines in business activities of the joint-stock company and approval of its plans and reports on their fulfilment;
- Introduction of alterations into the Articles of Association of the company;
- Election and withdrawal of members of the board (supervisory board) of the joint-stock company;
- Election and withdrawal of members of the executive body and audit commission;
- Approval of annual business figures of the joint-stock company and its subsidiaries, approval of the reports and opinions of the audit commission, order of distribution of profits, period and order of payment of a share of profit (dividends), fixing the order of covering losses;
- Foundation, reorganization and liquidation of subsidiaries, branches and representative offices, approval of their by-laws and regulations;
- Taking decisions on bringing officials of the managerial bodies of the company to property accountability;
- Approval of procedural rules and other internal documents of the company, definition of the organizational framework of the company;
- Making decision on acquisition by the joint-stock company of the shares issuing by it;
- Determination of conditions concerning remuneration of labour of officials of the joint-stock company, its subsidiaries and representative offices;
- Approval of contracts (agreements) concluded to the amount exceeding that specified by the Articles of Association of the company;
- Making decision on termination of company's business, appointment of liquidation commission, approval of liquidation balance.

Powers and authorities provided by clauses "b", "e", "f", "l" are of exclusive competence of the general meeting of shareholders and cannot be transferred to other bodies of the company.

Other issues may be referred to the competence of the general meeting, if set forth in the Articles of Association of the company.

The general meeting shall be deemed competent, if the shareholders taking part in it possess over 60 per cent of votes in accordance with the Articles of Association.

The chairperson and secretary of the meeting shall sign minutes of the general meeting and within three business days after closing the meeting the minutes shall be submitted to the executive body of the joint-stock company. (Article 41 in the version of Law No. 769/97-BP of 23 December 1997.)

Article 42. Competence of the Resolutions of a General Meeting of Shareholders

The resolutions of a general meeting of shareholders shall be approved by a majority of 3/4 votes of the shareholders who are present at the meeting, on the following issues:

- Changes and alterations in the Articles of Association of the company;
- Approval of the resolution on termination of company's business operations;
- Foundation of subsidiaries, branches and representative offices of the company and termination of their business operations.

Resolutions on other issues shall be approved by a simple majority of votes of shareholders taking part in the meeting.
Article 43. Order of Convocation of a General Meeting of Shareholders

The holders of registered shares shall be personally notified of convocation of a general meeting of shareholders pursuant to the order provided for by the Articles of Association. In addition, the general notification shall be published in local mass media at the place of location of the joint-stock company and in one of the official editions of the Verkhovna Rada of Ukraine, Cabinet of Ministers of Ukraine or State Commission on Securities and Stock Market with information about the time and place of holding the meeting and its agenda. If the agenda includes the issue of changing the authorized fund of the joint-stock company, the information provided for by Article 40 hereof shall be published together with the agenda. The notification shall be made at least 45 days prior to the day of convocation of the general meeting. The second notification shall be made in the aforesaid mass media, if necessary. The general meeting of shareholders shall be convened on the territory of Ukraine, usually at the place of location of the joint-stock company, save the cases when, as of the day of convocation of the general meeting, 100 per cent of the company's shares are owned by foreigners, stateless persons, foreign legal persons as well as international organizations. (Section one of Article 43 in the version of Law No. 769/97-ВР of 23 December 1997, with alteration introduced in accordance with Law No. 2916-III(2916-14) of 10 January 2002.)

Any shareholder has the right to make his proposals as to the agenda of the meeting no later than 30 days prior to its convocation. The executive body of the company takes decision on including these proposals into the agenda. Proposals of the shareholders possessing over 10 per cent of votes shall be introduced into the agenda without fail. Decisions on changing the agenda shall be brought to the notice of every shareholder no later than 10 days prior to the day of convening of the meeting in accordance with the procedure set forth in the Articles of Association. (Section two of Article 43 in the version of Law No. 769/97-ВР of 23 December 1997.)

The shareholders must have the opportunity to investigate the documents related to the agenda prior to the convocation of the general meeting.

The general meeting is not competent to take decisions on issues not included into the agenda.

Article 44. Procedure of Voting at a General Meeting of Shareholders

Voting at a general meeting of shareholders is based on the principle: one share - one vote. (Section one of Article 44 with alteration introduced in accordance with Law No. 769/97-ВР of 23 December 1997.)

An authorized representative may be permanent or assigned for a definite period. A shareholder shall have the right to change his/her representative at the supreme body at any time upon giving the respective notice to the executive body of the joint-stock company.

Article 45. Periodicity of Convocation of General Meetings of Shareholders. Extraordinary Meetings

General meetings of shareholders shall be convened once a year as minimum, save as otherwise provided by the Articles of Association.

An extraordinary meeting of shareholders shall be convened in case of company's insolvency and in the presence of circumstances indicated in the
Articles of Association of the company, or in other cases if the interests of the whole joint-stock company require it.

The executive body must convene an extraordinary meeting on written request of the board (supervisory board) of the joint-stock company or its audit commission. The executive body of the joint-stock company must take a decision on convocation of the extraordinary meeting with the agenda proposed by the board (supervisory board) of the joint-stock company or its audit commission within 20 days since the moment of receiving the written request. (Section three of Article 45 in the version of Law No. 769/97-BP of 23 December 1997.)

Shareholders possessing in aggregate over 10 per cent of votes shall have the right to request convocation of the extraordinary meeting at any time and by any reason. If the board does not satisfy this request within 20 days, the shareholders shall have the right to convene the meeting themselves in accordance with the requirements of section one of Article 43 of this Law. (Section four of Article 45 in the version of Law No. 769/97-BP of 23 December 1997.)

Article 46. The Board (Supervisory Board) of a Joint-Stock Company

The board (supervisory board) of a joint-stock company may be formed from among the shareholders, it represents the interests of the shareholders during the period between two successive general meetings within the competence provided for by the Articles of Association, controls and regulates the activity of the board of directors.

Representatives of the trade-union organ or other body which is empowered by the labour collective and has signed the collective contract on behalf of the labour collective, take part in the board of the joint-stock company with the deliberate vote. (Article 46 is supplemented with section two in accordance with Law No. 622-XIV (622-14) of 05 May 1999.)

Should the number of shareholders of a joint-stock company exceed 50 persons, the board (supervisory board) of this joint-stock company shall be formed on the mandatory basis.

The board (supervisory board) of the joint-stock company may be vested with the authority to execute special functions pertaining to the competence of the general meeting in pursuance of the resolution of the general meeting of shareholders or by respective provisions of the Articles of Association of the joint-stock company.

The matters pertaining to the sole competence of the board (supervisory board) of the joint-stock company in virtue of the Articles of Association, cannot be transferred to the executive bodies of the company for their approval.

Members of the board (supervisory board) of the joint-stock company cannot be members of the executive body or audit commission. (Article 46 in the version of Law No. 769/97-BP of 23 December 1997.)

Article 47. Executive Bodies of a Joint-Stock Company

A board of directors or other body provided for by the Articles of Association shall be the executive body of a joint-stock company managing its day-to-day operation.

The chairperson of the board of directors assigned or elected in accordance with the Articles of Association of the joint-stock company shall manage the board.

The board of directors shall make decisions on all issues related to business operations of a joint-stock company except those which are of the
competence of a general meeting and the board (supervisory board) of the 
joint-stock company. General meeting may approve resolutions on transfer of 
a part of its rights to the competence of the board of directors. 
The board of directors is accountable to the general meeting of 
shareholders and the board (supervisory board) of the joint-stock company. 
The board of directors shall act on behalf of the joint-stock company 
within the limits provided for by this Law and the Articles of Association 
of the joint-stock company. 
The chairperson of the board of directors assigned or elected in 
accordance with the Articles of Association of the joint-stock company 
shall manage the board.

Article 48. Chairperson and Members of the Board of Directors of a Joint-Stock Company

The chairperson of the board of directors of a joint-stock company is 
entitled to act on behalf of the company without any Power of Attorney. Other members of the board of directors also may be vested with this right 
in accordance with the Articles of Association.
The chairperson of the board of directors of the company shall 
organize keeping of minutes at the meetings of the board of directors. The 
minute book shall be available for the shareholders at any time. The 
certified extracts from the minute book shall be given to the shareholders 
on their request.
The persons having labour relations with the company may be the 
chairperson and members of the board of directors of the company.

Article 49. Audit Commission of a Joint-Stock Company

The audit commission elected from among the shareholders shall inspect 
the financial and economic activity of the board of directors of the 
joint-stock company.
Members of the audit commission shall not be members of the board of 
directors, board (supervisory board) of the joint-stock company or other 
officials of the company. (Article 49 is supplemented with section two in 
accordance with Law No. N 769/97-BP of 23 December 1997.) 
The activity of the audit commission and the number of its members 
shall be regulated and approved by the general meeting of shareholders in 
accordance with the Articles of Association of the company.
The audit commission shall inspect financial and economic activity of 
the board of directors on the instructions of the board (supervisory board) 
of the joint-stock company, on its own initiative and upon the request of 
shareholders possessing in aggregate over 10 per cent of votes. All the 
materials, accounting and other documents shall be submitted to the audit 
commission on its request.
The audit commission shall submit a report about the results of its 
inspection to the general meeting of shareholders or the board (supervisory 
board) of the joint-stock company.
The members of the audit commission shall have the right to take part 
in meetings of the board of directors with a deliberate vote.
The audit commission shall make its opinion based on annual statements 
and balances. The general meeting of shareholders shall not approve the 
balance without the opinion submitted by the audit commission. 
The audit commission must require the convocation of the extraordinary 
meeting of shareholders if the substantial interests of the company are 
threaten or the abuse of power by the company's officials is exposed.
Chapter 2. LIMITED LIABILITY COMPANIES

Article 50. Concept of a Limited Liability Company

A limited liability company is a company with the authorized capital divided into shares whose amount is specified in the constituent documents. Members of the company shall be liable for obligations of the partnership to the extent of their contributions.

In cases provided for by the constituent documents the participants, who contributed in part, shall be additionally liable for obligations of the limited liability company to the extent of a non-contributed part.

Article 51. Peculiarities of the Contents of Constituent Documents of a Limited Liability Company

Constituent documents of a limited liability company shall contain information about the value of each participant's share, amount and composition of their contributions as well as the order of making contributions, in addition to information specified in Article 4 hereof.

Any change in value of assets brought in as a contribution as well as additional contributions of participants shall not change their share in the authorized capital specified in constituent documents of the limited liability company except as otherwise provided by the constituent documents.

Article 52. Authorized Capital of a Limited Liability Company

The minimum amount of the authorized capital of a limited liability company shall not be less than 100 minimum wages based on the minimum wage rate effective at the moment of foundation of the limited liability company. (Section one of Article 52 with alterations introduced pursuant to Laws No. 3709-12 of 16 December 1993, No. 622-XIV (622-14) of 05 May 1999.)

Prior to the moment of registration of the limited liability company each of its participants shall make contributions to the authorized capital to the amount at least equalled to 30 per cent of the contribution set forth in the constituent documents. (Section two of Article 52 in the version of Law No. 1987-III (1987-14) of 21 September 2000.)

Each participant shall make his/her contribution in full within one year period after registration of the limited liability company. Should the participant fail to fulfil this commitment within the specified period, he/she shall pay 10 per cent annual of the outstanding amount for the term of delay, except as otherwise provided by the constituent documents.

The participant of a limited liability company who has made his/her contribution in full shall receive the company's certificate.

Article 53. Cession of a Share (its Part) in the Authorized Capital of a Limited Liability Company

A participant of a limited liability company may cede his/her share (its part) to one or several participants of the same company or third persons by consent of other participants except as otherwise provided by the constituent documents. The members of the company shall have the
preferential right to acquire the share (its part) of the participant who
cedes it, proportionally to their shares in the authorized capital of the
company or to the amount agreed upon by and between them.

Any transfer of a share (its part) to third persons shall be possible
provided that the ceding member has made his contribution in full.

All the rights and obligations of the participant ceding his share in
full or in part shall be transferred to the third person together with the
transfer of the share (its part).

Limited Liability Company may acquire the share of its member provided
that the latter has made his contribution in full. In such case the company
shall be bound to transfer the share to other participants or third persons
within one year period. Within this period distribution of profit, as well
as voting and establishing a quorum at the supreme body shall be realized
regardless of the share acquired by the company.

Article 54. Payment for Company Assets in Case of Participant's Withdrawal from a Limited
Liability Company

Should a participant quit a limited liability company, the latter
shall pay him/her the value of the part of the company's assets in
proportion to his/her share in the authorized capital. The payment shall be
made upon approval of annual statements for that year, when he/she quits
the company, within 12 months after the day of his/her withdrawal. The
contribution may be fully or partially repaid in kind on the participant's
request and upon the company's consent.

The company shall pay the exiting member his/her part of income
received by the company during the same year and prior to the moment of
his/her withdrawal. Assets transferred to the company by its member only
for use shall be given back in kind without any remuneration.

Article 55. Assignees (heirs) of a Participant of a Limited Liability Company

In case of reorganization of a legal person, which is a participant of
a limited liability company, or death of a physical person - participant of
the company, assignees (heirs) shall have the preferential right to join
the company.

Should an assignee (heir) refuse to join the limited liability company
or the company refuse to admit such an assignee (heir), the latter shall
receive the share of assets in cash or in kind, which belonged to a
reorganized or liquidated legal person (testator), the value of that share
being determined as of the day of participant's reorganization or
liquidation (death). In such cases the authorized capital must be
decreased.

Article 56. Coming into Effect of a Decision on Decreasing the Authorized Capital of a Limited
Liability Company

A decision of a limited liability company to decrease its authorized
capital shall come into effect no earlier than 3 months after its state
registration and publishing the respective notification in the established
order.

Article 57. Lien on the Share of Participation in a Limited Liability Company
Lien on the share of participation in a limited liability company based on the participant's own liabilities shall be banned.

Should the participant's assets be insufficient to cover his/her debts, the creditors shall have the right to claim alienation of the share of the debtor-participant in the order set forth in Article 55 of this Law.

Article 58. The Supreme Body of a Limited Liability Company

The supreme body of a limited liability company is the meeting of its participants. The participants are the company's members or their authorized representatives assigned by them.

The participants' authorized representatives may be appointed on a permanent basis or for a definite period. Any participant can change his authorized representative at a meeting at any time notifying other members of it.

Any member of a limited liability company has the right to delegate his/her authority at a meeting to other member or his/her authorized representative.

Participants have a number of votes proportional to their shares in the authorized capital.

The President of the company is elected by the meeting of the company's participants.

Article 59. Competence of a Meeting of Participants of a Limited Liability Company

The competence of meeting of a limited liability company in addition to the matters and issues specified in clauses "а", "б", "д-г", "д-л" of Article 41 of this Law includes:

а) fixing amount, procedure and order of making additional contributions by the company's participants;

б) making decision on acquisition of a participant's share by the company;

в) withdrawal of a participant from the company.

Resolution on matters and issues specified in clauses "а", "б" of Article 41 of this Law, as well as on withdrawal of a participant is deemed approved, if the participants voting for it possess, in the aggregate, over 50 per cent of all participants' votes. (Section two of Article 59 in the version of Law No. 3095-III (3095-14) of 07 March 2002.)

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

Article 60. Order of Making Decisions at the Meeting of Participants of a Limited Liability Company

A meeting of participants is deemed competent, if the participants, who are personally present or represented by their authorised representatives, possess, in the aggregate, over 60 per cent of votes. (Section one of Article 60 with alterations, introduced in accordance with Law No. 3095-III (3095-14) of 07 March 2002.)

Members of executive bodies who are not the participants of the company can take part in the meeting with a deliberative vote. Participants of the meeting who take part in the meeting shall be registered with indication of number of their votes. The registration list shall be signed by the chairperson and the secretary of the meeting.
Any participant of the limited liability company has the right to require consideration of any matter or issue at the meeting, if it was raised no later than 25 days prior to convening of the meeting. In the events provided for by the constituent documents or procedures approved by the company a resolution may be approved through making inquiries. In this case a draft resolution or the issue proposed for voting shall be sent to the members, who have to notify of their opinion in writing. The chairperson must inform all the members about the approved resolution within 10 days upon receipt of the notification from the ultimate voting member. (Section four of Article 60 with alteration introduced in accordance with Law No. 3095-III (3095-14) of 07 March 2002.) The chairperson of the company's meeting shall organize keeping of minutes. The minute book shall be available for the company's participants at any time. The certified extracts from the minute book shall be given to the company's members on their request.

**Article 61. Periodicity of Convening Meetings of Members of a Limited Liability Company**

**Extraordinary meetings**

Meetings of members of a limited liability company shall be convened at least twice a year, except as otherwise provided by the constituent documents. Extraordinary meetings of members shall be convened by the President of the company in the presence of circumstances specified in the constituent documents, company's insolvency, other circumstances, if the interests of the company as a whole require to do that, in particular, in the presence of a threat of considerable decrease in the authorized capital.

Meeting of the company's members may be convened upon request of its executive body. The company's participants who possess more than 20 per cent of votes in the aggregate have the right to demand convocation of the extraordinary meeting of the members at any time and by any reason concerning the company's business. Should the President of the company fail to fulfil the demand within 25 days, the participants are entitled to convene the meeting of participants themselves.

The company's participants shall be notified of convening of the meeting in accordance with the statutory procedure with indication of time and location of the meeting and its agenda. The notification shall be made at least 30 days prior to the convocation of the general meeting. Any company's participant is entitled to require consideration of any matter at the participant's meeting provided that the question was raised at least 25 days prior to the date of the meeting. The company's participants shall have the opportunity to investigate the documents related to the agenda of the meeting no later than 7 days prior to convening of the meeting. Resolutions on issues and matters not included into the agenda may be approved given the consent of all the participants who are present at the meeting.

**Article 62. Executive Body of a Limited Liability Company**

A limited liability company shall establish its executive body, which may be collegiate (board of directors) or sole (director) one. The board of directors is headed by the director general. Persons, who are not company's participants, may be the members of the company's executive body. The board of directors (director) decides all the issues and matters concerning company's business except those of the exclusive competence of
the participant's meeting. The meeting of the company's participants may delegate a part of its authority to the competence of the board of directors (director).

The board of directors (director) is accountable to the meeting of the company's participants and implements its resolutions. The board of directors (director) is not entitled to make decisions which are binding upon the company's participants.

The board of directors (director) acts on behalf of the company within the limits specified by this Law and the constituent documents.

Director general is entitled to act on behalf of the company without any power of attorney. This right may also be vested in other members of the board of directors.

Director general (director) cannot be a chairperson at the meeting of the company's participants at the same time.

Article 63. Supervision over Activity of the Board of Directors (Director) of a Limited Liability Company

Supervision over activity of the board of directors (director) of a limited liability company shall be exercised by an auditing commission assigned by the meeting of the company's participants from among them, the number of its members is provided for by the constituent documents but is no less than 3 persons. Members of the board of directors (director) cannot be members of the auditing commission.

The auditing commission inspects the activity of the company's board of directors (director) on the instruction of the meeting, on its own initiative or upon request of the company's participants. The auditing commission is entitled to demand all needed materials, account books or other documents as well as personal explanations from the company's officials.

The auditing commission informs the supreme body of the company about the results of its inspection.

The auditing commission makes an opinion concerning annual statements and balances. The meeting of the company's participants is not entitled to approve the company's balance without the opinion of the auditing commission.

The auditing commission has the right to raise a question about convening of extraordinary meeting of the participants, if the material interests of the company are threaten or the abuse of power by the company's officials is exposed.

Article 64. Expulsion of Members from a Limited Liability Company

If any member of a limited liability company fails to regularly fulfill his/her commitments or unduly fulfils them, or his/her actions impede the company to achieve its goals, such a member may be withdrawn from the company on the basis of a decision voted through by the participants possessing in the aggregate over 50 per cent of all votes of the company's participants. The member (his/her authorized representative) does not vote in this case. (Section one of Article 64 with alterations introduced in accordance with Law No. 3095-III (3095-14) of 07 March 2002.)

Expulsion of a member from the company shall entail consequences provided for by Articles 54 and 55 of this Law.
Chapter 3. ADDITIONAL LIABILITY COMPANY

Article 65. Concept of an Additional Liability Company

Additional liability company is a partnership with an authorized capital divided into shares whose amount is fixed by the constituent documents. Participants of such a partnership are liable for its debts with their contributions to the authorized capital, and in case of its insufficiency they are additionally liable with their assets in common aliquot amount of their contributions.

The limit of the participant's liability is provided by the constituent documents.

The regulations specified in Articles 4, 11, 52-64 of this Law with regard to the details provided for by this Article shall apply to the additional liability company.

Chapter 4. GENERAL PARTNERSHIP

Article 66. Concept of a General Partnership

A general partnership is a partnership whose participants are engaged in joint business and are jointly liable for obligations of their partnership with all of their assets.

Article 67. Contents of the Foundation Agreement of a General Partnership

The foundation agreement of a general partnership in addition to the terms and conditions provided by Articles 4 and 66 of this Law shall determine the amount of each participant's share, amount and composition of their contributions and the order of making contributions, as well as a form of their participation in the partnership's business.

Article 68. Conduct of Business of a General Partnership

A general partnership conducts its business under unanimous consent of all the participants.

Business activities of the partnership may be conducted by all the copartners or one or several of them acting on behalf of the partnership. In the latter case the scope of copartners' powers is specified in the power of attorney signed by the other copartners.

If a foundation agreement determines several copartners with the powers to carry on the partnership's business, it implies that each of them may independently act on behalf of the partnership. It may be specified in the foundation agreement that such copartners have the right to act in association only.

Copartners empowered to carry on the general partnership's business are bound to give full information about actions made to the benefit and on behalf of the partnership to the other copartners on their request.

Copartner's authority to carry on the partnership's business shall be terminated in full or in part in case of discontinuation of the partnership's activities due to the copartner's waiver of the commission or the commission being revoked on the request of at least one of the other copartners.
A copartner who was acting in the mutual interests without respective authority is entitled to demand reimbursement of his/her expenses from the partnership, even though his/her actions are not approved by the other copartners, if the partnership expressly saved or acquired assets as a result of the copartner's actions, and value of that assets exceeds expenses incurred by the partnership.

Article 69. Cession of a Copartner's Share (its Part) in a General Partnership

A copartner of a general partnership may transfer his share (its part) to other copartners or third persons only by consent of all the copartners. All the rights and obligations of the copartner quitting a general partnership or ceding a part of his share shall be transferred to a third person together with the transfer of the share (its part).

In case of reorganization of a legal person, which is a participant of a general partnership, or death of a physical person - a general partnership's participant, the assignee (heir) has the preferential right to join the partnership upon consent of the other copartners.

The assignee (heir) is liable for copartner's debts to the general partnership arisen within the period of the partnership's business activity, as well as for the partnership's debts to third persons.

Should the assignee (heir) refuse to join the general partnership or the general partnership refuse to admit such an assignee (heir), the latter shall receive the value of the share which belongs to a reorganized legal person (testator), the amount of the share being determined as of the date of the copartner's reorganization (death). In such cases the amount of partnership's assets indicated in the foundation agreement shall be properly decreased.

Article 70. On the Ban for the General Partnership Copartners to Compete with the General Partnership

Copartners of the general partnership are not allowed to make transactions similar to the objectives of the partnership's business as well as to participate in any partnership with business object similar to that of the general partnership on their own behalf and for their benefit.

Should the regulations provided for by this Article be infringed the participants of the general partnership shall be bound to cover losses incurred by the partnership and caused by these actions.

Article 71. Copartner's Withdrawal from a General Partnership

Any copartner of a general partnership established for an indefinite period may quit the partnership at any moment notifying of his decision at least 3 months in advance.

A copartner is allowed to quit a general partnership established for a definite time provided that serious reasons exist and the respective notification was received not later than 6 months prior to the event.

If a general partnership carry on its business after withdrawal of a copartner, the former shall repay him/her the value of his/her contribution in accordance with the balance drawn up as of the day of withdrawal. On copartner's request and by a consent of the partnership the contribution may be fully or partially returned in kind.
The exiting copartner shall receive his/her share of profit earned by the partnership that year. Assets given to the copartners only for use shall be returned in kind without any reward.

**Article 72. Expulsion of a Copartner from a General Partnership**

If a copartner of a general partnership regularly fails to fulfil or unduly fulfils his/her commitments or his/her actions impede the partnership to achieve its goals, such a copartner may be excluded from the partnership in accordance with the procedure set forth in the constituent documents.

Expulsion of a copartner from the general partnership results in consequences provided for by Article 71 of this Law.

**Article 73. Lien on a Copartner's Share in a General Partnership**

Lien on a copartner's share in a general partnership based on the copartner's own liabilities shall be banned. Should the assets of the copartner be insufficient to cover his/her debts, the creditors shall have the right to claim liquidation of the partnership in accordance with the established procedure or to apportion participatory share of the debtor-copartner.

The other copartners shall have the right to apportion participatory share of the debtor-copartner in cash or in kind with intent to remain the partnership valid in accordance with the balance drawn up as of the day of the copartner's withdrawal from the partnership.

**Article 74. Liability of Copartners for the Debts of a General Partnership**

Should actual assets be insufficient for paying all debts in the course of liquidation of a general partnership, its participants shall be jointly liable for paying a deficient amount with all their assets subjected to alienation in accordance with the Ukraine's legislation. Any copartner is liable for the debt of the partnership whether the debt was accumulated after the copartner's joining the partnership or before it.

A copartner who has repaid debts of the partnership in full is entitled to have respective recourse against other copartners who are liable to him in proportion to their shares in the partnership's assets.

**Chapter 5. COMMANDITE PARTNERSHIP**

**Article 75. Concept of a Commandite Partnership**

A commandite partnership is a partnership with one or more participants who conduct business on behalf of the partnership and are liable for the obligations of the partnership with all their assets, and one or more participants who are liable for obligations of the partnership within the amount of their contributions (dormant partners). (Section one of Article 75 in the version of Law No. 769/97-BP of 23 December 1997.)
If there are two or more participants with full liability in the commandite partnership, they shall be jointly liable for the partnership's debts.

**Article 76. Contents of the Foundation Agreement of a Commandite Partnership**

The foundation agreement of a commandite partnership in addition to terms and conditions provided for by Articles 4 of this Law shall fix the amount of share of each participant with full liability, as well as amount and composition of their contributions and the procedure of their making contributions, as well as a form of their participation in the partnership's business.

As to the dormant partners the foundation agreement indicates only the aggregate amount of their shares in the partnership's assets, as well as amount and composition of their contributions and the procedure of their making contributions.

**Article 77. Application of General Partnership Norms to a Commandite Partnership**

The norms of Articles 67-74 of this Law with regard to the details provided for by Articles 78-83 hereof shall apply to a commandite partnership.

**Article 78. Entrance of a Dormant Partner to a Commandite Partnership**

A dormant partner can enter a commandite partnership through making cash or material contributions.

**Article 79. Rights of Dormant Partners of a Commandite Partnership**

Dormant partners of a commandite partnership have the right:
- to act on behalf of the commandite partnership only, if they have a power of attorney and act in accordance with it;
- to demand the prior repayment of their contributions (compared with other participants with full liability) in case of the partnership liquidation;
- to demand submission of annual statements and balances to them, as well as opportunity to verify the correctness of their making.

**Article 80. Obligations of Dormant Partners of a Commandite Partnership**

Dormant partners of a commandite partnership are to make capital and supplementary contributions to the amount, by means and in the order specified in the foundation agreement.

The aggregate amount of partners' shares shall not exceed 50 per cent of the partnership's assets indicated in the foundation agreement.

As of the moment of registration of the commandite partnership each of the dormant partners has to bring his/her assets to the amount no less than 25 per cent of his/her contribution.
Article 81. Conduct of Business of a Commandite Partnership

The business of a commandite partnership is exclusively conducted by the partners with full liability (general partners).
If there is only one general partner in a commandite partnership, he/she shall conduct the business himself/herself.
The dormant partners shall not have the right to impede the general partners to conduct the business of the commandite partnership.

Article 82. Liability of a Dormant Partner of a Commandite Partnership

Should a dormant partner of a commandite partnership enter into an agreement for the benefit and on behalf of the partnership without having respective powers, and the commandite partnership approve his/her actions, such a dormant partner together with the general partners shall be liable to the creditors for execution of contract with all his/her assets subjected to alienation in accordance with the law.
If the approval is not expressed, the dormant partner shall be singly liable to any third person with all his/her assets subjected to alienation in accordance with the law.
A dormant partner of the commandite partnership is liable for the partnership's debts arisen prior to his/her joining the partnership to third persons in the same order as the other dormant partners.

Article 83. Particulars of Termination of a Commandite Partnership

A commandite partnership terminates on the grounds specified in Article 18 of this Law and, in addition, if all the general partners quit it.
Should all the dormant partners quit the partnership, the general partners shall have the right to reorganize the commandite partnership into a general partnership instead of its liquidation. In this case, as well as on the partnership liquidation, the respective alterations shall be introduced into the foundation agreement and state register.
Available money funds of the commandite partnership, including proceeds from sale of its assets in the course of the partnership liquidation, after settling with the partnership's employees and fulfilment of the obligations to banks, budget, other creditors shall be allocated, in the first place, among the dormant partners purposely to return them their contributions, and then among the general partners in the order and pursuant to the terms and conditions provided for by this Law and the foundation agreement. If the partnership's funds are insufficient to pay back the contributions to the dormant partners in full, the available funds shall be allocated among the dormant partners in accordance with their shares in the partnership's assets.